

ANDERSONS INC
Form 10-K
March 01, 2011

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K**

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

For the fiscal year ended December 31, 2010

Commission file number 000-20557

THE ANDERSONS, INC.

(Exact name of registrant as specified in its charter)

OHIO

(State or other jurisdiction of
incorporation or organization)

34-1562374

(I.R.S. Employer
Identification No.)

480 W. Dussel Drive, Maumee, Ohio

(Address of principal executive offices)

43537

(Zip Code)

Registrant's telephone number, including area code (419) 893-5050

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of the registrant's voting stock which may be voted by persons other than affiliates of the registrant was \$554.1 million on June 30, 2010, computed by reference to the last sales price for such stock on that date as reported on the Nasdaq Global Select Market.

The registrant had 18.5 million common shares outstanding, no par value, at February 9, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

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Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on May 6, 2011, are incorporated by reference into Part III (Items 10, 11, 12 and 14) of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Commission on or about March 13, 2011.

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The Andersons, Inc. (the Company) is a diversified company with interests in the grain, ethanol and plant nutrient sectors of U.S. agriculture, as well as in railcar leasing and repair, turf products production and general merchandise retailing. Founded in Maumee, Ohio in 1947, the Company now has operations in 16 U.S. States and Puerto Rico, plus railcar leasing interests in Canada and Mexico.

The Company has experienced significant growth during the year. The Company acquired two grain cleaning and storage facilities from O Malley Grain, Inc. (O Malley) for a purchase price of \$7.8 million. O Malley is a supplier of consistent, high quality food-grade corn to the snack food and tortilla industries with facilities in Nebraska and Illinois. In addition, the Company purchased two grain storage facilities in Kearney and Riverdale, Nebraska, and took over a third leased facility in Paxton, Nebraska from B4 Grain, Inc. for a purchase price of \$35.1 million. B4 Grain buys and sells corn, soybeans and wheat. These acquisitions expanded the Company's footprint another step westward and contributed to the increase in total storage capacity to about 107 million bushels from 101 million bushels. In addition, the Company invested \$12.6 million for a 49.9% equity stake in Iowa Northern Railway Company (IANR) and \$0.5 million for a 49.9% equity stake in an affiliate, Zephyr Holding Company (Zephyr). IANR operates a 163-mile short line railroad that runs diagonally through Iowa from northwest to southeast. With a fleet of 21 locomotives and 500 railcars, IANR primarily serves agribusiness customers and moves more than 50,000 car loads per year. Zephyr is involved in the development of storage and logistics terminals designed to aid the transloading of various products including ethanol and wind turbine components.

Segment Descriptions

The Company's operations are classified into five reportable business segments: Grain & Ethanol, Rail, Plant Nutrient, Turf & Specialty, and Retail. Each of these segments is organized based upon the nature of products and services offered. See Note 16 to the consolidated financial statements in Item 8 for information regarding business segments.

Grain & Ethanol Group

The Grain & Ethanol Group provides merchandising and services to the grain industry primarily in the U.S. Corn Belt. It also is an investor in and operator of three ethanol facilities.

Grain The Grain Division operates grain terminals in Ohio, Michigan, Indiana, Illinois, and Nebraska with storage capacity of approximately 107 million bushels at December 31, 2010. The division sold more than 353 million bushels in the U.S. and Canada during the year. Income is earned on grain bought and sold or put thru the elevator, grain that is purchased and conditioned for resale, grain held to earn market value appreciation until sold and grain stored for others upon which storage fees are earned. The Grain Division also offers a number of unique grain marketing, origination and risk management services to its customers for which it collects fees.

The Chicago Mercantile Exchange (CME) implemented a new methodology for calculating wheat storage rates. Storage rates are no longer static but now vary with the storage rate dependent upon the price spread relationship between the various trading months. The new variable storage rates were implemented by the CME and provided a significant source of income in 2010.

In 2008, the Company renewed the five-year lease agreement and the five-year marketing agreement (the Agreement) with Cargill, Incorporated (Cargill) for Cargill's Maumee and Toledo, Ohio grain handling and storage facilities. As part of the agreement, Cargill is given the marketing rights to grain in the Cargill-

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owned facilities as well as the adjacent Company-owned facilities in Maumee and Toledo. This lease covers 8.3%, or approximately 8.9 million bushels, of the Company's total storage space. Grain sales to Cargill totaled \$269 million in 2010, and include grain covered by the Agreement as well as grain sold to Cargill via normal forward sales from locations not covered by the Agreement.

The principal grains sold by the Company are yellow corn, yellow soybeans and soft red and white wheat.

Approximately 85% of the grain bushels sold by the Company in 2010 were purchased by U.S. grain processors and feeders, and approximately 15% were exported. Most of the Company's exported grain sales are done through intermediaries while some grain is shipped directly to foreign countries, mainly Canada. Almost all grain shipments are by rail or boat. Rail shipments are made primarily to grain processors and feeders with some rail shipments made to exporters on the Gulf of Mexico or east coast. Boat shipments are from the Port of Toledo. Grain sales are made on a negotiated basis by the Company's merchandising staff, except for grain sales subject to the Agreement with Cargill which are made on a negotiated basis with Cargill's merchandising staff.

The Company's grain operations rely on forward purchase contracts with producers, dealers and country elevators to ensure an adequate supply of grain to the Company's facilities throughout the year. The Company makes grain purchases at prices referenced to the CME. Bushels contracted for future delivery at January 31, 2011 approximated 248.1 million.

The Company competes in the sale of grain with other grain merchants, other elevator operators and farmer cooperatives that operate elevator facilities. Some of the Company's competitors are also its customers. Competition is based primarily on price, service and reliability. Because the Company generally buys in smaller lots, its competition is generally local or regional in scope, although there are some large national and international companies that maintain regional grain purchase and storage facilities. A significant portion of grain bushels purchased and sold are done so using forward contracts.

The grain business has a seasonal component in that a large portion of the principal grains are harvested and delivered in July, October and November although the balance of the principal grains continue to be delivered to The Andersons all year long.

Fixed price purchase and sale commitments for grain and grain held in inventory expose the Company to risks related to adverse changes in market prices. The Company attempts to manage these risks by entering into exchange-traded futures and option contracts with the CME. The contracts are economic hedges of price risk, but are not designated or accounted for as hedging instruments. The CME is a regulated commodity futures exchange that maintains futures markets for the grains merchandised by the Company. Futures prices are determined by worldwide supply and demand.

The Company's grain risk management practices are designed to reduce the risk of changing commodity prices. In that regard, such practices also limit potential gains from further changes in market prices. Profitability is primarily derived from margins on grain sold, and revenues generated from other merchandising activities with its customers (including storage and service income), not from futures and options transactions. The Company has policies that specify the key controls over its risk management practices. These policies include a description of the objectives of the programs, mandatory review of positions by key management outside of the trading function on a biweekly basis, daily position limits, daily review and reconciliation and other internal controls. The Company monitors current market conditions and may expand or reduce the purchasing program in response to changes in those conditions. In addition, the Company monitors the parties to its purchase contracts on a regular basis for credit worthiness, defaults and non-delivery.

Purchases of grain can be made the day the grain is delivered to a terminal or via a forward contract made prior to actual delivery. Sales of grain generally are made by contract for delivery in a future period. When the Company purchases grain at a fixed price or at a price where a component of the purchase price is fixed via reference to a futures price on the CME, it also enters into an offsetting sale of a futures contract on the CME. Similarly, when the Company sells grain at a fixed price, the sale is offset with the purchase of a futures contract on the CME. At the close of business each day, inventory and open purchase and sale contracts as well as open futures and option positions are marked-to-market. Gains and losses in the value of the Company's ownership positions due to changing market prices are netted with and

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generally offset in the income statement by losses and gains in the value of the Company's futures positions. When a futures contract is entered into, an initial margin deposit must be sent to the CME. The amount of the margin deposit is set by the CME and varies by commodity. If the market price of a futures contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required by the CME. Subsequent price changes could require additional maintenance margin deposits or result in the return of maintenance margin deposits by the CME. Significant increases in market prices, such as those that occur when grain supplies are affected by unfavorable weather conditions and/or when increases in demand occur, can have an effect on the Company's liquidity and, as a result, require it to maintain appropriate short-term lines of credit. The Company may utilize CME option contracts to limit its exposure to potential required margin deposits in the event of a rapidly rising market.

Ethanol The Ethanol Division operates three ethanol plants for Limited Liability Companies (LLCs) in Indiana, Michigan, and Ohio that are collectively capable of producing 275 million gallons of ethanol. The division offers facility operations, risk management, corn origination, ethanol and distiller dried grains marketing to the LLCs it operates as well as third parties.

The ethanol LLC investments are accounted for using the equity method of accounting. The Company holds a 50.01% interest in The Andersons Albion Ethanol LLC (TAAE) and a 38% interest in The Andersons Clymers Ethanol LLC (TACE). The Company holds a 50% interest in The Andersons Marathon Ethanol LLC (TAME) through its majority owned subsidiary The Andersons Ethanol Investment LLC (TAEI). A third party owns 34% of TAEI.

The Company has a management agreement with each of the LLCs. As part of these agreements, the Company runs the day-to-day operations of the plants and provides all administrative functions. The Company is separately compensated for these services. In addition to the management agreements, the Company also has entered into ethanol and distillers dried grains (DDG) marketing agreements in which the Company markets the ethanol and DDG produced to external customers. As compensation for these services, the Company receives a fee based on each gallon of ethanol and each ton of DDG sold. Finally, the Company has entered into corn origination agreements with each of the LLCs under which the Company originates 100% of the corn used in the production of ethanol. For this service, the Company also receives a unit based fee.

Lansing The Company also owns 52% of the equity in Lansing Trade Group LLC (LTG). LTG is an established grain merchandising business which continues to increase its trading capabilities, including ethanol trading and is exposed to the some of the same risks as the Company's grain and ethanol businesses. LTG also trades in other commodities that the Company's grain and ethanol business does not trade in, some of which are not exchange traded. In addition, they have a separate proprietary trading business. This investment provides the Company with further opportunity to expand outside of its traditional geographic regions. This investment is accounted for under the equity method. Sales of grain and related service and merchandising revenues totaled \$1,937.7 million, \$1,734.6 million and \$1,944.8 million for the years ended December 31, 2010, 2009 and 2008. Sales of ethanol and related service revenue totaled \$467.8 million, \$419.4 million and \$466.3 million in 2010, 2009 and 2008.

The Company intends to further expand its trading and direct ship operations, increase its service offerings to the ethanol industry and grow its traditional grain business through business acquisitions. The Company may make additional investments in the ethanol and other grain processing industries through joint venture agreements and by providing origination, management, logistics, merchandising and other services.

Rail Group

The Company's Rail Group ranks eighth in fleet size among privately-owned fleets in the U.S. This group repairs, sells, manages, and leases a fleet of almost 23,000 railcars of various types. There are eight railcar repair facilities across the country. It also offers fleet management services to private railcar owners and operates a custom steel fabrication business. The Rail Group is also an investor in the short-line railroad, IANR.

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The Company has a diversified fleet of car types (boxcars, gondolas, covered and open top hoppers, tank cars and pressure differential cars) and locomotives serving a broad customer base. The Company operates in the used car market purchasing used cars and repairing and refurbishing them for specific markets and customers. The Company plans to continue to diversify its fleet both in terms of car types and industries. The Rail Group will execute its strategy through expansion of its fleet of railcars and locomotives through targeted portfolio acquisitions and open market purchases as well as strategic selling or scrapping of railcars. The Company also plans to expand its repair and refurbishment operations by adding fixed and mobile facilities.

A significant portion of our railcars and locomotives managed by the Company are included on the balance sheet as long-lived assets. The others are either in off-balance sheet operating leases (with the Company leasing railcars from financial intermediaries and leasing those same railcars to the end-users of the railcars) or non-recourse arrangements (where the Company is not subject to any lease arrangement related to the railcars, but provides management services to the owner of the railcars). The Company generally holds purchase options on most railcars owned by financial intermediaries. We are under contract to provide maintenance services for many of the railcars that we own or manage. Refer to the Off-Balance Sheet Transactions section of Management's Discussion and Analysis for a breakdown of our railcar and locomotive positions at December 31, 2010.

In the case of our off-balance sheet railcars, the risk management philosophy of the Company is to match-fund the lease commitments where possible. Match-funding (in relation to rail lease transactions) means matching the terms of the financial intermediary funding arrangement with the lease terms of the customer where the Company is both lessee and sublessor. If the Company is unable to match-fund, it will try to get an early buyout provision within the funding arrangement to match the underlying customer lease. The Company does not attempt to match-fund lease commitments for railcars that are on our balance sheet.

Competition for railcar marketing and fleet maintenance services is based primarily on service ability, and access to both used rail equipment and third party financing. Repair and fabrication shop competition is based primarily on price, quality and location.

For the years ended December 31, 2010, 2009 and 2008, lease revenues and railcar sales in the Company's railcar marketing business were \$82.6 million, \$82.5 million and \$117.2 million, respectively. Sales in the railcar repair and fabrication shops were \$12.2 million, \$10.3 million and \$16.7 million for 2010, 2009 and 2008, respectively.

Plant Nutrient Group

The Company's Plant Nutrient Group is a leading manufacturer and distributor of agricultural plant nutrients in the U.S. Corn Belt and Florida. It operates 30 facilities in Ohio, Michigan, Indiana, Illinois, Florida, Wisconsin, Minnesota and Puerto Rico.

Wholesale The Wholesale business manufactures, stores, and distributes about 2 million tons of dry and liquid agricultural nutrients, and pelleted lime and gypsum products primarily to agricultural farm supply dealers. The Group purchases basic nitrogen, phosphate, potassium and sulfur materials for resale and uses some of these same materials in its manufactured nutrient products.

Farm Centers The Farm Centers offer a variety of essential crop nutrients, crop protection chemicals and seed products in addition to application and agronomic services to commercial and family farmers. Soil and tissue sampling along with global satellite assisted services provide for pinpointing crop or soil deficiencies and prescriptive agronomic advice is provided to farmer customers.

Industrial Products The Plant Nutrient Group also manufactures and distributes a variety of industrial products throughout the U.S. and Puerto Rico including nitrogen reagents for air pollution control systems

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used in coal-fired power plants, water treatment and dust abatement products, and de-icers and anti-icers for airport runways, roadways, and other commercial applications.

Storage capacity at the Company's wholesale and farm center facilities was approximately 15.2 million cubic feet for dry nutrients and approximately 69.9 million gallons for liquid nutrients at December 31, 2010. The Company reserves 7.9 million cubic feet of its dry storage capacity and 24.5 million gallons of its liquid nutrient capacity for basic manufacturers and customers. The agreements for reserved space provide the Company storage and handling fees and are generally for one to three year terms, renewable at the end of each term. The Company also leases 0.8 million gallons of liquid fertilizer capacity under arrangements with other distributors, farm supply dealers and public warehouses where the Company does not have facilities. Sales and warehouse shipments of agricultural nutrients are heaviest in the spring and fall.

In its plant nutrient businesses, the Company competes with regional and local cooperatives wholesalers and retailers, predominantly publicly owned basic manufacturers and privately owned retailers, wholesalers and importers. Some of these competitors are also suppliers and have considerably larger resources than the Company. Competition in the nutrient business of the Company is based largely on depth of product offering, price, location and service.

For the years ended December 31, 2010, 2009 and 2008, sales and service revenues in the wholesale business totaled \$509.8 million, \$381.1 million and \$547.8 million, respectively. Sales of crop production inputs and service revenues in the farm center business totaled \$109.5 million, \$110.2 million and \$104.7 million in 2010, 2009 and 2008, respectively.

Turf & Specialty Group

The Turf & Specialty Group produces granular fertilizer and control products for the turf and ornamental markets. It also produces private label fertilizer and control products, and corncob-based animal bedding and cat litter for the consumer markets.

Turf Products Proprietary professional turf care products are produced for the golf course and professional turf care markets, serving both U.S. and international customers. These products are sold both directly and through distributors to golf courses under The Andersons Golf Products™ label and lawn service applicators. The Company also produces and sells fertilizer and control products for do-it-yourself application, to mass merchandisers, small independent retailers and other lawn fertilizer manufacturers and performs contract manufacturing of fertilizer and control products.

The turf products industry is seasonal with the majority of sales occurring from early spring to early summer. Principal raw materials for the turf care products are nitrogen, phosphate and potash, which are purchased primarily from the Company's Plant Nutrient Group. Competition is based principally on merchandising ability, logistics, service, quality and technology.

The Company attempts to minimize the amount of finished goods inventory it must maintain for customers, however, because demand is highly seasonal and influenced by local weather conditions, it may be required to carry inventory that it has produced into the next season. Also, because a majority of the consumer and industrial businesses use private label packaging, the Company closely manages production to anticipated orders by product and customer. The Company intends to focus on leveraging its position in the golf fertilizer market and its research and development capabilities to develop higher value, proprietary products.

For the years ended December 31, 2010, 2009 and 2008, sales of granular plant fertilizer and control products totaled \$104.0 million, \$109.5 million and \$103.1 million, respectively.

Cob Products- The Company is one of a limited number of processors of corncob-based products in the United States. These products serve the chemical and feed ingredient carrier, animal litter and industrial

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markets, and are distributed throughout the United States and Canada and into Europe and Asia. The principal sources for corncobs are seed corn producers.

For the years ended December 31, 2010, 2009 and 2008, sales of corncob and related products totaled \$19.6 million, \$15.8 million and \$15.8 million, respectively.

Retail Group

The Company's Retail Group includes large retail stores operated as The Andersons, which are located in the Columbus and Toledo, Ohio markets. The retail concept is *More for Your Home*® and the stores focus on providing significant product breadth with offerings in home improvement and other mass merchandise categories as well as specialty foods, wine and indoor and outdoor garden centers. Each store carries more than 80,000 different items, has 100,000 square feet or more of in-store display space plus 40,000 or more square feet of outdoor garden center space, and features do-it-yourself clinics, special promotions and varying merchandise displays. The Company also operates a specialty food store operated as The Andersons Market located in the Toledo, Ohio market area. The specialty food store concept has product offerings with a strong emphasis on freshness that features produce, deli and bakery items, fresh meats, specialty and conventional dry goods and wine. The majority of the Company's non-perishable merchandise is received at a distribution center located in Maumee, Ohio.

The retail merchandising business is highly competitive. The Company competes with a variety of retail merchandisers, including grocery stores, home centers, department and hardware stores. Many of these competitors have substantially greater financial resources and purchasing power than the Company. The principal competitive factors are location, quality of product, price, service, reputation and breadth of selection. The Company's retail business is affected by seasonal factors with significant sales occurring in the spring and during the Christmas season. The Company also operates a sales and service facility for outdoor power equipment near one of its retail stores. For the years ended December 31, 2010, 2009 and 2008, sales of retail merchandise including commissions on third party sales totaled \$150.6 million, \$161.9 million and \$173.1 million respectively.

The Company intends to continue to refine its *More for Your Home*® concept and focus on expense control and customer service.

Employees

The Andersons offers a broad range of full-time and part-time career opportunities. Each position in the Company is important to our success, and we recognize the worth and dignity of every individual. We strive to treat each person with respect and utilize his or her unique talents. At December 31, 2010 the Company had 1,614 full-time and 1,329 part-time or seasonal employees.

Government Regulation

Grain sold by the Company must conform to official grade standards imposed under a federal system of grain grading and inspection administered by the United States Department of Agriculture (USDA).

The production levels, markets and prices of the grains that the Company merchandises are materially affected by United States government programs, which include acreage control and price support programs of the USDA. For our investments in ethanol production facilities, the U.S. Government provides incentives to the ethanol blender, has mandated certain volumes of ethanol be produced and has imposed tariffs on ethanol imported from other countries. Also, under federal law, the President may prohibit the export of any product, the scarcity of which is deemed detrimental to the domestic economy, or under circumstances relating to national security. Because a portion of the Company's grain sales is to exporters, the imposition of such restrictions could have an adverse effect upon the Company's operations.

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The U.S. Food and Drug Administration (FDA) has developed bioterrorism prevention regulations for food facilities, which require that we register our grain operations with the FDA, provide prior notice of any imports of food or other agricultural commodities coming into the United States and maintain records to be made available upon request that identifies the immediate previous sources and immediate subsequent recipients of our grain commodities.

The Company, like other companies engaged in similar businesses, is subject to a multitude of federal, state and local environmental protection laws and regulations including, but not limited to, laws and regulations relating to air quality, water quality, pesticides and hazardous materials. The provisions of these various regulations could require modifications of certain of the Company s existing facilities and could restrict the expansion of future facilities or significantly increase the cost of their operations. The Company spent approximately \$1.9 million, \$1.8 million and \$4.1 million in both capital and expense in order to comply with these regulations in 2010, 2009 and 2008, respectively.

Available Information

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available on our Company website soon after filing with the Securities and Exchange Commission. Our Company website is <http://www.andersonsinc.com>. The public may read and copy any materials the Company files with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These reports are also available at the SEC s website: <http://www.sec.gov>.

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Our operations are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this Form 10-K and could have a material adverse impact on our financial results. These risks can be impacted by factors beyond our control as well as by errors and omissions on our part. The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained elsewhere in this Form 10-K.

Certain of our business segments are affected by the supply and demand of commodities, and are sensitive to factors outside of our control. Adverse price movements could negatively affect our profitability and results of operations.

Our Grain & Ethanol and Plant Nutrient Groups buy, sell and hold inventories of various commodities, some of which are readily traded on commodity futures exchanges. In addition, our Turf & Specialty Group uses some of these same fertilizer commodities as base raw materials in manufacturing golf course and landscape fertilizer. Unfavorable weather conditions, both local and worldwide, as well as other factors beyond our control, can affect the supply and demand of these commodities and expose us to liquidity pressures to finance hedges in the Grain business in rapidly rising markets. In our Plant Nutrient and Turf & Specialty Groups, changes in the supply and demand of these commodities can also affect the value of inventories that we hold, as well as the price of raw materials as we are unable to effectively hedge these commodities. Increased costs of inventory and prices of raw material would decrease our profit margins and adversely affect our results of operations.

Corn The principal raw material the ethanol LLCs use to produce ethanol and co-products, including DDG, is corn. As a result, changes in the price of corn can significantly affect our business. In general, rising corn prices will produce lower profit margins for our ethanol business. Because ethanol competes with non-corn-based fuels, we generally will be unable to pass along increased corn costs to our customers. At certain levels, corn prices may make ethanol uneconomical to use in fuel markets. The price of corn is influenced by weather conditions and other factors affecting crop yields, farmer planting decisions and general economic, market and regulatory factors. These factors include government policies and subsidies with respect to agriculture and international trade, and global and local demand and supply. The significance and relative effect of these factors on the price of corn is difficult to predict. Any event that tends to negatively affect the supply of corn, such as adverse weather or crop disease, could increase corn prices and potentially harm our share of the ethanol LLC results. The Company will attempt to lock in ethanol margins as far out as practical in order to secure reasonable returns using whatever risk management tools are available in the marketplace. In addition, we may also have difficulty, from time to time, in physically sourcing corn on economical terms due to supply shortages. High costs or shortages could require us to suspend our ethanol operations until corn is available on economical terms, which would have a material adverse effect on our operating results.

Grains While we attempt to manage the risk associated with commodity price changes for our grain inventory positions with derivative instruments, including purchase and sale contracts, we are unable to offset 100% of the price risk of each transaction due to timing, availability of futures and options contracts and third party credit risk. Furthermore, there is a risk that the derivatives we employ will not be effective in offsetting the changes associated with the risks we are trying to manage. This can happen when the derivative and the underlying value of grain inventories and purchase and sale contracts are not perfectly matched. Our grain derivatives, for example, do not perfectly correlate with the basis pricing component of our grain inventory and contracts. (Basis is defined as the difference between the cash price of a commodity in our facility and the nearest exchange-traded futures price.) Differences can reflect time periods, locations or product forms. Although the basis component is smaller and generally less volatile than the futures component of our grain market price, significant unfavorable basis moves on a grain position as large as ours can significantly impact the profitability of the Grain & Ethanol Group and our business as a whole.

Our futures, options and over-the-counter contracts are subject to margin calls. If there is a significant movement in the commodities market, we could be required to post significant levels of margin, which would impact our liquidity. There is no assurance that the efforts we have taken to mitigate the impact of

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the volatility of the prices of commodities upon which we rely will be successful and any sudden change in the price of these commodities could have an adverse affect on our business and results of operations.

Natural Gas We rely on third parties for our supply of natural gas, which is consumed in the manufacturing of ethanol, dry wet grain, and plant nutrients. The prices for and availability of natural gas are subject to volatile market conditions. These market conditions often are affected by factors beyond our control such as higher prices resulting from colder than average weather conditions and overall economic conditions. Significant disruptions in the supply of natural gas could impair our ability to manufacture ethanol for our customers. Furthermore, increases in natural gas prices or changes in our natural gas costs relative to natural gas costs paid by competitors may adversely affect our future results of operations and financial position.

Gasoline In addition, we market ethanol as a fuel additive to reduce vehicle emissions from gasoline, as an octane enhancer to improve the octane rating of gasoline with which it is blended and as a substitute for oil derived gasoline. As a result, ethanol prices will be influenced by the supply and demand for gasoline and our future results of operations and financial position may be adversely affected if gasoline demand or price decreases.

Potash, phosphate and nitrogen Raw materials used by our Plant Nutrient Group include potash, phosphate and nitrogen, for which prices are volatile and driven by global and local supply and demand. Significant increases in the price of these commodities may result in lower customer demand and higher than optimal inventory levels. In contrast, reductions in the price of these commodities may create lower-of-cost-or-market inventory adjustments to inventories.

Some of our business segments operate in highly regulated industries. Changes in government regulations or trade association policies could adversely affect our results of operations.

Many of our business segments are subject to government regulation and regulation by certain private sector associations, compliance with which can impose significant costs on our business. Failure to comply with such regulations can result in additional costs, fines or criminal action.

A significant part of our operations is regulated by environmental laws and regulations, including those governing the labeling, use, storage, discharge and disposal of hazardous materials. Because we use and handle hazardous substances in our businesses, changes in environmental requirements or an unanticipated significant adverse environmental event could have a material adverse effect on our business. We cannot assure you that we have been, or will at all times be, in compliance with all environmental requirements, or that we will not incur material costs or liabilities in connection with these requirements. Private parties, including current and former employees, could bring personal injury or other claims against us due to the presence of, or exposure to, hazardous substances used, stored or disposed of by us, or contained in our products. We are also exposed to residual risk because some of the facilities and land which we have acquired may have environmental liabilities arising from their prior use. In addition, changes to environmental regulations may require us to modify our existing plant and processing facilities and could significantly increase the cost of those operations.

Grain & Ethanol In our Grain & Ethanol Group, agricultural production and trade flows can be affected by government programs and legislation. Production levels, markets and prices of the grains we merchandise can be affected by U.S. government programs, which include acreage controls and price support programs administered by the USDA. Other examples of government policies that can have an impact on our business include tariffs, duties, subsidies, import and export restrictions and outright embargoes. Because a portion of our grain sales are to exporters, the imposition of export restrictions could limit our sales opportunities. In addition, we have invested in the ethanol industry where development has been stimulated by Federal mandates for refiners to blend ethanol and excise tax credits paid to those blenders to encourage the use of ethanol. Future changes in those mandates and tax credits can have an impact on ethanol processing margins. Furthermore, there is a risk that if the CME repealed the variable storage rates in the wheat futures contracts, there could be a negative impact on liquidity.

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Rail- Our Rail Group is subject to regulation by the American Association of Railroads and the Federal Railroad Administration. These agencies regulate rail operations with respect to health and safety matters. New regulatory rulings could negatively impact financial results through higher maintenance costs or reduced economic value of railcar assets.

The Rail Group is also subject to risks associated with the demands and restrictions of the Class 1 railroads, a group of rail companies owning a high percentage of the existing rail lines. These companies exercise a high degree of control over whether private railcars can be allowed on their lines and may reject certain railcars or require maintenance or improvements to the railcars. This presents risk and uncertainty for our Rail Group and it can increase the Group's maintenance costs. In addition, a shift in the railroad strategy to investing in new rail cars and improvements to existing railcars, instead of investing in locomotives and infrastructure, could adversely impact our business by causing increased competition and creating an oversupply of railcars. Our rail fleet consists of a range of railcar types (boxcars, gondolas, covered and open top hoppers, tank cars and pressure differential cars) and locomotives. However a large concentration of a particular type of railcar could expose us to risk if demand were to decrease for that railcar type. Failure on our part to identify and assess risks and uncertainties such as these could negatively impact our business.

Turf & Specialty Our Turf & Specialty Group manufactures lawn fertilizers and weed and pest control products and uses potentially hazardous materials. All products containing pesticides, fungicides and herbicides must be registered with the U.S. Environmental Protection Agency (EPA) and state regulatory bodies before they can be sold. The inability to obtain or the cancellation of such registrations could have an adverse impact on our business. In the past, regulations governing the use and registration of these materials have required us to adjust the raw material content of our products and make formulation changes. Future regulatory changes may have similar consequences. Regulatory agencies, such as the EPA, may at any time reassess the safety of our products based on new scientific knowledge or other factors. If it were determined that any of our products were no longer considered to be safe, it could result in the amendment or withdrawal of existing approvals, which, in turn, could result in a loss of revenue, cause our inventory to become obsolete or give rise to potential lawsuits against us. Consequently, changes in existing and future government or trade association policies may restrict our ability to do business and cause our financial results to suffer. ***We are required to carry significant amounts of inventory across all of our businesses. If a substantial portion of our inventory becomes damaged or obsolete, its value would decrease and our profit margins would suffer.***

We are exposed to the risk of a decrease in the value of our inventories due to a variety of circumstances in all of our businesses. For example, within our Grain & Ethanol Group, there is the risk that the quality of our grain inventory could deteriorate due to damage, moisture, insects, disease or foreign material. If the quality of our grain were to deteriorate below an acceptable level, the value of our inventory could decrease significantly. In our Plant Nutrient Group, planted acreage, and consequently the volume of fertilizer and crop protection products applied, is partially dependent upon government programs and the perception held by the producer of demand for production.

Technological advances in agriculture, such as genetically engineered seeds that resist disease and insects, or that meet certain nutritional requirements, could also affect the demand for our crop nutrients and crop protection products. Either of these factors could render some of our inventory obsolete or reduce its value. Within our Rail Group, major design improvements to loading, unloading and transporting of certain products can render existing (especially old) equipment obsolete. A significant portion of our rail fleet is composed of older railcars. In addition, in our Turf & Specialty Group, we build substantial amounts of inventory in advance of the season to prepare for customer demand. If we were to forecast our customer demand incorrectly, we could build up excess inventory which could cause the value of our inventory to decrease.

Our substantial indebtedness could negatively affect our financial condition, decrease our liquidity and impair our ability to operate the business.

If cash on hand is insufficient to pay our obligations or margin calls as they come due at a time when we are unable to draw on our credit facility, it could have an adverse effect on our ability to conduct our

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business. Our ability to make payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. Our ability to generate cash is dependent on various factors. These factors include general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Certain of our long-term borrowings include provisions that require minimum levels of working capital and equity, and impose limitations on additional debt. Our ability to satisfy these provisions can be affected by events beyond our control, such as the demand for and fluctuating price of grain. Although we are and have been in compliance with these provisions, noncompliance could result in default and acceleration of long-term debt payments.

Adoption of new accounting rules can affect our financial position and results of operations.

The Company's implementation of and compliance with changes in accounting rules and interpretations could adversely affect its operating results or cause unanticipated fluctuations in its results in future periods. The accounting rules and regulations that the Company must comply with are complex and continually changing. The Financial Accounting Standards Board has recently introduced several new or proposed accounting standards, or is developing new proposed standards, such as International Financial Reporting Standards convergence projects, which would represent a significant change from current industry practices. Potential changes in accounting for leases, for example, will eliminate the accounting classification of operating leases, which would not only impact the way we account for leases, but may also impact our customers lease versus buy decisions and could have a negative impact on demand for our rail leases.

The Company cannot predict the impact of future changes to accounting principles or its accounting policies on its financial statements going forward.

We face increasing competition and pricing pressure from other companies in our industries. If we are unable to compete effectively with these companies, our sales and profit margins would decrease, and our earnings and cash flows would be adversely affected.

The markets for our products in each of our business segments are highly competitive. While we have substantial operations in our region, some of our competitors are significantly larger, compete in wider markets, have greater purchasing power, and have considerably larger financial resources. We also may enter into new markets where our brand is not recognized and do not have an established customer base. Competitive pressures in all of our businesses could affect the price of, and customer demand for, our products, thereby negatively impacting our profit margins and resulting in a loss of market share.

Our grain and ethanol business uses derivative contracts to reduce volatility in the commodity markets.***Non-performance by the counter-parties to those contracts could adversely affect our future results of operations and financial position.***

A significant amount of our grain and ethanol purchases and sales are done through forward contracting. In addition, the Company uses exchange traded and over-the-counter contracts to reduce volatility in changing commodity prices. A significant adverse change in commodity prices could cause a counter-party to one or more of our derivative contracts not to perform on their obligation.

We rely on a limited number of suppliers for certain of our raw materials and other products and the loss of one or several of these suppliers could increase our costs and have a material adverse effect on any one of our business segments.

We rely on a limited number of suppliers for certain of our raw materials and other products. If we were unable to obtain these raw materials and products from our current vendors, or if there were significant increases in our supplier's prices, it could significantly increase our costs and reduce our profit margins.

Our investments in limited liability companies are subject to risks beyond our control.

We currently have investments in six limited liability companies. By operating a business through this arrangement, we have less control over operating decisions than if we were to own the business outright.

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Specifically, we cannot act on major business initiatives without the consent of the other investors who may not always be in agreement with our ideas.

The Company may not be able to effectively integrate additional businesses it acquires in the future.

We continuously look for opportunities to enhance our existing business through strategic acquisitions. The process of integrating an acquired business into our existing business and operations may result in unforeseen operating difficulties and expenditures as well as require a significant amount of management resources. There is also the risk that our due diligence efforts may not uncover significant business flaws or hidden liabilities. In addition, we may not realize the anticipated benefits of an acquisition and they may not generate the anticipated financial results. Additional risks may include the inability to effectively integrate the operations, products, technologies and personnel of the acquired companies. The inability to maintain uniform standards, controls, procedures and policies would also negatively impact operations.

Our business involves considerable safety risks. Significant unexpected costs and liabilities would have a material adverse effect on our profitability and overall financial position.

Due to the nature of some of the businesses in which we operate, we are exposed to significant safety risks such as grain dust explosions, fires, malfunction of equipment, abnormal pressures, blowouts, pipeline ruptures, chemical spills or run-off, transportation accidents and natural disasters. Some of these operational hazards may cause personal injury or loss of life, severe damage to or destruction of property and equipment or environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties. If one of our elevators were to experience a grain dust explosion or if one of our pieces of equipment were to fail or malfunction due to an accident or improper maintenance, it could put our employees and others at serious risk.

The Company's information technology systems may impose limitations or failures which may affect the Company's ability to conduct its business.

The Company's information technology systems, some of which are dependent on services provided by third-parties, provide critical data connectivity, information and services for internal and external users. These interactions include, but are not limited to, ordering and managing materials from suppliers, converting raw materials to finished products, inventory management, shipping products to customers, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, and other processes necessary to manage the business. The Company has put in place business continuity plans for its critical systems. However, if the Company's information technology systems are damaged, or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, and the Company's business continuity plans do not effectively recover on a timely basis, the Company may suffer interruptions in the ability to manage its operations, which may adversely impact the Company's revenues and operating results. In addition, although the system has been refreshed periodically, the infrastructure is outdated and may not be adequate to support new business processes, accounting for new transactions, or implementation of new accounting standards if requirements are complex or materially different than what is currently in place. In addition, the Company is exploring new ERP systems, which could pose risks relating to implementation.

Table of Contents**Item 2. Properties**

The Company's principal agriculture, retail and other properties are described below.

Agriculture Facilities

(in thousands)	Location	Grain Storage (bushels)	Agricultural Fertilizer	
			Dry Storage (cubic feet)	Liquid Storage (gallons)
Florida			134	4,021
Illinois		17,497	2,233	
Indiana		24,489	4,207	22,364
Michigan		15,381	1,787	5,293
Minnesota				10,794
Nebraska		3,967		
Ohio		46,023	6,759	9,204
Puerto Rico				3,339
Wisconsin			57	14,932
		107,357	15,177	69,947

The grain facilities are mostly concrete and steel tanks, with some flat storage, which is primarily cover-on-first temporary storage. The Company also owns grain inspection buildings and dryers, maintenance buildings and truck scales and dumps. Approximately 92% of the total storage capacity is owned, while the remaining 8% of the total capacity is leased from third parties.

The Plant Nutrient Group's wholesale fertilizer and farm center properties consist mainly of fertilizer warehouse and distribution facilities for dry and liquid fertilizers. The Maumee, Ohio; Champaign, Illinois; Seymour, Indiana; Lordstown, Ohio; and Walton, Indiana locations have fertilizer mixing, bagging and bag storage facilities. The Maumee, Ohio; Webberville, Michigan; Logansport, Walton and Poneto, Indiana; Wisconsin Rapids, Arena and Kaukauna, Wisconsin and all of the Florida locations also include liquid manufacturing facilities. The Company owns all dry storage facilities and owns ninety-five percent of the total liquid storage facilities. The tanks located in Puerto Rico are leased.

Retail Store Properties

Name	Location	Square Feet
Maumee Store	Maumee, OH	166,000
Toledo Store	Toledo, OH	162,000
Woodville Store (1)	Northwood, OH	120,000
Sawmill Store	Columbus, OH	159,000
Brice Store	Columbus, OH	159,000
The Andersons Market (1)	Sylvania, OH	30,000
Distribution Center (1)	Maumee, OH	245,000

(1) Facility leased

The leases for the two stores and the distribution center are operating leases with several renewal options and provide for minimum aggregate annual lease payments approximating \$1.4 million. In addition, the Company owns a service and sales facility for outdoor power equipment adjacent to its Maumee, Ohio retail store.

Other Properties

The Company also operates railcar repair facilities in Maumee, Ohio; Darlington, South Carolina; Macon, Georgia; Valdosta, Georgia; Bay St. Louis, Mississippi; Ogden, Utah; North Las Vegas, Nevada; and Woodland, California, and a steel fabrication facility in Maumee, Ohio.

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The Company owns lawn fertilizer production facilities in Maumee, Ohio; Bowling Green, Ohio; and Montgomery, Alabama. It also owns a corncob processing and storage facility in Delphi, Indiana. The Company leases a lawn fertilizer warehouse facility in Toledo, Ohio.

The Company also owns an auto service center that is leased to its former venture partner. The Company's administrative office building is leased under a net lease expiring in 2015. The Company owns approximately 1,233 acres of land on which the above properties and facilities are located and approximately 327 acres of farmland and land held for sale or future use.

The Company believes that its properties are adequate for its business, well maintained and utilized, suitable for their intended uses and adequately insured.

Item 3. Legal Proceedings

The Company has received, and is cooperating fully with, a request for information from the United States Environmental Protection Agency (U.S. EPA) regarding the history of its grain and fertilizer facility along the Maumee River in Toledo, Ohio. The U.S. EPA is investigating the possible introduction into the Maumee River of hazardous materials potentially leaching from rouge piles deposited along the riverfront by glass manufacturing operations that existed in the area prior to the Company's initial acquisition of its land in 1960. The Company has on several prior occasions cooperated with local, state and federal regulators to install or improve drainage systems to contain storm water runoff and sewer discharges along its riverfront property to minimize the potential for such leaching. Other area land owners and the successor to the original glass making operations have also been contacted by the U.S. EPA for information. No claim or finding has been asserted thus far.

The Company is also currently subject to various claims and suits arising in the ordinary course of business, which include environmental issues, employment claims, contractual disputes, and defensive counter claims. The Company accrues expenses where litigation losses are deemed probable and estimable. The Company believes it is unlikely that the results of its current legal proceedings, even if unfavorable, will be materially different from what it currently has accrued. There can be no assurance, however, that any claims or suits arising in the future, whether taken individually or in the aggregate, will not have a material adverse effect on our financial condition or results of operations.

Item 4. (Reserved)

Table of Contents**Executive Officers of the Registrant**

The information is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K. The executive officers of The Andersons, Inc., their positions and ages (as of March 1, 2011) are presented in the table below.

Name	Position	Age	Year Assumed
Dennis J. Addis	President, Plant Nutrient Group	58	2000
Daniel T. Anderson	President, Retail Group and Vice President, Corporate Operations Services President, Retail Group	55	2009 1996
Michael J. Anderson	President and Chief Executive Officer	59	1999
Naran U. Burchinow	Vice President, General Counsel and Secretary	57	2005
Tamara S. Sparks	Vice President, Corporate Business /Financial Analysis Internal Audit Manager	42	2007 1999
Arthur D. DePompei	Vice President, Human Resources	57	2008
Richard R. George	Vice President, Controller and CIO	61	2002
Harold M. Reed	President, Grain & Ethanol Group	54	2000
Rasesh H. Shah	President, Rail Group	56	1999
Nicholas C. Conrad	Vice President, Finance and Treasurer Assistant Treasurer	58	2009 1996
Thomas L. Waggoner	President, Turf & Specialty Group Vice President, Sales & Marketing, Turf & Specialty Group	56	2005 2002

Table of Contents**PART II****Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters**

The Common Shares of The Andersons, Inc. trade on the Nasdaq Global Select Market under the symbol ANDE. On February 9, 2011, the closing price for the Company's Common Shares was \$44.69 per share. The following table sets forth the high and low bid prices for the Company's Common Shares for the four fiscal quarters in each of 2010 and 2009.

Quarter Ended	2010		2009	
	High	Low	High	Low
March 31	\$ 35.36	\$ 24.59	\$ 18.38	\$ 11.00
June 30	37.99	29.90	31.88	13.24
September 30	40.16	31.28	36.82	26.48
December 31	42.44	32.01	37.56	24.00

The Company's transfer agent and registrar is Computershare Investor Services, LLC, 2 North LaSalle Street, Chicago, IL 60602. Telephone: 312-588-4991.

Shareholders

At February 9, 2011, there were approximately 18.5 million common shares outstanding, 1,312 shareholders of record and approximately 16,000 shareholders for whom security firms acted as nominees.

Dividends

The Company has declared and paid 57 consecutive quarterly dividends since the end of 1996, its first year of trading on the Nasdaq market. Dividends paid from January 2009 to January 2011 are as follows:

Dividend	Amount
01/23/09	\$0.0850
04/22/09	\$0.0875
07/22/09	\$0.0875
10/22/09	\$0.0875
01/25/10	\$0.0875
04/22/10	\$0.0900
07/22/10	\$0.0900
10/22/10	\$0.0900
01/24/11	\$0.1100

While the Company's objective is to pay a quarterly cash dividend, dividends are subject to Board of Director approval and loan covenant restrictions.

Table of Contents**Equity Plans**

The following table gives information as of December 31, 2010 about the Company's Common Shares that may be issued upon the exercise of options under all of its existing equity compensation plans.

Plan category	Equity Compensation Plan Information		
	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,039,552 ⁽¹⁾	\$ 32.18	526,708 ⁽²⁾
Equity compensation plans not approved by security holders			
Total	1,039,552	\$ 32.18	526,708

(1) This number includes options and SOSARs (851,177), performance share units (123,748) and restricted shares (64,627) outstanding under The Andersons, Inc. 2005 Long-Term Performance Compensation Plan dated May 6, 2005. This number does not include any shares related to the Employee Share Purchase Plan. The Employee Share Purchase Plan allows employees to purchase common shares at the lower of the market value on the beginning or end of the calendar year through payroll withholdings. These purchases are completed as of December 31.

(2) This number includes 306,674 Common Shares available to be purchased under the Employee Share Purchase Plan.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In 1996, the Company's Board of Directors approved the repurchase of 2.8 million shares of common stock for use in employee, officer and director stock purchase and stock compensation plans. This resolution was superseded by the Board in October 2007 to add an additional 0.3 million shares. Since the beginning of this repurchase program, the Company has purchased 2.2 million shares in the open market.

Performance Graph

The graph below compares the total shareholder return on the Corporation's Common Shares to the cumulative total return for the Nasdaq U.S. Index and a Peer Group Index. The indices reflect the year-end market value of an investment in the stock of each company in the index, including additional shares assumed to have been acquired with cash dividends, if any. The Peer Group Index, weighted for market capitalization, includes the following companies:

Agrium, Inc.
Archer-Daniels-Midland Co.
Corn Products International, Inc.

Greenbrier Companies, Inc.
The Scott's Miracle-Gro Company
Lowes Companies, Inc.

GATX Corp.

The graph assumes a \$100 investment in The Andersons, Inc. Common Shares on December 31, 2005 and also assumes investments of \$100 in each of the Nasdaq U.S. and Peer Group indices, respectively, on December 31 of the first year of the graph. The value of these investments as of the following calendar year-ends is shown in the table below the graph.

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	Cumulative Returns					
	Base Period December 31, 2005	2006	2007	2008	2009	2010
The Andersons, Inc.	\$ 100.00	\$ 197.68	\$ 210.09	\$ 78.16	\$ 124.29	\$ 176.88
NASDAQ U.S.	100.00	110.38	122.14	73.31	106.57	125.92
Peer Group Index	100.00	106.19	108.71	82.60	96.67	110.68

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial data of the Company. The data for each of the five years in the period ended December 31, 2010 are derived from the consolidated financial statements of the Company. The data presented below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Item 7, and the Consolidated Financial Statements and notes thereto included in Item 8.

(in thousands)	For the years ended December 31,				
	2010	2009	2008	2007	2006
Operating results					
Grain and ethanol sales and revenues (a)	\$ 2,405,452	\$ 2,153,978	\$ 2,411,144	\$ 1,498,652	\$ 791,207
Fertilizer, rail, retail and other sales	988,339	871,326	1,078,334	880,407	666,846
Total sales and revenues	3,393,791	3,025,304	3,489,478	2,379,059	1,458,053
Gross profit grain & ethanol	118,490	106,804	110,954	79,367	62,809
Gross profit fertilizer, rail, retail and other (b)	163,189	148,702	146,875	160,345	136,431
Total gross profit	281,679	255,506	257,829	239,712	199,240
Equity in earnings of affiliates	26,007	17,463	4,033	31,863	8,190
Other income, net (c)	11,652	8,331	6,170	21,731	13,914
Net income	64,881	39,566	30,097	67,428	36,347
Net income attributable to The Andersons, Inc.	64,662	38,351	32,900	68,784	36,347

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(in thousands, except for per share and ratios and other data)	For the years ended December 31,				
	2010	2009	2008	2007	2006
Financial position					
Total assets	\$ 1,699,390	\$ 1,284,391	\$ 1,308,773	\$ 1,324,988	\$ 879,048
Working capital	301,815	307,702	330,699	177,679	162,077
Long-term debt (d)	263,675	288,756	293,955	133,195	86,238
Long-term debt, non-recourse (d)	13,150	19,270	40,055	56,277	71,624
Shareholders' equity	464,559	406,276	365,107	356,583	270,175
Cash flows / liquidity					
Cash flows from (used in) operations	(239,285)	180,241	278,664	(158,395)	(54,283)
Depreciation and amortization	38,913	36,020	29,767	26,253	24,737
Cash invested in acquisitions / investments in affiliates	39,688	31,680	60,370	36,249	34,255
Investments in property, plant and equipment	30,897	16,560	20,315	20,346	16,031
Net investment in (proceeds from) railcars (e)	(1,748)	16,512	29,533	8,751	20,643
EBITDA (f)	162,702	116,989	110,372	151,162	95,505
Per share data: (g)					
Net income basic	3.51	2.10	1.82	3.85	2.27
Net income diluted	3.48	2.08	1.79	3.75	2.19
Dividends paid	0.3575	0.3475	0.325	0.220	0.178
Year-end market value	36.35	25.82	16.48	44.80	42.39
Ratios and other data					
Net income attributable to The Andersons, Inc. return on beginning equity attributable to The Andersons, Inc.	16.4%	10.9%	9.6%	25.4%	22.9%
Funded long-term debt to equity ratio (h)	0.6-to-1	0.8-to-1	0.9-to-1	0.5-to-1	0.6-to-1
Weighted average shares outstanding (000 s)	18,356	18,190	18,068	17,833	16,007
Effective tax rate	37.7%	35.7%	35.4%	35.5%	33.3%

- (a) Includes sales of \$928.2 million in 2010, \$806.3 million in 2009, \$865.8 million in 2008, \$407.4 million in 2007 and \$23.5 million in 2006 pursuant to marketing and originations agreements between the Company and its ethanol LLCs.
- (b) Gross profit in 2008 includes a \$97.2 million write down in the Plant Nutrient Group for lower-of-cost-or-market inventory adjustments for inventory on hand and firm purchase commitments that was valued higher than the market. (c) Includes \$1.1 million of dividend income from IANR and \$2.2 million in Rail end of lease settlements in 2010. Includes gains on insurance settlements of \$0.1 million in 2010, \$0.1 million in 2008, \$3.1 million in 2007 and \$4.6 million in 2006. Includes development fees related to ethanol joint venture formation of \$1.3 million in 2008, \$5.4 million in 2007 and \$1.9 million in 2006. Includes \$4.9 million in gain on available for sale securities in 2007.
- (d)

Excludes current portion of long-term debt. (e) Represents the net of purchases of railcars offset by proceeds on sales of railcars.

(f) Earnings before interest, taxes, depreciation and amortization, or EBITDA, is a non-GAAP measure. We believe that EBITDA provides additional information important to investors and others in determining our ability to meet debt service obligations. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations as determined by generally accepted accounting principles, and EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements, for debt service obligations or otherwise. Because EBITDA, as determined by us, excludes some, but not all, items that affect net income, it may not be comparable to EBITDA or similarly titled measures used by other companies.

(g) Earnings per share are calculated based on Income attributable to The Andersons, Inc.

(h) Calculated by dividing long-term debt by total year-end equity as stated under Financial position. The following table sets forth (1) our calculation of EBITDA and (2) a reconciliation of EBITDA to our net cash flow provided by (used in) operations.

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(in thousands)	For the years ended December 31,				
	2010	2009	2008	2007	2006
Net income attributable to The Andersons, Inc.	\$ 64,662	\$ 38,351	\$ 32,900	\$ 68,784	\$ 36,347
Add:					
Provision for income taxes	39,262	21,930	16,466	37,077	18,122
Interest expense	19,865	20,688	31,239	19,048	16,299
Depreciation and amortization	38,913	36,020	29,767	26,253	24,737
EBITDA	162,702	116,989	110,372	151,162	95,505
Add/(subtract):					
Provision for income taxes	(39,262)	(21,930)	(16,466)	(37,077)	(18,122)
Interest expense	(19,865)	(20,688)	(31,239)	(19,048)	(16,299)
Realized gains on railcars and related leases	(7,771)	(1,758)	(4,040)	(8,103)	(5,887)
Deferred income taxes	12,205	16,430	4,124	5,274	7,371
Excess tax benefit from share-based payment arrangement	(876)	(566)	(2,620)	(5,399)	(5,921)
Equity in earnings of unconsolidated affiliates, net of distributions received	(17,594)	(15,105)	19,307	(23,583)	(4,340)
Minority interest in income (loss) of affiliates	219	1,215	(2,803)	(1,356)	
Changes in working capital and other	(329,043)	105,654	202,029	(220,265)	(106,590)
Net cash (used in) provided by operations	\$ (239,285)	\$ 180,241	\$ 278,664	\$ (158,395)	\$ (54,283)

The Company has included its Computation of Earnings to Fixed Charges in Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K as Exhibit 12.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**Forward Looking Statements**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements which relate to future events or future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by these forward-looking statements. You are urged to carefully consider these risks and factors, including those listed under Item 1A, Risk Factors. In some cases, you can identify forward-looking statements by terminology such as may, anticipates, believes, estimates, predicts, the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. These forward-looking statements relate only to events as of the date on which the statements are made and the Company undertakes no obligation, other than any imposed by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Executive Overview**Grain & Ethanol Group**

The Grain & Ethanol Group operates grain elevators in various states, primarily in the U.S. Corn Belt. In addition to storage, merchandising and grain trading, the Group performs risk management and other services for its customers. During 2010, the Group increased its grain storage capacity by approximately 6.4 million bushels through business acquisitions and expansion at existing locations. The Group now has over 107 million bushels of storage capacity. The Group is a significant investor in three ethanol facilities located in Indiana, Michigan and Ohio with a nameplate capacity of 275 million gallons. In addition to its investment in these facilities, the Group operates the facilities under management contracts and provides grain origination, ethanol and distillers dried grains (DDG) marketing and risk management services for which it is separately compensated. The Group is also a significant investor in Lansing Trade Group LLC (LTG), an established grain merchandising business with operations throughout the country and

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internationally. LTG continues to increase its capabilities, including ethanol trading, and is exposed to many of the same risks as the Company's Grain & Ethanol Group. This investment provides the Group a further opportunity to expand outside of its traditional geographic regions.

The agricultural commodity-based business is one in which changes in selling prices generally move in relationship to changes in purchase prices. Therefore, increases or decreases in prices of the agricultural commodities that the Company deals in will have a relatively equal impact on sales and cost of sales and a minimal impact on gross profit. As a result, changes in sales for the period may not necessarily be indicative of the Group's overall performance and more focus should be placed on changes to merchandising revenues and service income.

The ethanol industry has been impacted by the rising corn prices during the year caused by global supply and demand. Several existing factors that contribute to greater ethanol production and use are tax credits for blending corn ethanol into gasoline and tariffs that limit the importation of sugar ethanol. In addition, subsequent to year-end, the EPA approved an increase in the use of ethanol blends from 10% to 15% for light vehicle models 2001 and newer. As the high demand for corn continues into 2011, the Company will continue to monitor the volatility in corn and ethanol prices and its impact on the ethanol LLCs closely.

Rail Group

The Rail Group buys, sells, leases, rebuilds and repairs various types of used railcars and rail equipment. The Group also provides fleet management services to fleet owners and operates a custom steel fabrication business. The Group has a diversified fleet of car types (boxcars, gondolas, covered and open top hoppers, tank cars and pressure differential cars) and locomotives and also serves a wide range of customers.

During the year, the Company purchased a 49.9% equity stake in the Iowa Northern Railway Company (IANR) and an affiliate, Zephyr Holding Company (Zephyr). IANR operates a 163-mile short line railroad that runs diagonally through Iowa from northwest to southeast. With a fleet of 21 locomotives and 500 railcars, IANR primarily serves agribusiness customers and moves more than 50,000 car load per year. Zephyr is involved in the development of storage and logistics terminals designed to aid the transloading of various products including ethanol and wind turbine components.

Railcars and locomotives under management (owned, leased or managed for financial institutions in non-recourse arrangements) at December 31, 2010 were 22,475 compared to 23,804 at December 31, 2009. The Group's average utilization rate (railcars and locomotives under management that are in lease service, exclusive of railcars managed for third party investors) has decreased from 78.1% for the year ended December 31, 2009 to 73.6% for the year ended December 31, 2010. However, the Group ended the year with an improved utilization rate of 81.7%. After registering nearly a 20% drop during all of 2009, rail traffic during all of 2010 posted gains of over 7% compared to 2009, but still remains over 12% behind 2008. We expect the upward trend to continue as the U.S. and world economies continue their recovery .

Although the Company has experienced a decline in utilization in its railcar business, due to the nature of these long-lived assets (low carrying values and 17 year average remaining useful lives), the current economic environment impacting the rail industry would have to persist on a long-term basis for the Company's railcar assets to be impaired and the Company does not believe this will occur. The Company is optimistic about future utilization as the Group ended the year with an improved utilization rate of 81.7%. The Company also continues to evaluate its railcar portfolio to determine if it would be more cost effective to scrap certain cars rather than continue to incur storage costs. The Company is currently, and expects to continue to scrap additional railcars throughout 2011, however, the Company does not expect that this will have a significant financial impact to the Company's results of operations.

Plant Nutrient Group

The Company's Plant Nutrient Group is a leading manufacturer, distributor and retailer principally of agricultural plant nutrients and pelleted lime and gypsum products in the U.S. Corn Belt and Florida. It operates 30 facilities in Ohio, Michigan, Indiana, Illinois, Florida, Wisconsin, Minnesota and Puerto Rico. The Group provides warehousing, packaging and manufacturing services to basic manufacturers and other

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distributors. The Group also manufactures and distributes a variety of industrial products in the U.S. including nitrogen reagents for air pollution control systems used in coal-fired power plants, water treatment products, and de-icers and anti-icers for airport runways, roadways, and other commercial applications. The major nutrient products sold by the Company principally contain nitrogen, phosphate, potassium and sulfur.

The Group saw the continuation of a tight pipeline for most major ingredients through the fourth quarter of 2010 due to high demand. Fall application for dry materials along with ammonia was significantly higher due to the early fall harvest, good weather conditions and high grain prices. It is our belief that the strong fourth quarter volume will have limited downward impact on volume in the first half of 2011. We expect 2011 to be a good volume year as the demand for nutrients is high and acres planted are expected to increase. Margins should be strong as well as a result of tight supplies of the basic nutrients and strong price trends.

Turf & Specialty Group

The Turf & Specialty Group produces granular fertilizer products for the professional lawn care and golf course markets. It also sells consumer fertilizer and control products for do-it-yourself application, to mass merchandisers, small independent retailers and other lawn fertilizer manufacturers and performs contract manufacturing of fertilizer and control products. The Group is one of a limited number of processors of corncob-based products in the United States. These products serve the chemical and feed ingredient carrier, animal litter and industrial markets, and are distributed throughout the United States and Canada and into Europe and Asia. The turf products industry is highly seasonal, with the majority of sales occurring from early spring to early summer. Corncob-based products are sold throughout the year.

The Group continues to see positive results from its focus on proprietary products and expanded product lines. The Group has spent considerable time marketing the A+ program which will boost liquid and dispersible granular sales and is planning several other productivity initiatives in operations, including automation, which will likely lead to continued growth.

Retail Group

The Retail Group includes large retail stores operated as The Andersons and a specialty food market operated as The Andersons Market. The Group also operates a sales and service facility for outdoor power equipment. The retail concept is *More for Your Home*® and the conventional retail stores focus on providing significant product breadth with offerings in home improvement and other mass merchandise categories, as well as specialty foods, wine and indoor and outdoor garden centers.

The retail business is highly competitive. The Company competes with a variety of retail merchandisers, including home centers, department and hardware stores, as well as local and national grocers. Food reset projects were completed during the year in three of the stores, which we expect will increase traffic in the stores and increase sales.

Other

The Other business segment of the Company represents corporate functions that provide support and services to the operating segments. The results contained within this segment include expenses and benefits not allocated back to the operating segments.

Operating Results

The following discussion focuses on the operating results as shown in the Consolidated Statements of Income with a separate discussion by segment. Additional segment information is included in Note 16 to the Company's consolidated financial statements in Item 8.

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	Year ended December 31,		
	2010	2009	2008
Sales and merchandising revenues	\$ 3,393,791	\$ 3,025,304	\$ 3,489,478
Cost of sales	3,112,112	2,769,798	3,231,649
Gross profit	281,679	255,506	257,829
Operating, administrative and general	195,330	199,116	190,230
Interest expense	19,865	20,688	31,239
Equity in earnings of affiliates	26,007	17,463	4,033
Other income, net	11,652	8,331	6,170
Operating income before noncontrolling interest	104,143	61,496	46,563
(Income) loss attributable to noncontrolling interest	(219)	(1,215)	2,803
Operating income	\$ 103,924	\$ 60,281	\$ 49,366

Comparison of 2010 with 2009***Grain & Ethanol Group***

	Year ended December 31,	
	2010	2009
Sales and merchandising revenues	\$ 2,405,452	\$ 2,153,978
Cost of sales	2,286,962	2,047,174
Gross profit	118,490	106,804
Operating, administrative and general	57,301	64,643
Interest expense	8,315	9,363
Equity in earnings of affiliates	25,999	17,452
Other income, net	2,733	2,319
Operating income before noncontrolling interest	81,606	52,569
(Income) loss attributable to noncontrolling interest	(219)	(1,215)
Operating income	\$ 81,387	\$ 51,354

Operating results for the Grain & Ethanol Group increased \$30 million over 2009. Sales of grain increased \$174 million, or 10.5%, over 2009 and is the result of an 11% increase in volume. Sales of ethanol increased \$80.4 million, or 20%, and is the result of an increase in the overall volume by 7 million gallons and a 16.5% increase in the average price per gallon sold. Fees for services provided to the ethanol industry increased \$0.9 million, or 4.2%. Gross profit increased \$11.7 million, or 11%, for the Group. Basis income was higher than 2009 by \$18.6 million due to earlier than normal 2010 harvest causing significant basis appreciation. Position income increased by \$7.9 million from 2009 to 2010 primarily as a result of the growth of the ingredient trading area. The harvest occurred earlier in 2010 than 2009 and grain was drier which resulted in \$11.5 million less service fees than prior year from drying and mixing services (when wet grain is received into the elevator and dried to an acceptable moisture level). In addition, the market value adjustment for customer credit exposure was \$4.6 million higher for 2010 due to higher grain prices.

Operating expenses for the Group decreased \$7.3 million, or 11%, from 2009. Bad debt expense decreased approximately \$14.6 million due to reductions in amounts reserved for customer receivables and the net reversal of \$6.7 million of reserves following the settlement of a long standing collection matter. Approximately \$2.7 million of the decrease in operating expenses is the result of a decline in utilities expense due to the early and dry harvest in comparison with 2009. These expense decreases were partially offset by increases in labor, benefits, and depreciation and amortization expense due to the acquisition of O Malley Grain during the second quarter of 2010. Performance incentives expense was also up year-over-year due to higher overall division earnings.

Interest expense for the Group decreased \$1.0 million, or 11%, from 2009 due to lower rates on outstanding borrowings.

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Equity in earnings of affiliates increased \$8.5 million, or 49%, over 2009. Income from the Group's investment in LTG increased \$9.4 million. Income from the Group's investment in the three ethanol LLCs decreased \$1.3 million, primarily as a result of rising corn prices.

Rail Group

	Year ended December 31,	
	2010	2009
Sales and merchandising revenues	\$ 94,816	\$ 92,789
Cost of sales	81,437	75,973
Gross profit	13,379	16,816
Operating, administrative and general	12,846	13,867
Interest expense	4,928	4,468
Other income, net	4,502	485
Operating income (loss)	\$ 107	\$ (1,034)

Operating results for the Rail Group increased \$1.1 million over 2009. Sales of railcars increased \$12.6 million, which includes \$4.3 million related to intentional scrapping of railcars, nearly offset by leasing revenues which decreased \$12.5 million. Sales relating to the repair and fabrication businesses increased \$1.9 million. Gross profit for the Group decreased \$3.4 million, or 20%, and is the result of more idle cars and increased storage costs during the first half of 2010 coupled with increased freight and maintenance costs, as cars were repaired and moved into service during the second half of 2010. Storage expenses for the Group increased \$1.1 million in 2010 compared to 2009.

Other income increased by \$4.0 million over 2009 primarily due to \$2.2 million in settlements received from customers for railcars returned at the end of a lease that were not in the required operating condition. These settlements may be negotiated in lieu of a customer performing the required repairs. In addition, IANR dividends began accruing in May 2010 and amounted to approximately \$1.1 million at year end.

Plant Nutrient Group

	Year ended December 31,	
	2010	2009
Sales and merchandising revenues	\$ 619,330	\$ 491,293
Cost of sales	539,793	431,874
Gross profit	79,537	59,419
Operating, administrative and general	46,880	45,955
Interest expense	3,901	3,933
Equity in earnings of affiliates	8	8
Other income, net	1,298	1,755
Operating income	\$ 30,062	\$ 11,294

Operating results for the Plant Nutrient Group increased \$18.8 million over its 2009 results. Sales increased \$128 million, or 26%, over 2009 due to an increase in tons sold by 31% offset by a 3% decrease in average price per ton sold for the year. Volume increased almost twenty percent in the fourth quarter alone due to excellent fall

application conditions and the continued restocking of the retail fertilizer pipeline. The overall margin per ton was approximately 6% higher than prior year. Operating expenses increased \$1.0 million over prior year due to incremental expenses relating to an August 2009 acquisition.

Table of Contents***Turf & Specialty Group***

	Year ended December 31,	
	2010	2009
Sales and merchandising revenues	\$ 123,549	\$ 125,306
Cost of sales	96,612	99,849
Gross profit	26,937	25,457
Operating, administrative and general	23,225	20,424
Interest expense	1,604	1,429
Other income, net	1,335	1,131
Operating income	\$ 3,443	\$ 4,735

Operating results for the Turf & Specialty Group decreased \$1.3 million from its 2009 results. Sales decreased \$1.8 million, or 1%. Sales in the lawn fertilizer business decreased \$5.6 million, or 5%, due to a 3% decrease in volume along with a 2% decrease in average price per ton sold. Sales in the cob business increased \$3.7 million, or 24% as tonnage sold was up 24% over 2009. Gross profit for the Group increased \$1.5 million, or 6% due to an overall increase in volume and margin.

Operating expenses for the Group increased \$2.8 million, or 14%, from 2009, and is primarily related to the 2009 recognition of a pension curtailment gain that was not repeated in 2010 and more maintenance projects in 2010.

Retail Group

	Year ended December 31,	
	2010	2009
Sales and merchandising revenues	\$ 150,644	\$ 161,938
Cost of sales	107,308	114,928
Gross profit	43,336	47,010
Operating, administrative and general	45,439	49,575
Interest expense	1,039	961
Other income, net	608	683
Operating (loss)	\$ (2,534)	\$ (2,843)

Operating results for the Retail Group increased \$0.3 million over its 2009 results. Sales decreased \$11.4 million, or 7%, from 2009 and were experienced in all of the Group's market areas, but the majority was due to the Lima store closing in late 2009. Customer counts decreased 3% and the average sale per customer decreased by nearly 5%. Gross profit decreased \$3.7 million, or 8%, due to the decreased sales as well as a slight decrease in gross margin percentage.

Operating expenses for the Group decreased \$4.1 million, or 8%. As noted above, the Lima, Ohio store was closed in the fourth quarter of 2009 which contributed to the decrease in both sales and expenses year-over-year.

Other

	Year ended December	
	31,	
	2010	2009
Sales and merchandising revenues	\$	\$
Cost of sales		
Gross profit		
Operating, administrative and general	9,639	4,652
Interest expense	78	534
Equity in earnings of affiliates		3
Other income, net	1,176	1,958
Operating (loss)	\$ (8,541)	\$ (3,225)

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The Corporate operating loss (costs not allocated back to the business units) increased \$5.3 million, or 165%, over 2009 and relates primarily to an increase in performance incentives due to favorable operating performance, an increase in charitable contributions, and increased expenses for the Company's deferred compensation plan. As a result of the operating performances noted above, income attributable to The Andersons, Inc. of \$64.7 million for 2010 was 69% higher than the income attributable to The Andersons, Inc. of \$38.4 million in 2009. Income tax expense of \$39.3 million was recorded in 2010 at an effective rate of 37.7% which is an increase from the 2009 effective rate of 35.7% due primarily to the impact of Federal legislation on Medicare Part D.

Comparison of 2009 with 2008***Grain & Ethanol Group***

	Year ended December 31,	
	2009	2008
Sales and merchandising revenues	\$ 2,153,978	\$ 2,411,144
Cost of sales	2,047,174	2,300,190
Gross profit	106,804	110,954
Operating, administrative and general	64,643	60,281
Interest expense	9,363	18,667
Equity in earnings of affiliates	17,452	4,027
Other income, net	2,319	4,751
Operating income before noncontrolling interest	52,569	40,784
(Income) loss attributable to noncontrolling interest	(1,215)	2,803
Operating income	\$ 51,354	\$ 43,587

Operating results for the Grain & Ethanol Group increased \$7.8 million over 2008. Sales of grain decreased \$234.7 million, or 12%, over 2008 and is the result of a 16% decrease in the average price per bushel sold, partially offset by a 4% increase in volume. Sales of ethanol decreased \$52.5 million, or 12%, and is the result of a 15% decrease in the average price per gallon sold, partially offset by a 4% increase in volume. Services provided to the ethanol industry increased \$1.0 million, or 5%.

Gross profit decreased \$4.2 million, or 4%, for the Group, and is the result of decreased commodity derivative activity in the amount of \$6.5 million in the Company's majority owned subsidiary The Andersons Ethanol Investment LLC (TAEI) (which is 34% owned by another entity), partially offset by increased storage income as the Company had more wheat bushels in storage and had more delayed price bushels (grain that the Company has purchased but the purchase price has yet to be established) as compared to 2008. TAEI's commodity derivatives are being used to economically hedge price risk related to The Andersons Marathon Ethanol LLCs (TAME) corn purchases and ethanol sales. The late wet harvest allowed the Group to significantly benefit from drying and mixing income, which is income earned when wet grain is received into the elevator and dried to an acceptable moisture level, however, this was offset by lower margins on grain sales.

Operating expenses for the Group increased \$4.4 million, or 7%, over 2008. Approximately \$2.5 million of this increase is the result of the two new facilities the Group acquired in 2008 (one through a purchase and the other through a leasing arrangement). Those facilities were acquired in September of 2008 and therefore the prior year expenses only include four months for those facilities compared to a full year for 2009. Another \$1.2 million of the increase is due to increased cost to dry the wet grain received during the fall harvest. The remainder of the increase is spread across several expense items and are primarily

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employee related costs and costs associated with growth. These expense increases were partially offset by a \$2.5 million decrease in bad debt expense resulting from reserves taken in 2008 against specific customer receivables for contracts where grain was not delivered and the contracts were subsequently cancelled.

Interest expense for the Group decreased \$9.3 million, or 50%, over 2008. The significant increase in commodity prices in 2008 required the Company to increase short-term borrowings to cover margin calls which was the main driver for the increased interest costs for the Group last year.

Equity in earnings of affiliates increased \$13.4 million, or 333%, from 2008. Income from the Group's investment in the three ethanol LLCs increased \$16.5 million, primarily as a result of the significantly improved performance of TAME as decreasing corn and natural gas prices have improved margins for that entity. In addition, the Company's share of income from The Andersons Albion Ethanol LLC's business interruption claim from a fire at its facility was \$1.3 million. Income from the Group's investment in Lansing Trade Group LLC (LTG) decreased \$3.0 million.

Rail Group

	Year ended December 31,	
	2009	2008
Sales and merchandising revenues	\$ 92,789	\$ 133,898
Cost of sales	75,973	96,843
Gross profit	16,816	37,055
Operating, administrative and general	13,867	13,645
Interest expense	4,468	4,154
Other income, net	485	526
Operating (loss) income	\$ (1,034)	\$ 19,782

Operating results for the Rail Group decreased \$20.8 million over 2008. Leasing revenues decreased \$14.6 million, or 16%, due to the significant decrease in utilization. Sales of railcars decreased \$20.1 million, or 74%, over 2008. With so many cars in the industry idled, there is not the demand for cars that there was in 2008 and with fewer cars on the rail lines overall, the opportunities for business in the repair and fabrication shops has significantly decreased resulting in a \$6.4 million decrease in sales in that business. Gross profit for the Group decreased \$20.2 million, or 55%, and is the result of the decreased sales coupled with significantly increased storage costs as many cars remain idle. Storage expenses for the Group increased \$3.0 million in 2009 compared to 2008.

Operating expenses remained relatively flat year-over-year. Interest expense for the Group increased slightly.

Plant Nutrient Group

	Year ended December 31,	
	2009	2008
Sales and merchandising revenues	\$ 491,293	\$ 652,509
Cost of sales	431,874	618,519
Gross profit	59,419	33,990
Operating, administrative and general	45,955	41,598
Interest expense	3,933	5,616
Equity in earnings of affiliates	8	6
Other income, net	1,755	893

Operating income (loss)	\$ 11,294	\$ (12,325)
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Operating results for the Plant Nutrient Group increased \$23.6 million over its 2008 results. Sales decreased \$161.2 million, or 25%, over 2008 due to early 2008 price appreciation in fertilizer which caused the average price per ton sold for the year to be 33% higher than it was in 2009. As prices started to decline toward the end of 2008, and sales volume began to decrease, the Company was left with a large

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inventory position valued higher than the market. This resulted in lower-of-cost or market and contract adjustments in the amount of \$97.2 million in 2008. As a result of these significant write-downs in 2008, the Group's 2009 gross profit is a \$25.4 million improvement over the prior year. Volume also increased 12% over 2008.

Operating expenses for the Group increased \$4.4 million, or 10%, over 2008 due to the added expenses from the Group's acquisitions during 2008 and 2009. Excluding the expenses from these three businesses, expenses decreased \$2.7 million, primarily in bad debt expense, uninsured losses and performance incentives.

Interest expense decreased \$1.7 million, or 30%, as the drop in fertilizer prices have resulted in less borrowing needs to cover working capital.

Other income for the Group increased \$0.9 million over 2008 as a result of forfeited customer prepayments.

Turf & Specialty Group

	Year ended December 31,	
	2009	2008
Sales and merchandising revenues	\$ 125,306	\$ 118,856
Cost of sales	99,849	94,152
Gross profit	25,457	24,704
Operating, administrative and general	20,424	21,307
Interest expense	1,429	1,522
Other income, net	1,131	446
Operating income	\$ 4,735	\$ 2,321

Operating results for the Turf & Specialty Group increased \$2.4 million over its 2008 results. Sales increased \$6.5 million, or 5%. Sales in the lawn fertilizer business increased \$6.4 million, or 6%, due to a 20% increase in volume, partially offset by an 11% decrease in the average price per ton sold. Sales in the cob business remained flat. Gross profit for the Group increased \$0.8 million, or 3%.

Operating expenses for the Group decreased \$0.9 million, or 4%, over 2008, and is primarily related to decreased pension expense as a result of the freezing of the Company's defined benefit plan.

Retail Group

	Year ended December 31,	
	2009	2008
Sales and merchandising revenues	\$ 161,938	\$ 173,071
Cost of sales	114,928	121,945
Gross profit	47,010	51,126
Operating, administrative and general	49,575	50,089
Interest expense	961	886
Other income, net	683	692
Operating (loss) income	\$ (2,843)	\$ 843

Operating results for the Retail Group decreased \$3.7 million over its 2008 results. Sales decreased \$11.1 million, or 6%, over 2008 and were experienced in all of the Group's market areas. Customer counts decreased 2% and the

average sale per customer decreased 4%. Gross profit decreased \$4.1 million, or 8%, due to the decreased sales as well as a half a point decrease in gross margin percentage. As mentioned previously, the Group closed its Lima, Ohio store in the fourth quarter of 2009.

Operating expenses for the Group decreased \$0.5 million, or 1%, in spite of \$0.8 million in severance costs related to the closing of the Lima, Ohio store.

Table of Contents***Other***

	Year ended December	
	31,	
	2009	2008
Sales and merchandising revenues	\$	\$
Cost of sales		
Gross profit		
Operating, administrative and general	4,652	3,310
Interest expense	534	394
Equity in earnings of affiliates	3	
Other income (loss), net	1,958	(1,138)
Operating (loss)	\$ (3,225)	\$ (4,842)

Corporate operating, administrative and general expenses (costs not allocated back to the business units) increased \$1.3 million, or 41%, over 2008 and relates primarily to increased charitable contributions and increased expenses for the Company's deferred compensation plan. These increases were partially offset by a reduction of expenses related to the Company's defined benefit plan as a result of the pension freeze announced during the third quarter of 2009. The increase in expenses related to the deferred compensation plan is offset by increases to other income as the assets invested in the plan performed better than the prior year.

As a result of the operating performances noted above, income attributable to The Andersons, Inc. of \$38.4 million for 2009 was 17% higher than the income attributable to The Andersons, Inc. of \$32.9 million in 2008. Income tax expense of \$21.9 million was recorded in 2009 at an effective rate of 35.7% which is an increase from the 2008 effective rate of 33.4% due primarily to certain Indiana state tax credits related to TACE that were a benefit to the Company in 2008.

Table of Contents**Liquidity and Capital Resources****Working Capital**

At December 31, 2010, the Company had working capital of \$301.8 million, a decrease of about \$5.9 million from the prior year. This decrease was attributable to changes in the following components of current assets and current liabilities (in thousands):

	2010	2009	Variance
Current Assets:			
Cash and cash equivalents	\$ 29,219	\$ 145,929	\$ (116,710)
Restricted cash	12,134	3,123	9,011
Accounts and notes receivables, net	152,227	137,195	15,032
Margin deposits	20,259	27,012	(6,753)
Inventories	647,189	407,845	239,344
Commodity derivative assets current	226,216	24,255	201,961
Deferred income taxes	16,813	13,284	3,529
Prepaid expenses and other current assets	34,501	28,180	6,321
	1,138,558	786,823	351,735
Current Liabilities:			
Borrowing under short-term line of credit	\$ 241,100		\$ 241,100
Accounts payable for grain	274,596	234,396	40,200
Other accounts payable	111,501	110,658	843
Customer prepayments and deferred revenue	78,550	56,698	21,852
Commodity derivative liabilities current	57,621	24,871	32,750
Accrued expenses	48,851	41,563	7,288
Current maturities of long-term debt	24,524	10,935	13,589
	836,743	479,121	357,622
Working capital	\$ 301,815	\$ 307,702	\$ (5,887)

In comparison to the prior year-end, current assets increased largely as a result higher inventories and commodity derivative assets driven by rising commodity prices in the fourth quarter. Current liabilities increased primarily as a result of borrowings on our short-term line of credit. We also saw large increases in accounts payable for grain and commodity derivative liabilities due to rising commodity prices. See the discussion below on sources and uses of cash for an understanding of the significant decrease in cash from prior year.

Borrowings and Credit Facilities

On December 17, 2010, the Company entered into a restated loan agreement (the agreement) with several financial institutions, including U.S. Bank National Association, acting as agent. The agreement provides the Company with \$513 million (Line A) and \$387 million (Line C) of short-term borrowing capacity. Due to the fact that we were oversubscribed on the renewal of the syndicate revolvers, the Company entered into an agreement to amend Line A, increasing the total amount of the line by an additional \$92 million to \$605 million subsequent to year end. The Company plans to use the lines to fund margin call requirements, as necessary, if commodity prices continue to increase into 2011.

On September 30, 2010, the Company entered into a new loan agreement with the same syndicate of banks referred to above. This agreement provides for \$115 million (Line B) of borrowing capacity.

Total borrowing capacity for the Company under Lines A, B, and C is currently at \$1.1 billion.

Table of Contents**Sources and Uses of Cash***Operating Activities and Liquidity*

The Company's operations used cash of \$239.3 million in 2010, a decrease of \$419.5 million from cash provided by operations of \$180.2 million in 2009. The significant amount of operating cash flows used in 2010 relates primarily to an increase in the commodity prices as noted in the discussion above on working capital.

The Company paid income taxes of \$24.8 million in 2010. Income tax refunds of \$24.2 million were received in 2009. The Company makes quarterly tax payments based on full-year estimated income. Through the first nine months of 2008, the Company anticipated significantly higher earnings and was making quarterly income payments accordingly. In the fourth quarter of 2008, the market price of fertilizer decreased dramatically requiring the Company to record lower-of-cost-or-market adjustments on its inventory and purchase commitments in the amount of \$97.2 million. The significantly decreased earnings resulted in lower income taxes due and as of December 31, 2008 the Company had over-paid its income tax liability for the year. The majority of this over-payment was refunded in the first quarter of 2009.

Investing Activities

Investing activities used \$89.0 million, which is \$25.6 million more than was used in 2009. The largest portion of the spending relates to business acquisitions in the amount of \$39.3 million, capital spending of \$30.9 million, and investment in convertible preferred securities of \$13.1 million. In addition, purchases of railcars in the amount of \$18.4 million nearly offset proceeds from the sale of railcars in the amount of \$20.1 million.

On May 1, 2010, the Company acquired two grain cleaning and storage facilities from O Malley Grain, Inc. for a purchase price of \$7.8 million. On December 31, 2010, the Company completed the purchase of grain storage facilities in Nebraska from B4 Grain, Inc. for approximately \$31.5 million. These acquisitions were another step westward for the Company and we see it as a great opportunity to be positioned along the high production area of Nebraska.

Total capital spending for 2010 on property, plant and equipment within the Company's base business was \$30.9 million, which includes \$7.6 million in the Plant Nutrient Group, \$10.3 million in the Grain & Ethanol Group, \$2.2 million in the Turf & Specialty Group, \$8.8 million in the Retail Group, \$0.9 million in the Rail Group and \$0.9 million in corporate purchases.

On May 25, 2010, the Company paid \$13.1 million to acquire 100% of newly issued cumulative convertible preferred shares of IANR and Zephyr. As a result of this investment, the Company has a 49.9% voting interest in IANR, with dividends accruing at a rate of 14% annually whether or not declared by IANR and are cumulative in nature.

The Company expects to spend approximately \$74 million in 2011 on conventional property, plant and equipment, including additions and enhancements to existing facilities, and an additional \$90 million for the purchase and capitalized modifications of railcars with related sales or financings of \$75 million.

Financing Arrangements

Net cash provided by financing activities was \$211.6 million in 2010, compared to \$52.6 million cash used by financing activities in 2009.

The Company has significant committed short-term lines of credit available to finance working capital, primarily inventories, margin calls on commodity contracts and accounts receivable. As noted above, the Company is party to a borrowing arrangement with a syndicate of banks, which was amended in December 2010, to provide the Company with \$387 million and \$513 million in short-term lines of credit. The Company had drawn \$241.1 million on its short-term line of credit at December 31, 2010. Peak borrowing on the line of credit during 2010 and 2009 was \$305.0 million and \$92.7 million, respectively. Typically,

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the Company's highest borrowing occurs in the spring due to seasonal inventory requirements in the fertilizer and retail businesses, credit sales of fertilizer and a customary reduction in grain payables due to the cash needs and market strategies of grain customers.

Certain of the Company's long-term borrowings include covenants that, among other things, impose minimum levels of equity and limitations on additional debt. The Company was in compliance with all such covenants at December 31, 2010. In addition, certain of the Company's long-term borrowings are collateralized by first mortgages on various facilities or are collateralized by railcar assets. The Company's non-recourse long-term debt is collateralized by railcar and locomotive assets.

The Company paid \$6.6 million in dividends in 2010 compared to \$6.3 million in 2009. The Company paid \$0.0850 per common share for the dividends paid in January 2009, \$0.0875 per common share for the dividends paid in April, July and October 2009 and January 2010, \$0.090 per common share for the dividends paid in April, July and October 2010, and declared a dividend of \$0.11 per common share for the dividends paid in January 2011.

Proceeds from the sale of treasury shares to employees and directors were \$1.3 million and \$0.8 million for 2010 and 2009, respectively. During 2010, the Company issued approximately 157,000 shares to employees and directors under its share compensation plans.

Because the Company is a significant consumer of short-term debt in peak seasons and the majority of this is variable rate debt, increases in interest rates could have a significant impact on the profitability of the Company. In addition, periods of high grain prices and / or unfavorable market conditions could require the Company to make additional margin deposits on its exchange traded futures contracts. Conversely, in periods of declining prices, the Company receives a return of cash.

The volatility in the capital and credit markets has had a significant impact on the economy in the past few years. Despite the volatile and challenging economic environment, the Company has continued to have good access to the credit markets. In the unlikely event that the Company was faced with a situation where it was not able to access the capital markets (including through the renewal of its line of credit), the Company believes it could successfully implement contingency plans to maintain adequate liquidity such as expanding or contracting the amount of its forward grain contracting, which will reduce the impact of grain price volatility on its daily margin calls. Additionally, the Company could begin to liquidate its stored grain inventory as well as execute sales contracts with its customers that align the timing of the receipt of grain from its producers to the shipment of grain to its customers (thereby freeing up working capital that is typically utilized to store the grain for extended periods of time). We also believe that we could raise equity through other portions of the capital market. The Company believes that its operating cash flow, the marketability of its grain inventories, other liquidity contingency plans and its access to sufficient sources of liquidity, will enable it to meet its ongoing funding requirements. At December 31, 2010, the Company had \$760.8 million available under its lines of credit.

Table of Contents**Contractual Obligations**

Future payments due under contractual obligations at December 31, 2010 are as follows:

Contractual Obligations (in thousands)	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	After 5 years	
Long-term debt (a)	\$ 21,683	\$ 76,661	\$ 108,948	\$ 78,066	\$ 285,358
Long-term debt non-recourse (a)	2,841	12,373	777		15,991
Interest obligations (b)	14,993	24,632	15,659	9,651	64,935
Uncertain tax positions	311	160			471
Operating leases (c)	22,739	25,431	14,105	17,851	80,126
Purchase commitments (d)	1,748,062	157,450	1,311		1,906,823
Other long-term liabilities (e)	4,196	2,559	2,787	7,567	17,109
Total contractual cash obligations	\$ 1,814,825	\$ 299,266	\$ 143,587	\$ 113,135	\$ 2,370,813

- (a) The Company is subject to various loan covenants as highlighted previously. Although the Company is in compliance with its covenants, noncompliance could result in default and acceleration of long-term debt payments. The Company does not anticipate noncompliance with its covenants.
- (b) Future interest obligations are calculated based on interest rates in effect as of December 31, 2010 for the Company's variable rate debt and do not include any assumptions on expected borrowings, if any, under the short-term line of credit.
- (c) Approximately 82% of the operating lease commitments above relate to 6,827 railcars and 18 locomotives that the Company leases from financial intermediaries. See Off-Balance Sheet Transactions below.
- (d) Includes the amounts related to purchase obligations in the Company's operating units, including \$1,405 million for the purchase of grain from producers and \$385 million for the purchase of ethanol from our ethanol joint ventures. There are also forward grain and ethanol sales contracts to consumers and traders and the net of these forward contracts are offset by exchange-traded futures and options contracts or over-the-counter contracts. See the narrative description of business for the Grain & Ethanol Group in Item 1 of this Annual Report on Form 10-K for further discussion.
- (e) Other long-term liabilities include estimated obligations under our retiree healthcare programs and the estimated 2011 contribution to our defined benefit pension plan. Obligations under the retiree healthcare programs are not fixed commitments and will vary depending on various factors, including the level of participant utilization and inflation. Our estimates of postretirement payments through 2015 have considered recent payment trends and actuarial assumptions. We have not estimated pension contributions beyond 2011 due to the significant impact that return on plan assets and changes in discount rates might have on such amounts.

The Company had standby letters of credit outstanding of \$14.1 million at December 31, 2010.

Off-Balance Sheet Transactions

The Company's Rail Group utilizes leasing arrangements that provide off-balance sheet financing for its activities. The Company leases railcars from financial intermediaries through sale-leaseback transactions, the majority of which involve operating leasebacks. Railcars owned by the Company, or leased by the Company from a financial intermediary, are generally leased to a customer under an operating lease. The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to a financial intermediary, and assigns the related

operating lease to the financial intermediary on a non-recourse basis. In such arrangements, the Company generally provides ongoing railcar maintenance and management services for the financial intermediary, and receives a fee for such services. On most of the railcars and locomotives, the Company holds an option to purchase these assets at the end of the lease.

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The following table describes the railcar and locomotive positions of the Rail Group at December 31, 2010.

Method of Control	Financial Statement	Number
Owned-railcars available for sale	On balance sheet current	10
Owned-railcar assets leased to others	On balance sheet non-current	13,407
Railcars leased from financial intermediaries	Off balance sheet	6,827
Railcars non-recourse arrangements	Off balance sheet	2,109
Total Railcars		22,353
Locomotive assets leased to others	On balance sheet non-current	40
Locomotives leased from financial intermediaries	Off balance sheet	4
Locomotives leased from financial intermediaries under limited recourse arrangements	Off balance sheet	
Locomotives non-recourse arrangements	Off balance sheet	78
Total Locomotives		122

In addition, the Company manages approximately 761 railcars for third-party customers or owners for which it receives a fee.

The Company has future lease payment commitments aggregating \$65.5 million for the railcars leased by the Company from financial intermediaries under various operating leases. Remaining lease terms vary with none exceeding fifteen years. The Company prefers non-recourse lease transactions, whenever possible, in order to minimize its credit risk. Refer to Note 12 to the Company's consolidated financial statements in Item 8 for more information on the Company's leasing activities.

In addition to the railcar counts above, the Grain & Ethanol Group owns 150 railcars which it leases to third parties under operating leases. These cars are included in railcar assets leased to others in the consolidated balance sheets.

Critical Accounting Estimates

The process of preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The Company evaluates these estimates and assumptions on an ongoing basis. Estimates and assumptions are based on the Company's historical experience and management's knowledge and understanding of current facts and circumstances. Actual results, under conditions and circumstances different from those assumed, may change from estimates.

Certain of the Company's accounting estimates are considered critical, as they are important to the depiction of the Company's financial statements and/or require significant or complex judgment by management. There are other items within our financial statements that require estimation, however, they are not deemed critical as defined above. Note 1 to the consolidated financial statements in Item 8 describes our significant accounting policies which should be read in conjunction with our critical accounting estimates.

The Company believes that accounting for allowance for accounts and notes receivable, fair value adjustment for counter-party risk, grain inventories and commodity derivative contracts, lower-of-cost-or-market inventory adjustments, impairment of long-lived assets and equity method investments, income taxes, and employee benefit plans involve significant estimates and assumptions in the preparation of the consolidated financial statements.

Allowance for Accounts and Notes Receivable

The allowance for doubtful accounts and notes receivable relate to trade receivables and the current portion of notes receivable and is reviewed in detail by the Company on a quarterly basis. The allowance is based

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both on specific identification of problem accounts and some base level of reserve for small and unidentified issues. For those customers that are thought to be at higher risk, the Company makes assumptions as to collectability based on past history and facts about the current situation.

Fair Value Adjustment for Counter-Party Risk

The Company records quarterly estimated fair value adjustments to its commodity contracts. These market value adjustments for customer credit exposure are based on internal projections, the Company's historical experience with its producers and customers and the Company's knowledge of their business. In addition, the adjustments to contract fair values tends to fluctuate with the rise and fall of commodity prices.

Grain Inventories and Commodity Derivative Contracts

The Company marks to market all grain inventory, forward purchase and sale contracts for grain and ethanol, over-the-counter grain and ethanol contracts, and exchange-traded futures and options contracts. The overall market for grain inventories is very liquid and active; market value is determined by reference to prices for identical commodities on the CME (adjusted primarily for transportation costs); and the Company's grain inventories may be sold without significant additional processing. The Company uses forward purchase and sale contracts and both exchange traded and over-the-counter contracts (such as derivatives generally used by the International Swap Dealers Association). Management estimates fair value based on exchange-quoted prices, adjusted for differences in local markets, as well as counter-party non-performance risk in the case of forward and over-the-counter contracts. The amount of risk, and therefore the impact to the fair value of the contracts, varies by type of contract and type of counter-party. With the exception of specific customers thought to be at higher risk, the Company looks at the contracts in total, segregated by contract type, in its assessment of nonperformance risk. For those customers that are thought to be at higher risk, the Company makes assumptions as to performance based on past history and facts about the current situation. Changes in fair value are recorded as a component of sales and merchandising revenues in the statement of income.

Lower-of-Cost-or-Market Inventory Adjustments

The Company records its non-grain inventory at the lower of cost or market. Whenever changing conditions warrant, the Company evaluates the carrying value of its inventory compared to the current market. Market price is determined using both external data, such as current selling prices by third parties and quoted trading prices for the same or similar products, and internal data, such as the Company's current ask price and expectations on normal margins. If the evaluation indicates that the Company's inventory is being carried at values higher than the current market can support, the Company will write down its inventory to its best estimate of net realizable value.

Impairment of Long-Lived Assets and Equity Method Investments

The Company's business segments are each highly capital intensive and require significant investment in facilities and / or railcars. Fixed assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. This is done by evaluating the recoverability based on undiscounted projected cash flows, excluding interest and taxes. If an asset group is considered impaired, the impairment loss to be recognized is measured as the amount by which the asset group's carrying amount exceeds its fair value.

We also annually review the balance of goodwill for impairment in the fourth quarter. These reviews for impairment take into account estimates of future undiscounted, and as appropriate discounted, cash flows. Our estimates of future cash flows are based upon a number of assumptions including lease rates, lease terms, operating costs, life of the assets, potential disposition proceeds, budgets and long-range plans. The majority of our goodwill is in the Grain and Ethanol and Plant Nutrient Groups. Based on the strength of current performance in both of these groups, we do not anticipate any impairment issues in the near future.

In addition, the Company holds investments in limited liability companies that are accounted for using the equity method of accounting. The Company reviews its investments to determine whether there has been a decline in the estimated fair value of the investment that is below the Company's carrying value which is other than temporary.

Table of Contents*Income Taxes*

On a quarterly basis, the income tax provision is based primarily on the expected annual effective tax rate. In the event there is a significant or unusual item recognized in our quarterly operating results, the tax attributable to that item is separately calculated and recorded at the same time as that item. Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax rate and in evaluating our tax positions. We establish reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions are likely to be challenged and that we may not prevail. We adjust these reserves in light of changing facts and circumstances, such as the progress of a tax audit. We have limited reserves for uncertain tax positions and most will be eliminated in the near future as the years available for audit are closing.

Employee Benefit Plans

The Company provides all full-time, non-retail employees hired before July 1, 2010 with pension benefits and full-time employees hired before January 1, 2003 with postretirement health care benefits. In order to measure the expense and funded status of these employee benefit plans, management makes several estimates and assumptions, including rates of return on assets set aside to fund these plans, rates of compensation increases, employee turnover rates, anticipated mortality rates and anticipated future healthcare cost trends. These estimates and assumptions are based on the Company's historical experience combined with management's knowledge and understanding of current facts and circumstances. The selection of the discount rate is not a matter of judgment but based on an index given projected plan payouts. With the freeze of the pension and supplemental retirement plan, the volatility of the assumption has been reduced.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The market risk inherent in the Company's market risk-sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices and interest rates as discussed below.

Commodity Prices

The availability and price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand created by population growth and higher standards of living, and global production of similar and competitive crops. To reduce price risk caused by market fluctuations in purchase and sale commitments for grain and grain held in inventory, the Company enters into exchange-traded futures and options contracts that function as economic hedges. The market value of exchange-traded futures and options used for economic hedging has a high, but not perfect correlation, to the underlying market value of grain inventories and related purchase and sale contracts. The less correlated portion of inventory and purchase and sale contract market value (known as basis) is much less volatile than the overall market value of exchange-traded futures and tends to follow historical patterns. The Company manages this less volatile risk using its daily grain position report to constantly monitor its position relative to the price changes in the market. In addition, inventory values are affected by the month-to-month spread relationships in the regulated futures markets, as the Company carries inventories over time. These spread relationships are also less volatile than the overall market value and tend to follow historical patterns but also represent a risk that cannot be directly offset. The Company's accounting policy for its futures and options, as well as the underlying inventory positions and purchase and sale contracts, is to mark them to the market price daily and include gains and losses in the statement of income in sales and merchandising revenues.

A sensitivity analysis has been prepared to estimate the Company's exposure to market risk of its commodity position (exclusive of basis risk). The Company's daily net commodity position consists of

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inventories, related purchase and sale contracts and exchange-traded contracts. The fair value of the position is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures market prices. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in such prices. The result of this analysis, which may differ from actual results, is as follows:

(in thousands)	December 31,	
	2010	2009
Net (short) long position	\$ (2,105)	\$ 3,848
Market risk	(211)	385

Interest Rates

The fair value of the Company's long-term debt is estimated using quoted market prices or discounted future cash flows based on the Company's current incremental borrowing rates and credit ratings for similar types of borrowing arrangements. In addition, the Company has derivative interest rate contracts recorded in its balance sheet at their fair value. The fair value of these contracts is estimated based on quoted market termination values. Market risk, which is estimated as the potential increase in fair value resulting from a hypothetical one-half percent decrease in interest rates, is summarized below:

(in thousands)	December 31,	
	2010	2009
Fair value of long-term debt and interest rate contracts	\$ 307,865	\$ 327,412
Fair value in excess of carrying value	4,359	6,688
Market risk	(8,091)	(3,344)

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Item 8. Financial Statements and Supplementary Data

**The Andersons, Inc.
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Management's Report on Internal Control Over Financial Reporting

The management of The Andersons, Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Based on the results of this assessment and on those criteria, management concluded that, as of December 31, 2010, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2010, as stated in their report which follows in Item 8 of this Form 10-K.

Table of Contents**Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors
of The Andersons, Inc.:

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of The Andersons, Inc. and its subsidiaries at December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We did not audit the financial statements of Lansing Trade Group, LLC, an entity in which The Andersons, Inc. has an investment in and accounts for under the equity method of accounting, and for which The Andersons, Inc. recorded \$15.1 million, \$5.8 million and \$8.8 million of equity in earnings of affiliates for the years ended December 31, 2010, 2009 and 2008, respectively. The financial statements of Lansing Trade Group, LLC as of December 31, 2010 and December 31, 2009 and for each of the years ended December 31, 2010, December 31, 2009 and December 31, 2008 were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements of The Andersons, Inc. as of December 31, 2010 and December 31, 2009 and for the years ended December 31, 2010, December 31, 2009 and December 31, 2008 expressed herein, insofar as it relates to the amounts included for Lansing Trade Group, LLC, is based solely on the report of the other auditors. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Toledo, Ohio

March 1, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Lansing Trade Group, LLC
Overland Park, Kansas

We have audited the consolidated balance sheets of Lansing Trade Group, LLC and Subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of income and comprehensive income, members' equity and cash flows for each of the three years in the period ended December 31, 2010 (not included herein). These financial statements are the responsibility of the Company'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 Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

Crowe Chizek LLP
Elkhart, Indiana
February 21, 2011

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The Andersons, Inc.
Consolidated Statements of Income

(in thousands, except per common share data)	Year ended December 31,		
	2010	2009	2008
Sales and merchandising revenues	\$ 3,393,791	\$ 3,025,304	\$ 3,489,478
Cost of sales and merchandising revenues	3,112,112	2,769,798	3,231,649
Gross profit	281,679	255,506	257,829
Operating, administrative and general expenses	195,330	199,116	190,230
Interest expense	19,865	20,688	31,239
Other income:			
Equity in earnings of affiliates	26,007	17,463	4,033
Other income net	11,652	8,331	6,170
Income before income taxes	104,143	61,496	46,563
Income tax provision	39,262	21,930	16,466
Net income	64,881	39,566	30,097
Net (income) loss attributable to the noncontrolling interest	(219)	(1,215)	2,803
Net income attributable to The Andersons, Inc.	\$ 64,662	\$ 38,351	\$ 32,900
 Per common share:			
Basic earnings attributable to The Andersons, Inc. common shareholders	\$ 3.51	\$ 2.10	\$ 1.82
Diluted earnings attributable to The Andersons, Inc. common shareholders	\$ 3.48	\$ 2.08	\$ 1.79
Dividends paid	\$ 0.3575	\$ 0.3475	\$ 0.325

The Notes to Consolidated Financial Statements are an integral part of these statements.

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The Andersons, Inc.
Consolidated Balance Sheets

(in thousands)	December 31,	
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,219	\$ 145,929
Restricted cash	12,134	3,123
Accounts and notes receivable, less allowance for doubtful accounts of \$5,684 in 2010; \$8,753 in 2009	152,227	137,195
Margin deposits, net	20,259	27,012
Inventories	647,189	407,845
Commodity derivative assets current	226,216	24,255
Deferred income taxes	16,813	13,284
Other current assets	34,501	28,180
Total current assets	1,138,558	786,823
Other assets:		
Commodity derivative assets noncurrent	18,113	3,137
Other assets and notes receivable, less allowance for doubtful notes receivable of \$254 in 2010; \$7,950 in 2009	47,855	25,629
Equity method investments	175,349	157,360
	241,317	186,126
Railcar assets leased to others, net	168,483	179,154
Property, plant and equipment, net	151,032	132,288
Total assets	\$ 1,699,390	\$ 1,284,391
Liabilities and Shareholders equity		
Current liabilities:		
Borrowings under short-term line of credit	\$ 241,100	\$
Accounts payable for grain	274,596	234,396
Other accounts payable	111,501	110,658
Customer prepayments and deferred revenue	78,550	56,698
Commodity derivative liabilities current	57,621	24,871
Accrued expenses and other current liabilities	48,851	41,563
Current maturities of long-term debt	24,524	10,935
Total current liabilities	836,743	479,121
Other long-term liabilities	25,183	16,051
Commodity derivative liabilities noncurrent	3,279	830
Employee benefit plan obligations	30,152	24,949
Long-term debt, less current maturities	276,825	308,026
Deferred income taxes	62,649	49,138

Total liabilities	1,234,831	878,115
Shareholders' equity:		
Common shares, without par value, 42,000 shares authorized; 19,198 shares issued	96	96
Preferred shares, without par value, 1,000 shares authorized; none issued		
Additional paid-in capital	177,875	175,477
Treasury shares, at cost (762 in 2010; 918 in 2009)	(14,058)	(15,554)
Accumulated other comprehensive loss	(28,799)	(25,314)
Retained earnings	316,317	258,662
Total shareholders' equity of The Andersons, Inc.	451,431	393,367
Noncontrolling interest	13,128	12,909
Total shareholders' equity	464,559	406,276
Total liabilities and shareholders' equity	\$ 1,699,390	\$ 1,284,391

The Notes to Consolidated Financial Statements are an integral part of these statements.

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The Andersons, Inc.
Consolidated Statements of Cash Flows

(in thousands)	Year ended December 31		
	2010	2009	2008
Operating activities			
Net income	\$ 64,881	\$ 39,566	\$ 30,097
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	38,913	36,020	29,767
Bad debt (recovery) expense	(8,716)	4,973	8,710
Equity in (earnings) loss of unconsolidated affiliates, net of distributions received	(17,594)	(15,105)	19,307
Gains on sales of railcars and related leases	(7,771)	(1,758)	(4,040)
Excess tax benefit from share-based payment arrangement	(876)	(566)	(2,620)
Deferred income taxes	12,205	16,430	4,124
Gain from pension plan curtailment		(4,132)	
Stock based compensation expense	2,589	2,747	4,050
Lower of cost or market inventory and contract adjustment		2,944	97,268
Impairment of property, plant and equipment	1,682	304	
Other	215	186	58
Changes in operating assets and liabilities:			
Accounts and notes receivable	(848)	(15,259)	(23,460)
Inventories	(214,171)	32,227	3,074
Commodity derivatives and margin deposits	(158,183)	2,211	102,818
Prepaid expenses and other assets	(3,970)	61,938	(56,939)
Accounts payable for grain	20,703	18,089	72,648
Other accounts payable and accrued expenses	31,656	(574)	(6,198)
Net cash (used in) provided by operating activities	(239,285)	180,241	278,664
Investing activities			
Acquisition of businesses, net of cash acquired	(39,293)	(30,480)	(18,920)
Purchases of property, plant and equipment	(30,897)	(16,560)	(20,315)
Purchases of railcars	(18,354)	(24,965)	(97,989)
Investment in convertible preferred securities	(13,100)		
Proceeds from sale of railcars	20,102	8,453	68,456
Proceeds from sale of property, plant and equipment and other	1,942	540	180
Proceeds received from minority interest			2,278
Change in restricted cash	(9,010)	803	(201)
Investment in affiliates	(395)	(1,200)	(41,450)
Net cash used in investing activities	(89,005)	(63,409)	(107,961)
Financing activities			
Net increase (decrease) in short-term borrowings	241,100		(245,500)
Proceeds from issuance of long-term debt	18,986	9,523	220,827
Payments of long-term debt	(36,598)	(52,349)	(82,090)
Payment of debt issuance costs	(7,508)	(4,500)	(2,283)
Purchase of treasury stock		(229)	(924)

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Proceeds from sale of treasury shares to employees and directors	1,305	750	1,914
Excess tax benefit from share-based payment arrangement	876	566	2,620
Dividends paid	(6,581)	(6,346)	(5,885)
Net cash provided by (used in) financing activities	211,580	(52,585)	(111,321)
(Decrease) increase in cash and cash equivalents	(116,710)	64,247	59,382
Cash and cash equivalents at beginning of year	145,929	81,682	22,300
Cash and cash equivalents at end of year	\$ 29,219	\$ 145,929	\$ 81,682

The Notes to Consolidated Financial Statements are an integral part of these statements.

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The Andersons, Inc.
Consolidated Statements of Shareholders Equity

(in thousands, except per share data)	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interest	Total
Balances at January 1, 2008	96	168,286	(16,670)	(7,197)	199,849	12,219	356,583
Net income (loss)					32,900	(2,803)	30,097
Other comprehensive income:							
Unrecognized actuarial loss and prior service costs (net of income tax of \$12,968)				(22,328)			(22,328)
Cash flow hedge activity (net of income tax of \$0.3)				(521)			(521)
Comprehensive income							7,248
Purchase of treasury shares (77 shares)			(924)				(924)
Proceeds received from minority investor						2,278	2,278
Stock awards, stock option exercises, and other shares issued to employees and directors, net of income tax of \$2,485 (203 shares)		5,107	857				5,964
Dividends declared (\$0.3325 per common share)					(6,042)		(6,042)
Balances at December 31, 2008	96	173,393	(16,737)	(30,046)	226,707	11,694	365,107
Net income					38,351	1,215	39,566
Other comprehensive income:							
Unrecognized actuarial gain and prior service costs (net of income tax of \$2,431)				4,491			4,491
Cash flow hedge activity (net of income tax of \$0.1)				241			241
Comprehensive income							44,298
Purchase of treasury shares (20 shares)			(229)				(229)
Stock awards, stock option exercises, and other shares issued to employees and directors, net of income tax of \$826 (171 shares)		2,084	1,412				3,496
					(6,396)		(6,396)

Dividends declared (\$0.3475 per common share)

Balances at December 31, 2009	96	175,477	(15,554)	(25,314)	258,662	12,909	406,276
Net income					64,662	219	64,881
Other comprehensive income:							
Unrecognized actuarial loss and prior service costs (net of income tax of \$3,116)				(4,992)			(4,992)
Increase in estimated fair value of investment in debt securities (net of income tax of \$1,004)				1,685			1,685
Cash flow hedge activity (net of income tax of \$0.1)				(178)			(178)
Comprehensive income							61,396
Stock awards, stock option exercises, and other shares issued to employees and directors, net of income tax of \$1,076 (157 shares)		2,398	1,496				3,894
Dividends declared (\$0.3575 per commonshare)					(7,007)		(7,007)
Balances at December 31, 2010	\$ 96	\$ 177,875	\$ (14,058)	\$ (28,799)	\$ 316,317	\$ 13,128	\$ 464,559

The Notes to Consolidated Financial Statements are an integral part of these statements.

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The Andersons, Inc.
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Consolidation

These consolidated financial statements include the accounts of The Andersons, Inc. and its majority owned subsidiaries (the Company). All significant intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated entities in which the Company has significant influence, but not control, are accounted for using the equity method of accounting.

In the opinion of management, all adjustments consisting of normal recurring items, considered necessary for a fair presentation of the results of operations for the periods indicated, have been made.

During the first quarter of 2010, ASU 2009-17 became effective for the Company. ASU 2009-17 provides guidance for identifying entities for which analysis of voting interests, and the holding of those voting interests, is not effective in determining whether a controlling financial interest exists. These entities are considered variable interest entities (VIEs). The Company holds investments in four equity method investments that were evaluated under ASU 2009-17 to determine whether they were considered VIEs of the Company and subject to consolidation under this standard.

The Company concluded that these entities were not VIEs and therefore not subject to consolidation under this standard. During the second quarter of 2010, the Company made an investment in an entity that is considered a VIE. See Note 3 for further information.

Use of Estimates and Assumptions

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an initial maturity of three months or less. The carrying values of these assets approximate their fair values.

A significant portion of restricted cash is held in escrow for certain of the Company's debt described in Note 9.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and may bear interest if past due. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We review our allowance for doubtful accounts quarterly. Past due balances over 90 days, and greater than a specified amount, are reviewed individually for collectability. All other balances are reviewed on a pooled basis.

Account balances are charged off against the allowance when it becomes more certain that the receivable will not be recovered. In 2010, the Company benefited from the net reversal of \$6.7 million of reserves following the settlement of a long standing collection matter.

Table of Contents**Inventories and Commodity Derivatives**

The Company's operating results can be affected by changes to commodity prices. To reduce the exposure to market price risk on grain owned and forward grain and ethanol purchase and sale contracts, the Company enters into regulated commodity futures and options contracts as well as over-the-counter contracts for ethanol, corn, soybeans, wheat and oats. All of these contracts are considered derivatives. The Company records these commodity contracts on the balance sheet as assets or liabilities as appropriate, and accounts for them at fair value using a daily mark-to-market method, the same method it uses to value grain inventory. Management determines fair value based on exchange-quoted prices, adjusted for differences in local markets, and in the case of derivatives, also considers non-performance risk. Company policy limits the Company's unhedged grain position (the amount of grain, either owned or contracted for, that is not offset by a derivative contract for the sale of grain). While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges. Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices, changes in performance or credit risk, or due to sale, maturity or extinguishment of the commodity contract) and grain inventories are included in sales and merchandising revenues in the statements of income. The forward contracts require performance in future periods. Contracts to purchase grain from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of grain to processors or other consumers generally do not extend beyond one year. The terms of contracts for the purchase and sale of grain are consistent with industry standards. Additional information about the fair value of the Company's commodity derivatives is presented in Note 4 to the consolidated financial statements.

All other inventories are stated at the lower of cost or market. Cost is determined by the average cost method.

Master Netting Arrangements

Generally accepted accounting principles permit a party to a master netting arrangement to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or obligation to return cash collateral under the same master netting arrangement. The Company has master netting arrangements for its exchange traded futures and options contracts and certain over-the-counter contracts. When the Company enters into a futures, options or an over-the-counter contract, an initial margin deposit may be required by the counterparty. The amount of the margin deposit varies by commodity. If the market price of a future, option or an over-the-counter contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required. The Company nets, by counterparty, its futures and over-the-counter positions against the cash collateral provided or received. The net position is recorded within margin deposits or other accounts payable depending on whether the net position is an asset or a liability. At December 31, 2010 and December 31, 2009, the margin deposit assets and margin deposit liabilities consisted of the following:

(in thousands)	December 31, 2010		December 31, 2009	
	Margin deposit assets	Margin deposit liabilities	Margin deposit assets	Margin deposit liabilities
Collateral paid	\$ 166,589	\$	\$ 40,190	\$ 2,228
Fair value of derivatives	(146,330)		(13,178)	(4,193)
Balance at end of period	\$ 20,259	\$	\$ 27,012	\$ (1,965)

Marketing Agreement

The Company has negotiated a marketing agreement that covers certain of its grain facilities (some of which are leased from Cargill). Under this five-year amended and restated agreement (ending in May 2013), the Company sells grain from these facilities to Cargill at market prices. Income earned from operating the facilities (including buying, storing and selling grain and providing grain marketing services to its producer customers) over a specified threshold

is shared equally with Cargill. Measurement of this threshold is made on a cumulative basis and cash is paid to Cargill (if required) at the end of the contract. The Company recognizes its share of income every month

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and accrues for any payment owed to Cargill. The payable balance was \$16.7 million and \$10.6 million as of December 31, 2010 and 2009, respectively.

Derivatives Interest Rate and Foreign Currency Contracts

The Company periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. The Company has a long-term interest rate swap recorded in other long-term liabilities and a foreign currency collar recorded in other assets and has designated them as cash flow hedges; accordingly, changes in the fair value of these instruments are recognized in other comprehensive income. The Company has other interest rate contracts that are not designated as hedges. While the Company considers all of its derivative positions to be effective economic hedges of specified risks, these interest rate contracts for which we do not apply hedge accounting are recorded on the balance sheet in prepaid expenses and other assets or current and long-term liabilities, as appropriate, and changes in fair value are recognized currently in income as interest expense. Upon termination of a derivative instrument or a change in the hedged item, any remaining fair value recorded on the balance sheet is recorded as interest expense consistent with the cash flows associated with the underlying hedged item.

Railcars

The Company's Rail Group purchases, leases, markets and manages railcars for third parties and for internal use. Railcars to which the Company holds title are shown on the balance sheet in one of two categories—prepaid expenses and other current assets (for railcars that are available for sale) or railcar assets leased to others. Railcars leased to others, both on short- and long-term leases, are classified as long-term assets and are depreciated over their estimated useful lives.

Railcars have statutory lives of either 40 or 50 years (measured from the date built) depending on type and year built and are depreciated based on 80% of the railcars remaining useful life.

Property, Plant and Equipment

Property, plant and equipment is carried at cost. Repairs and maintenance are charged to expense as incurred, while betterments that extend useful lives are capitalized. Depreciation is provided over the estimated useful lives of the individual assets, principally by the straight-line method. Estimated useful lives are generally as follows: land improvements and leasehold improvements—the shorter of the lease term or the estimated useful life of the improvement; buildings and storage facilities—20 to 30 years; machinery and equipment—3 to 20 years; and software to 10 years. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts, with any gain or loss realized upon sale or disposal credited or charged to operations.

Deferred Debt Issue Costs

Costs associated with the issuance of debt are capitalized. These costs are amortized using an interest-method equivalent over the earlier of the stated term of the debt or the period from the issue date through the first early payoff date without penalty, or the expected payoff if the loan does not contain a prepayment penalty. Capitalized costs associated with the short-term syndication agreement are amortized over the term of the syndication.

Goodwill and Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization. Amortization of intangible assets is provided over their estimated useful lives (generally 5 to 10 years) on the straight-line method. Goodwill is not amortized but is subject to annual impairment tests or more often when events or circumstances indicate that the carrying amount of goodwill may be impaired. A goodwill impairment loss is recognized to the extent the carrying amount of goodwill exceeds the implied fair value of goodwill.

Table of Contents**Impairment of Long-lived Assets**

Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of the assets to the undiscounted future net cash flows the Company expects to generate with the asset. If such assets are considered to be impaired, the Company recognizes impairment expense for the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Accounts Payable for Grain

Accounts payable for grain includes certain amounts related to grain purchases for which, even though we have taken ownership and possession of the grain, the final purchase price has not been established (delayed price contracts). Amounts recorded for such delayed price contracts are determined on the basis of grain market prices at the balance sheet date in a similar manner for which we value our inventory. At December 31, 2010 and 2009, the amount of accounts payable for grain computed on the basis of market prices was \$47.0 million and \$56.9 million, respectively.

Stock-Based Compensation

Stock-based compensation expense for all stock-based compensation awards are based on the estimated grant-date fair value. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award.

Deferred Compensation Liability

Included in accrued expenses are \$5.8 million and \$5.3 million at December 31, 2010 and 2009, respectively, of deferred compensation for certain employees who, due to Internal Revenue Service guidelines, may not take full advantage of the Company's qualified defined contribution plan. Assets funding this plan are recorded at fair value and are equal to the value of this liability. This plan has no impact on our results of operations as the change in the fair value of the assets are offset on a one-for-one basis, by the change in the recorded amount of the deferred compensation liability.

Revenue Recognition

Sales of grain and ethanol are primarily recognized at the time of shipment, which is when title and risk of loss transfers to the customer. Direct ship grain sales (where the Company never takes physical possession of the grain) are recognized when the grain arrives at the customer's facility. Revenues from other grain and ethanol merchandising activities are recognized as services are provided; grain inventory as well as commodity derivative gains and losses are recognized into revenue on a daily basis when these positions are marked-to-market. Sales of other products are recognized at the time title and risk of loss transfers to the customer, which is generally at the time of shipment or, in the case of retail store sales, when the customer takes possession of the goods. Revenues for all other services are recognized as the service is provided.

Rental revenues on operating leases are recognized on a straight-line basis over the term of the lease. Sales to financial intermediaries of owned railcars which are subject to an operating lease (with the Company being the lessor in such operating leases prior to the sale, referred to as a non-recourse transaction) are recognized as revenue on the date of sale if the Company does not maintain substantial risk of ownership in the sold railcars. Revenues recognized related to these non-recourse transactions totaled \$2.9 million in 2010, \$3.8 million in 2009 and \$22.3 million in 2008. Revenue related to railcar servicing and maintenance contracts is recognized over the term of the lease or service contract.

Certain of the Company's operations provide for customer billings, deposits or prepayments for product that is stored at the Company's facilities. The sales and gross profit related to these transactions are not recognized until the

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product is shipped in accordance with the previously stated revenue recognition policy and these amounts are classified as a current liability titled Customer prepayments and deferred revenue.

Sales returns and allowances are provided for at the time sales are recorded. Shipping and handling costs are included in cost of sales. Sales taxes and motor fuel taxes on ethanol sales are presented on a net basis and are excluded from revenues. In all cases, revenues are recognized only if collectability is reasonably assured at the time the revenue is recorded.

Rail Lease Accounting

In addition to the sale of railcars that the Company makes to financial intermediaries on a non-recourse basis and records as revenue as discussed above, the Company also acts as the lessor and/or the lessee in various leasing arrangements as described below.

The Company's Rail Group leases railcars and locomotives to customers, manages railcars for third parties and leases railcars for internal use. The Company acts as the lessor in various operating leases of railcars that are owned by the Company, or leased by the Company from financial intermediaries and, in turn, leased by the Company to end-users of the railcars. The leases from financial intermediaries are generally structured as sale-leaseback transactions, with the leaseback by the Company being treated as an operating lease.

Certain of the Company's leases include monthly lease fees that are contingent upon some measure of usage (per diem leases). This monthly usage is tracked, billed and collected by third party service providers and funds are generally remitted to the Company along with usage data three months after they are earned. Typically, the lease term related to per-diem leases is one year or less. The Company records lease revenue for these per diem arrangements based on recent historical usage patterns and records a true-up adjustment when the actual data is received. Such true-up adjustments were not significant for any period presented.

The Company expenses operating lease payments on a straight-line basis over the lease term.

Income Taxes

Income tax expense for each period includes current tax expense (income taxes related to current year activity) plus the change in deferred income tax assets and liabilities. Deferred income taxes are provided for temporary differences between financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws governing periods in which the differences are expected to reverse. The Company evaluates the realizability of deferred tax assets and provides a valuation allowance for amounts that management does not believe are more likely than not to be recoverable, as applicable.

Accumulated Other Comprehensive Loss

The balance in accumulated other comprehensive loss at December 31, 2010 and 2009 consists of the following:

	December 31,	
	2010	2009
Unrecognized actuarial loss and prior service costs	\$ (29,362)	\$ (24,370)
Cash flow hedges	(1,122)	(944)
Increase in estimated fair value of investment in debt securities	1,685	
	\$ (28,799)	\$ (25,314)

Table of Contents**Research and Development**

Research and development costs are expensed as incurred. The Company's research and development program is mainly involved with the development of improved products and processes, primarily for the Turf & Specialty Group. The Company expended approximately \$1.8 million, \$1.4 million and \$0.5 million on research and development activities during 2010, 2009 and 2008, respectively. In 2008, the Company, along with several partners, was awarded a \$5 million grant from the Ohio Third Frontier Commission. The grant is for the development and commercialization of advanced granules and other emerging technologies to provide solutions for the economic health and environmental concerns of today's agricultural industry. For the years ended December 31, 2010, 2009 and 2008, the Company received \$0.9 million, \$0.9 million and \$0.1 million, respectively, as part of this grant.

Advertising

Advertising costs are expensed as incurred. Advertising expense of \$4.1 million, \$4.0 million and \$4.2 million in 2010, 2009, and 2008, respectively, is included in operating, administrative and general expenses.

Earnings per Share

Unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. The Company's nonvested restricted stock are considered participating securities since the share-based awards contain a non-forfeitable right to dividends irrespective of whether the awards ultimately vest. The two-class method became effective for the Company for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those years. The adoption of the two class method did not impact the reported amounts of basic or diluted earnings per share for the year ended December 31, 2008.

(in thousands)	2010	Year ended December 31, 2009	2008
Net income attributable to The Andersons, Inc.	\$ 64,662	\$ 38,351	\$ 32,900
Less: Distributed and undistributed earnings allocated to nonvested restricted stock	204	122	90
Earnings available to common shareholders	\$ 64,458	\$ 38,229	\$ 32,810
Earnings per share basic:			
Weighted average shares outstanding basic	18,356	18,190	18,068
Earnings per common share basic	\$ 3.51	\$ 2.10	\$ 1.82
Earnings per share diluted:			
Weighted average shares outstanding basic	18,356	18,190	18,068
Effect of dilutive options	151	179	295
Weighted average shares outstanding diluted	18,507	18,369	18,363
Earnings per common share diluted	\$ 3.48	\$ 2.08	\$ 1.79

There were no antidilutive equity instruments at December 31, 2010, 2009 or 2008.

New Accounting Standards

ASC 820 *Improving Disclosures about Fair Value Measurements* became effective for the Company beginning with the first quarter of 2010. ASC 820 provides additional guidance and enhances the disclosures regarding fair

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value measurements. ASC 820 also requires new disclosures regarding transfers between levels of fair value measurements. ASC 820 did not have a material impact on the Company's disclosures.

FASB Accounting Standards Update (ASU) 2009-13, *Multiple-Deliverable Revenue Arrangements*, significantly changes the accounting for revenue recognition arrangements with multiple deliverables. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Management is currently assessing the impact the standard may have on revenue recognition for the Company.

2. Business Acquisitions

On May 1, 2010, the Company acquired two grain cleaning and storage facilities from O Malley Grain, Inc. (O Malley) for a purchase price of \$7.8 million. O Malley is a supplier of consistent, high quality food-grade corn to the snack food and tortilla industries with facilities in Nebraska and Illinois.

On December 31, 2010, the Company acquired the assets of B4 Grain, Inc. (B4), for a purchase price of \$35.1 million, including cash paid through December 31, 2010 of \$31.5 million. B4 has three grain elevators located in Nebraska, two of which are owned and have a combined storage capacity of 1.9 million bushels and another that is leased with storage capacity of 1.1 million bushels. B4's focus is on their direct ship program, which complements the Company's existing direct ship program that it is currently expanding.

The goodwill recognized as a result of the O Malley and B4 acquisitions is \$1.2 million and \$2.9 million, respectively, and relates to expected synergies from combining operations.

The summarized preliminary purchase price allocation for these two acquisitions is as follows:

	B4	O Malley	Total
Current assets	\$ 44,428	\$ 4,097	\$ 48,525
Intangible assets	350	1,375	1,725
Goodwill	2,850	1,231	4,081
Property, plant and equipment	1,879	5,959	7,838
Other long-term assets	1,005	111	1,116
Current liabilities	(15,383)	(4,864)	(20,247)
Other long-term liabilities		(126)	(126)
Total purchase price (a)	\$ 35,129	\$ 7,783	\$ 42,912

(a) Of the \$35.1 million purchase price for B4, \$0.8 million remained in accounts payable and a \$2.8 million earn-out provision remained in other-long term liabilities in the Company's balance sheet at December 31, 2010. Approximately \$1.1 million of the O Malley intangible assets (which include customer lists and a non-compete agreement) are being amortized over 5 years. The other \$0.3 million (which consists of a grower's list) is being amortized over 3 years.

The B4 intangible assets include \$0.1 million for a non-compete agreement and \$0.3 million for a customer list. The non-compete agreement is being amortized over 5 years and the customer list is being amortized over 3 years. The purchase agreement for B4 includes an earn-out provision. The prior owners of B4 have the ability to receive an additional \$3.5 million if certain income levels are achieved over the next five years. The estimated fair value of this contingent liability is \$2.8 million and is recorded in other long-term liabilities in the Company's balance sheet. In addition to the \$2.8 million of contingent consideration, there is an additional \$0.8 million of the initial purchase price that remained unpaid at December 31, 2010. This is recorded in accounts payable in the Company's balance sheet. B4 had a processing agreement with Midwest Renewable Energy, LLC (MRE) that expired prior to the Company's acquisition of B4 assets. The terms of this processing agreement stipulated that B4 supplies a sufficient quantity of grain to MRE to allow for ethanol processing at full capacity which B4 will then market. The Company

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is in the process of negotiating a new agreement with MRE and, until that time, is honoring the terms of the expired agreement. The Company has evaluated all of the applicable criteria for an entity subject to consolidation under the provisions of ASC 810-10-15 and has concluded that MRE is considered a VIE. However, as the Company does not have the power to direct the activities that most significantly impact MRE's economic performance, and does not have the obligation to absorb the losses or right to receive the benefits of MRE, it is not the primary beneficiary of MRE. Therefore, consolidation is not required under the Variable Interest Model. There is no significant risk of loss to the Company relating to this VIE as the Company does not have any equity at risk or obligation to provide additional financial support to MRE.

3. Related Parties**Equity Method Investments**

The Company, directly or indirectly, holds investments in companies that are accounted for under the equity method. The Company's equity in these entities is presented at cost plus its accumulated proportional share of income or loss, less any distributions it has received.

In January 2003, the Company became a minority investor in Lansing Trade Group LLC (LTG), which focuses on grain merchandising as well as trading related to the energy and biofuels industry. The Company has increased its investment in LTG over time. As a result of share redemptions by LTG, the Company's ownership percentage in LTG increased to 52% during the second quarter of 2010. Even though the Company holds a majority of the outstanding shares, all major operating decisions of LTG are made by LTG's Board of Directors and the Company does not have a majority of the board seats. In addition, based on the terms of the operating agreement between LTG and its owners, the minority shareholders have substantive participating rights that allow them to effectively participate in the decisions made in the ordinary course of business that are significant to LTG. Due to these factors, the Company does not have control over LTG and therefore accounts for this investment under the equity method.

In 2005, the Company became a minority investor in The Andersons Albion Ethanol LLC (TAAE). TAAE is a producer of ethanol and its co-product distillers dried grains (DDG) at its 55 million gallon-per-year ethanol production facility in Albion, Michigan. The Company operates the facility under a management contract and provides corn origination, ethanol and DDG marketing and risk management services for which it is separately compensated. The Company also leases its Albion, Michigan grain facility to TAAE. During the third quarter of 2010, the Company purchased 59 additional units of TAAE from one of its investors. This purchase gives the Company 5,001 units, or a 50.01% ownership interest. While the Company holds a majority of the outstanding units of TAAE, a super-majority vote is required for all major operating decisions of TAAE based on the terms of the Operating Agreement. The Company has concluded that the super-majority vote requirement gives the minority shareholders substantive participating rights and therefore consolidation for book purposes is not appropriate. The Company will continue to account for its investment in TAAE under the equity method of accounting.

In 2006, the Company became a minority investor in The Andersons Clymers Ethanol LLC (TACE). TACE is also a producer of ethanol and its co-product DDG at a 110 million gallon-per-year ethanol production facility in Clymers, Indiana. The Company operates the facility under a management contract and provides corn origination, ethanol and DDG marketing and risk management services for which it is separately compensated. The Company also leases its Clymers, Indiana grain facility to TACE.

In 2006, the Company became a 50% investor in The Andersons Marathon Ethanol LLC (TAME). TAME is also a producer of ethanol and its co-product DDG at a 110 million gallon-per-year ethanol production facility in Greenville, Ohio. In January 2007, the Company transferred its 50% share in TAME to The Andersons Ethanol Investment LLC (TAEI), a consolidated subsidiary of the Company, of which a third party owns 34% of the shares. The Company operates the facility under a management contract and provides corn origination, ethanol and DDG marketing and risk management services for which it is separately compensated. In 2009 TAEI invested an additional \$1.1 million in TAME, retaining a 50% ownership interest.

The balance in retained earnings at December 31, 2010 that represents undistributed earnings of the Company's equity method investments is \$42.9 million.

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The Company has marketing agreements with three ethanol LLCs under which the Company purchases and markets the ethanol produced to external customers. As compensation for these marketing services, the Company earns a fee on each gallon of ethanol sold. For two of the LLCs, the Company purchases 100% of the ethanol produced and then sells it to external parties. For the third LLC, the Company buys only a portion of the ethanol produced. The Company acts as the principal in these ethanol sales transactions to external parties as the Company has ultimate responsibility of performance to the external parties. Substantially all of these purchases and subsequent sales are executed through forward contracts on matching terms and, outside of the fee the Company earns for each gallon sold, the Company does not recognize any gross profit on the sales transactions. For the years ended December 31, 2010, 2009 and 2008, revenues recognized for the sale of ethanol were \$482.6 million, \$402.1 million and \$454.6 million, respectively. In addition to the ethanol marketing agreements, the Company holds corn origination agreements, under which the Company originates 100% of the corn used in production for each ethanol LLC. For this service, the Company receives a unit based fee. Similar to the ethanol sales described above, the Company acts as a principal in these transactions, and accordingly, records revenues on a gross basis. For the years ended December 31, 2010, 2009 and 2008, revenues recognized for the sale of corn under these agreements were \$445.6 million, \$404.2 million and \$411.2 million, respectively. As part of the corn origination agreements, the Company also markets the ethanol DDG produced by the entities. For this service the Company receives a unit based fee. The Company does not purchase any of the DDG from the ethanol entities; however, as part of the agreement, the Company guarantees payment by the customer for DDG sales where the Company has identified the buyer. At December 31, 2010 and 2009, the three ethanol entities had a combined receivable balance for DDG of \$6.8 million and \$5.1 million, respectively, of which only \$15 thousand and \$9 thousand, respectively, was more than thirty days past due. The Company has concluded that the fair value of this guarantee is inconsequential.

The following table presents aggregate summarized financial information of LTG, TAAE, TACE and TAME as they qualified as significant subsidiaries for the previous periods. LTG was the only equity method investment that qualified as a significant subsidiary individually for the year ended December 31, 2010.

(in thousands)	2010	December 31, 2009	2008
Sales	\$ 4,707,422	\$ 3,436,192	\$ 5,032,466
Gross profit	133,653	106,755	86,522
Income from continuing operations	59,046	37,439	16,935
Net income	57,691	37,757	16,914
Current assets	697,371	472,707	
Non-current assets	352,441	363,287	
Current liabilities	550,463	370,624	
Non-current liabilities	115,735	124,046	
Noncontrolling interest	31,294	25,059	

The following table summarizes income earned from the Company's equity method investees by entity.

(in thousands)	% ownership at December 31, 2010 (direct and indirect)	2010	December 31, 2009	2008

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The Andersons Albion Ethanol LLC	50%	\$ 3,916	\$	5,735	\$ 2,534
The Andersons Clymers Ethanol LLC	38%	5,318		2,965	8,112
The Andersons Marathon Ethanol LLC	50%	1,117		2,936	(15,511)
Lansing Trade Group LLC	52%	15,133		5,781	8,776
Other	7%-33%	523		46	122
Total		\$ 26,007	\$	17,463	\$ 4,033

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The following table presents the Company's investment balance in each of its equity method investees by entity.

(in thousands)	December 31,	
	2010	2009
The Andersons Albion Ethanol LLC	\$ 31,048	\$ 28,911
The Andersons Clymers Ethanol LLC	37,496	33,705
The Andersons Marathon Ethanol LLC	34,929	33,813
Lansing Trade Group LLC	70,143	59,648
Other	1,733	1,283
Total	\$ 175,349	\$ 157,360

Investment in Debt Securities

On May 25, 2010, the Company paid \$13.1 million to acquire 100% of newly issued cumulative convertible preferred shares of Iowa Northern Railway Corporation (IANR). IANR operates a 163-mile short-line railroad that runs diagonally through Iowa from northwest to southeast from Manly to Cedar Rapids and a branch line from Waterloo to Oelwein. IANR has a fleet of 21 locomotives and approximately 500 railcars and serves primarily agribusiness customers. It is also involved in the development of logistics terminals designed to aid the transloading of various products, including ethanol and wind turbine components. As a result of this investment, the Company has a 49.9% voting interest in IANR, with the remaining 50.1% voting interest held by the common shareholders. The preferred shares purchased by the Company have certain rights associated with them, including voting, dividends, liquidation, redemption and conversion. Dividends accrue to the Company at a rate of 14% annually whether or not declared by IANR and are cumulative in nature. The Company can convert its preferred shares into common shares of IANR at any time, but the shares cannot be redeemed until after five years. This investment is accounted for as available-for-sale debt securities in accordance with ASC 320 and is carried at estimated fair value in Other noncurrent assets on the Company's balance sheet. Subsequent to May 25, 2010, the estimated fair value of the Company's investment in IANR increased by approximately \$2.7 million, resulting in a fair value of \$15.8 million at December 31, 2010. This change, net of tax, was recorded within other comprehensive income .

Based on the Company's assessment, IANR is considered a VIE. Since the Company does not possess the power to direct the activities of the VIE that most significantly impact the entity's economic performance, it is not considered to be the primary beneficiary of IANR and therefore does not consolidate IANR. The decisions that most significantly impact the economic performance of IANR are made by IANR's Board of Directors. The Board of Directors has five directors; two directors from the Company, two directors from the common shareholders and one independent director who is elected by unanimous decision of the other four directors. The vote of four of the five directors is required for all key decisions.

The Company's current maximum exposure to loss related to IANR is \$14.2 million, which represents the Company's investment plus unpaid accrued dividends to date of \$1.1 million. The Company does not have any obligation or commitments to provide additional financial support to IANR.

In the ordinary course of business, the Company will enter into related party transactions with each of the investments described above. The following table sets forth the related party transactions entered into for the time periods presented:

(in thousands)	December 31,		
	2010	2009	2008
Sales and revenues	\$ 531,452	\$ 474,724	\$ 541,448
Purchases of product	454,314	411,423	428,067
Lease income (a)	5,341	5,442	5,751

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Labor and benefits reimbursement (b)	10,760	10,195	9,800
Accounts receivable at December 31 (c)	14,991	13,641	9,773
Accounts payable at December 31 (d)	13,930	18,069	19,084

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- (a) Lease income includes the lease of the Company's Albion, Michigan and Clymers, Indiana grain facilities as well as certain railcars to the various LLCs and IANR in which the Company has investments in.
- (b) The Company provides all operational labor to the ethanol LLCs, and charges them an amount equal to the Company's costs of the related services.
- (c) Accounts receivable represents amounts due from related parties for sales of corn, leasing revenue and service fees.
- (d) Accounts payable represents amounts due to related parties for purchases of ethanol.

From time to time, the Company enters into derivative contracts with certain of its related parties. At December 31, 2010 and 2009, the fair value of derivative contracts with related parties was a liability of \$31.4 million and \$0.2 million, respectively.

4. Fair Value Measurements

Generally accepted accounting principles defines fair value as an exit price and also establishes a framework for measuring fair value. An exit price represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering such assumptions, a three-tier fair value hierarchy is used, which prioritizes the inputs used in measuring fair value as follows:

Level 1 inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 inputs: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3 inputs: Unobservable inputs (e.g., a reporting entity's own data).

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2010 and 2009.

(in thousands)	December 31, 2010			
Assets (liabilities)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 29,219	\$	\$	\$ 29,219
Commodity derivatives, net		171,023	12,406	183,429
Net margin deposit assets	61,559	(41,300)		20,259
Net margin deposit liabilities				
Convertible preferred securities			15,790	15,790
Other assets and liabilities (a)	17,983		(2,156)	15,827
Total	\$ 108,761	\$ 129,723	\$ 26,040	\$ 264,524

(in thousands)	December 31, 2009			
Assets (liabilities)	Level 1	Level 2	Level 3	Total

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Cash and cash equivalents	\$ 145,929	\$	\$	\$ 145,929
Commodity derivatives, net		(257)	1,948	1,691
Net margin deposit assets	28,836	(1,824)		27,012
Net margin deposit liabilities		(1,965)		(1,965)
Other assets and liabilities (a)	8,441		(1,763)	6,678
Total	\$ 183,206	\$ (4,046)	\$ 185	\$ 179,345

(a) Included in other assets and liabilities is restricted cash, interest rate and foreign currency derivatives and deferred compensation assets.

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A reconciliation of beginning and ending balances for the Company's fair value measurements using Level 3 inputs is as follows:

(in thousands)	2010			2009	
	Interest rate derivatives	Convertible Preferred Securities	Commodity derivatives, net	Interest rate derivatives	Commodity derivatives, net
Asset (liability) at December 31,	\$ (1,763)	\$	\$ 1,948	\$ (2,367)	\$ 5,114
Investment in debt securities		13,100			
Unrealized gains (losses) included in earnings	(132)		(1,519)	158	(2,944)
Unrealized gain (loss) included in other comprehensive income	(297)			354	
Increase in estimated fair value of investment in debt securities included in other comprehensive income		2,690			
New contracts entered into	36			92	
Transfers from level 2			11,977		416
Contracts cancelled, transferred to accounts receivable					(638)
Asset (liability) at December 31,	\$ (2,156)	\$ 15,790	\$ 12,406	\$ (1,763)	\$ 1,948

The majority of the Company's assets and liabilities measured at fair value are based on the market approach valuation technique. With the market approach, fair value is derived using prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Company's net commodity derivatives primarily consist of contracts with producers or customers under which the future settlement date and bushels of commodities to be delivered (primarily wheat, corn, soybeans and ethanol) are fixed and under which the price may or may not be fixed. Depending on the specifics of the individual contracts, the fair value is derived from the futures or options prices on the Chicago Mercantile Exchange (CME) or the New York Mercantile Exchange (NYMEX) for similar commodities and delivery dates as well as observable quotes for local basis adjustments (the difference between the futures price and the local cash price). Although nonperformance risk, both of the Company and the counterparty, is present in each of these commodity contracts and is a component of the estimated fair values, based on the Company's historical experience with its producers and customers and the Company's knowledge of their businesses, the Company does not view nonperformance risk to be a significant input to fair value for the majority of these commodity contracts. However, in situations where the Company believes that nonperformance risk is higher (based on past or present experience with a customer or knowledge of the customer's operations or financial condition), the Company classifies these commodity contracts as level 3 in the fair value hierarchy and, accordingly, records estimated fair value adjustments based on internal projections and views of these contracts.

Net margin deposit assets reflect the fair value of the futures and options contracts that the Company holds, net of the cash collateral that the Company has in its margin account.

Net margin deposit liabilities reflect the fair value of the Company's over-the-counter contracts in a liability position with various financial institutions, net of the cash collateral that the Company has in its margin account with them. While these contracts themselves are not exchange-traded, the fair value of these contracts is estimated by reference to similar exchange-traded contracts. We do not consider nonperformance risk or credit risk on these contracts to be material. This determination is based on credit default rates, credit ratings and other available information.

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Major classes of inventories are as follows:

	(in thousands)	December 31,	
		2010	2009
Grain		\$ 497,267	\$ 268,648
Agricultural fertilizer and supplies		90,182	80,194
Lawn and garden fertilizer and corncob products		32,954	32,036
Retail merchandise		24,416	24,066
Railcar repair parts		2,058	2,601
Other		312	300
		\$ 647,189	\$ 407,845

6. Property, Plant and Equipment

The components of property, plant and equipment are as follows:

	(in thousands)	December 31,	
		2010	2009
Land		\$ 15,424	\$ 15,191
Land improvements and leasehold improvements		45,080	42,495
Buildings and storage facilities		141,349	129,625
Machinery and equipment		181,650	162,810
Software		10,306	10,202
Construction in progress		2,572	2,624
		396,381	362,947
Less accumulated depreciation and amortization		245,349	230,659
		\$ 151,032	\$ 132,288

Depreciation expense on property, plant and equipment amounted to \$18.7 million, \$17.4 million and \$14.6 million in 2010, 2009 and 2008, respectively.

Railcars

The components of Railcar assets leased to others are as follows:

	(in thousands)	December 31,	
		2010	2009
Railcar assets leased to others		\$ 234,667	\$ 241,681
Less accumulated depreciation		66,184	62,527
		\$ 168,483	\$ 179,154

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Depreciation expense on railcar assets leased to others amounted to \$14.0 million, \$14.1 million and \$12.2 million in 2010, 2009 and 2008, respectively.

During the fourth quarter of 2010, a group of railcars were found to have major defects and were written down to scrap value which resulted in a \$1.2 million loss.

7. Goodwill and Intangible Assets

The Company has goodwill of \$10.1 million included in other assets. Goodwill includes \$4.2 million in the Grain & Ethanol Group, \$5.2 million in the Plant Nutrient Group and \$0.7 million in the Turf & Specialty Group. Goodwill is tested annually for impairment as of December 31 or whenever events or circumstances change that would indicate that an impairment of goodwill may be present. There have been no goodwill impairment charges historically, nor for any of the periods presented.

The Company's intangible assets are included in other assets and are as follows:

(in thousands)	Group	Original Cost	Accumulated Amortization	Net Book Value
December 31, 2010				
Amortized intangible assets				
Acquired customer list	Rail	\$ 3,462	\$ 3,299	\$ 163
Acquired customer list	Plant Nutrient	3,846	670	3,176
Acquired customer list	Grain & Ethanol	1,250	150	1,100
Acquired non-compete agreement	Plant Nutrient	1,250	594	656
Acquired non-compete agreement	Grain & Ethanol	175	11	164
Acquired marketing agreement	Plant Nutrient	1,604	619	985
Acquired supply agreement	Plant Nutrient	4,846	926	3,920
Acquired grower agreement	Grain & Ethanol	300	75	225
Patents and other	Various	943	401	542
Lease intangible	Rail	1,673	633	1,040
		\$ 19,349	\$ 7,378	\$ 11,971
December 31, 2009				
Amortized intangible assets				
Acquired customer list	Rail	\$ 3,462	\$ 3,267	\$ 195
Acquired customer list	Plant Nutrient	3,846	251	3,595
Acquired non-compete agreement	Plant Nutrient	1,250	344	906
Acquired marketing agreement	Plant Nutrient	1,604	439	1,165
Acquired supply agreement	Plant Nutrient	4,846	386	4,460
Patents and other	Various	943	275	668
		\$ 15,951	\$ 4,962	\$ 10,989

Amortization expense for intangible assets was \$2.4 million, \$1.2 million and \$1.1 million for 2010, 2009 and 2008, respectively. Expected future annual amortization expense is as follows: 2011 \$2.6 million; 2012 \$2.1 million; 2013 \$1.8 million; 2014 \$1.3 million; and 2015 \$0.9 million.

8. Short-Term Borrowing Arrangements

The Company maintains a borrowing arrangement with a syndicate of banks, which was amended on December 17, 2010, and provides the Company with \$513 million (Line A) and \$387 million (Line C) in short-term lines of credit. It also provides the Company with \$90 million in letters of credit. Any amounts outstanding on letters of credit will

reduce the amount available on the lines of credit. The Company had standby letters of credit outstanding of \$14.1 million at December 31, 2010. This agreement expires in December 2014. As of December 31, 2010, \$241.1 million in borrowings was outstanding on Line A and there were no borrowings outstanding on Line C. Borrowings under the lines of credit bear interest at variable interest rates, which are based off LIBOR plus an applicable spread.

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On January 7, 2011, the new loan agreement was amended to increase the amount of Line A by an additional \$92 million to \$605 million.

On September 30, 2010, the Company entered into a new loan agreement with the same syndicate of banks (Line B). This new loan agreement provided for \$110 million of long-term borrowing capacity on Line B expiring in five years. On October 7, 2010, the new loan agreement was amended to increase the amount of the long-term line from \$110 million to \$115 million. As of December 31, 2010, no borrowings were outstanding under this arrangement. Any borrowings under this arrangement will be due on September 30, 2015 and will be at a variable interest rate based off LIBOR plus an applicable spread.

At December 31, 2010, the Company had a total of \$760.8 million available for borrowing under its lines of credit. The following information relates to short-term borrowings:

(in thousands, except percentages)	2010	December 31, 2009	2008
Maximum amount borrowed	\$ 305,000	\$ 92,700	\$ 666,900
Weighted average interest rate	3.69%	2.89%	3.48%

9. Long-Term Debt**Recourse Debt**

On February 26, 2010, the Company entered into an Amended and Restated Note Purchase Agreement for its Senior Guaranteed Notes. The Amended and Restated Note Purchase Agreement changed the maturity of the \$92 million Series A note, which was originally due March 2011, into Series A \$17 million due March 2011; Series A-1 \$25 million due March 2012; Series A-2 \$25 million due March 2013; and Series A-3 \$25 million due March 2014. Long-term debt consists of the following:

(in thousands, except percentages)	December 31, 2010	2009
Note payable, 4.80%, payable at maturity, due 2011	\$ 17,000	\$ 92,000
Note payable, 4.80%, payable at maturity, due 2012	25,000	
Note payable, 4.80%, payable at maturity, due 2013	25,000	
Note payable, 4.80%, payable at maturity, due 2014	25,000	
Note payable, 6.12%, payable at maturity, due 2015	61,500	61,500
Note payable, 6.78%, payable at maturity due 2018	41,500	41,500
Note payable, variable rate (2.82% at December 31, 2010), payable \$110 monthly plus interest, due 2012 (a)	10,031	11,252
Note payable, variable rate (1.88% at December 31, 2010), payable in increasing amounts (\$875 annually at December 31, 2010) plus interest, due 2023 (a)	14,590	15,440
Note payable, variable rate (1.06% at December 13, 2010), payable \$58 monthly plus interest, due 2016 (a)	10,850	11,550
Note payable, 6.48%, payable \$291 quarterly, due 2016 (a)		6,607
Note payable, 8.5%, payable \$15 monthly, due 2016	1,242	1,309
Industrial development revenue bonds:		
Variable rate (3.00% at December 31, 2010), due 2019 (a)	4,650	4,650
Variable rate (3.03% at December 31, 2010), due 2025 (a)	3,100	3,100
Variable rate (2.59% at December 31, 2010), due 2017 (a)	9,000	

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(in thousands, except percentages)	December 31,	
	2010	2009
Debenture bonds, 4.00% to 6.50%, due 2011 through 2020	36,887	45,595
Other notes payable and bonds	8	108
	285,358	294,611
Less current maturities	21,683	5,855
	\$ 263,675	\$ 288,756

(a) debt is collateralized by first mortgages on certain facilities and related equipment with a book value of \$29.6 million

The Company called all debenture bonds earning a rate of interest of 7% or higher during the third quarter of 2010. The total amount called was \$17.2 million. At December 31, 2010, the Company had \$15.7 million of five-year term debenture bonds bearing interest at 4.0% and \$8.7 million of ten-year term debenture bonds bearing interest at 5.0% available for sale under an existing registration statement.

The Company's short-term and long-term borrowing agreements include both financial and non-financial covenants that, among other things, require the Company at a minimum to maintain:

tangible net worth of not less than \$300 million

current ratio net of hedged inventory of not less than 1.25 to 1

debt to capitalization ratio of not more than 70%

asset coverage ratio of more than 70%

interest coverage ratio of not more than 2.75 to 1

The Company was in compliance with all covenants at and during the years ended December 31, 2010 and 2009.

The aggregate annual maturities of long-term debt, including capital lease obligations, are as follows: 2011 \$21.7 million; 2012 \$42.1 million; 2013 \$34.6 million; 2014 \$36.8 million; 2015 \$72.2 million; and \$77.9 million thereafter.

Non-Recourse Debt

The Company's non-recourse long-term debt consists of the following:

(in thousands, except percentages)	December 31,	
	2010	2009
Note Payable, 5.96%, payable \$218 monthly plus interest, due 2013	\$ 14,550	\$ 21,641
Note Payable, 6.37%, payable \$24 monthly, due 2014	1,405	1,640
Note Payable, 7.06%, payable \$2 monthly, due 2011	36	1,069
	15,991	24,350
Less current maturities	2,841	5,080
	\$ 13,150	\$ 19,270

In 2005, The Andersons Rail Operating I (TARO I), a wholly-owned subsidiary of the Company, issued \$41 million in non-recourse long-term debt for the purpose of purchasing 2,293 railcars and related leases from the Company. As of March 31, 2009, the Company had violated the utilization covenant and debt service coverage ratio covenant associated with this debt. This covenant violation did not trigger any cross default provisions under any other debt agreements. The Company received a waiver of this violation and in April 2009, the Company paid an additional \$4.0 million to the bank in principal payments. Based on the arrangement with the lender, this additional payment resulted in the exclusion of idle cars from the utilization and debt service coverage ratio calculation. The Company received a modification from the bank of this debt agreement which reduces the debt service coverage

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ratio from 1.5 to 1.15. With the modification, the Company does not expect to violate this covenant in the future. TARO I is a bankruptcy remote entity and the debt holders have recourse only to the assets and related leases of TARO I which had a book value of \$16.1 million and \$20.8 million at December 31, 2010 and 2009, respectively. The balance outstanding on the TARO I non-recourse long-term debt at December 31, 2010 and 2009 was \$14.6 million and \$21.6 million, respectively.

The Company's non-recourse debt includes separate financial covenants relating solely to the collateralized assets. Triggering one or more of these covenants for a specified period of time could result in the acceleration in amortization of the outstanding debt. These maximum covenants include, but are not limited to, the following:

Monthly average lease rate greater than or equal to \$200;

Monthly utilization rate greater than or equal to 80%; and

Coverage ratio greater than or equal to 1.15

The Company was in compliance with these debt covenants at December 31, 2010 and 2009.

The aggregate annual maturities of non-recourse, long-term debt are as follows: 2011 \$2.8 million; 2012 \$2.8 million; 2013 \$9.6 million and 2014 \$0.8 million.

Interest paid (including interest on short-term lines of credit) amounted to \$20.0 million, \$20.0 million and \$28.1 million in 2010, 2009 and 2008, respectively.

10. Income Taxes

Income tax provision applicable to continuing operations consists of the following:

	(in thousands)	Year ended December 31		
		2010	2009	2008
Current:				
Federal		\$ 22,288	\$ 4,848	\$ 11,441
State and local		3,613	828	(31)
Foreign		1,156	(176)	932
		\$ 27,057	\$ 5,500	\$ 12,342
Deferred:				
Federal		\$ 13,558	\$ 15,638	\$ 4,110
State and local		595	1,833	(121)
Foreign		(1,948)	(1,041)	135
		\$ 12,205	\$ 16,430	\$ 4,124
Total:				
Federal		\$ 35,846	\$ 20,486	\$ 15,551
State and local		4,208	2,661	(152)
Foreign		(792)	(1,217)	1,067
		\$ 39,262	\$ 21,930	\$ 16,466

Income before income taxes from continuing operations consists of the following:

Year ended December 31

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(in thousands)	2010	2009	2008
U.S. income	\$ 106,184	\$ 64,359	\$ 43,086
Foreign	(2,041)	(2,863)	3,477
	\$ 104,143	\$ 61,496	\$ 46,563

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A reconciliation from the statutory U.S. federal tax rate to the effective tax rate follows:

	Year ended December 31		
	2010	2009	2008
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
Increase (decrease) in rate resulting from:			
Effect of qualified domestic production deduction	(1.1)	(0.4)	(0.2)
Effect of Patient Protection and Affordable Care Act	1.4		
State and local income taxes, net of related federal taxes	2.5	2.8	(1.0)
Effect of noncontrolling interest in pass-through entity	(0.1)	(0.7)	2.1
Other, net		(1.0)	(0.5)
Effective tax rate	37.7%	35.7%	35.4%

Income taxes paid in 2010 were \$24.8 million. Income tax refunds of \$24.2 million were received in 2009. Income taxes paid in 2008 were \$49.7 million.

Significant components of the Company's deferred tax liabilities and assets are as follows:

(in thousands)	December 31	
	2010	2009
Deferred tax liabilities:		
Property, plant and equipment and railcar assets leased to others	\$ (64,392)	\$ (56,883)
Prepaid employee benefits	(12,724)	(11,172)
Investments	(20,242)	(16,511)
Other	(3,877)	(3,828)
	(101,235)	(88,394)
Deferred tax assets:		
Employee benefits	32,463	29,848
Accounts and notes receivable	2,212	6,192
Inventory	7,056	4,348
Deferred expenses	10,036	7,176
Net operating loss carryforwards	1,207	1,918
Other	2,425	4,018
Total deferred tax assets	55,399	53,500
Valuation allowance		(960)
	55,399	52,540
Net deferred tax liabilities	\$ (45,836)	\$ (35,854)

On December 31, 2010, the Company had \$14.3 million in state net operating loss carryforwards that expire from 2017 to 2023. A deferred tax asset of \$0.6 million has been established for the state net operating loss

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carryforwards. On December 31, 2009, the Company had recorded a \$1.0 million deferred tax asset and a \$1.0 million valuation allowance with respect to state net operating loss carryforwards. The Company released the full valuation allowance in the first quarter of 2010 because based on available evidence, the Company expects to fully realize the deferred tax asset related to the state net operating loss carryforwards.

On December 31, 2010, the Company had \$2.4 million in cumulative Canadian net operating losses that expire from 2027 to 2031. A deferred tax asset of \$0.6 million has been recorded with respect to the net operating loss carryforwards. No valuation allowance has been established because based on all available evidence, the Company concluded it is more likely than not that it will realize the deferred tax asset. On December 31, 2009, the Company had recorded a deferred tax asset, and no valuation allowance, of \$1.0 million with respect to net operating loss carryforwards.

On December 31, 2010, the Company had \$0.8 million in U.S. foreign tax credit carryforwards that expire in 2020 and 2021.

The Company has a \$3.1 million pool of windfall tax benefits associated with stock-based compensation plans. The Company accounts for utilization of windfall tax benefits based on tax law ordering and considered only the direct effects of stock-based compensation for purposes of measuring the windfall at settlement of an award. The amount of cash resulting from the exercise of awards during 2010 was \$0.2 million and the tax benefit the Company realized from the exercise of awards was \$0.8 million. For 2009, the amount of cash resulting from the exercise of awards was \$0.1 million and the tax benefit the Company realized from the exercise of awards was \$0.3 million.

The Company or one of its subsidiaries files income tax returns in the U.S., various foreign jurisdictions and various state and local jurisdictions. The Company is no longer subject to examinations by U.S. tax authorities for years before 2007 and is no longer subject to examinations by foreign jurisdictions for years before 2005. During 2009, the Internal Revenue Service completed an examination of the Company's U.S. income tax returns for the years 2006 and 2007, resulting in an additional payment of \$2.5 million. Substantially all audit adjustments related to the timing of income recognition and expense deductions.

A reconciliation of the January 1, 2008 to December 31, 2010 amount of unrecognized tax benefits is as follows:

(in thousands)

Balance at January 1, 2008	\$ 1,332
Additions based on tax positions related to the current year	66
Additions based on tax positions related to prior years	204
Reductions for settlements with taxing authorities	(361)
Reductions as a result of a lapse in statute of limitations	(514)
 Balance at December 31, 2008	 727
 Additions based on tax positions related to the current year	 28
Additions based on tax positions related to prior years	(25)
Reductions for settlements with taxing authorities	(153)
Reductions as a result of a lapse in statute of limitations	(259)
 Balance at December 31, 2009	 318
 Additions based on tax positions related to the current year	 20
Additions based on tax position related to prior years	474
Reductions as a result of a lapse in statute of limitations	(198)
 Balance at December 31, 2010	 \$ 614

The unrecognized tax benefits at December 31, 2010 are associated with positions taken on state income tax returns, and would decrease the Company's effective tax rate if recognized. The Company does not anticipate any significant changes during 2011 in the amount of unrecognized tax benefits.

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The Company has elected to classify interest and penalties as interest expense and penalty expense, respectively, rather than as income tax expense. The Company has \$0.3 million accrued for the payment of interest and penalties at December 31, 2010. The net interest and penalties expense for 2010 is \$0.1 million. The Company had \$0.3 million accrued for the payment of interest and penalties at December 31, 2009. The net interest and penalties expense for 2009 was a \$0.1 million benefit, due to the relief of previously recorded interest and penalties.

11. Stock Compensation Plans

The Company's 2005 Long-Term Performance Compensation Plan, dated May 6, 2005 (the "LT Plan"), authorizes the Board of Directors to grant options, stock appreciation rights, performance shares and share awards to employees and outside directors for up to 400,000 of the Company's common shares plus 426,000 common shares that remained available under a prior plan. In 2008, shareholders approved an additional 500,000 of the Company's common shares to be available under the LT Plan. As of December 31, 2010, approximately 220,000 shares remain available for grant under the LT Plan. Options granted have a maximum term of 10 years.

Stock-based compensation expense for all stock-based compensation awards are based on the grant-date fair value.

The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award. Total compensation expense recognized in the Consolidated Statement of Income for all stock compensation programs was \$2.6 million, \$2.7 million and \$4.1 million in 2010, 2009 and 2008, respectively.

Stock Only Stock Appreciation Rights (SOSARs) and Stock Options

Beginning in 2006, the Company discontinued granting options to directors and management and instead began granting SOSARs. SOSARs granted to directors and management personnel under the LT Plan beginning in 2008 have a term of five-years and have three year graded vesting. The SOSARs granted in 2006 and 2007 have a term of five years and vest after three years. SOSARs granted under the LT Plan are structured as fixed grants with the exercise price equal to the market value of the underlying stock on the date of the grant. The related compensation expense is recognized on a straight-line basis over the service period. In 2010, there were 126,540 SOSARs granted to directors and management personnel.

The fair value for SOSARs was estimated at the date of grant, using a Black-Scholes option pricing model with the weighted average assumptions listed below. Volatility was estimated based on the historical volatility of the Company's common shares over the past five years. The average expected life was based on the contractual term of the award and expected employee exercise and post-vesting employment termination trends. The risk-free rate is based on U.S. Treasury issues with a term equal to the expected life assumed at the date of grant. Forfeitures are estimated at the date of grant based on historical experience.

	2010	2009	2008
Risk free interest rate	1.96%	1.89%	2.24%
Dividend yield	1.10%	3.18%	0.67%
Volatility factor of the expected market price of the Company's common shares	.560	.520	.410
Expected life for the options (in years)	4.10	4.10	4.10

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A reconciliation of the number of SOSARs and stock options outstanding and exercisable under the Long-Term Performance Compensation Plan as of December 31, 2010, and changes during the period then ended is as follows:

	Shares (000) s	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000)
Options & SOSARs outstanding at January 1, 2010	907	\$ 30.69		
SOSARs granted	127	32.75		
Options exercised	(151)	15.87		
Options & SOSARs cancelled / forfeited	(32)	37.34		
Options and SOSARs outstanding at December 31, 2010	851	\$ 33.38	1.95	\$ 5,406
Vested and expected to vest at December 31, 2010	848	\$ 33.40	1.95	\$ 5,372
Options exercisable at December 31, 2010	568	\$ 37.15	1.16	\$ 2,010

	2010	2009	2008
Total intrinsic value of options exercised during the year ended December 31 (000 s)	\$ 2,724	\$ 2,127	\$ 6,384
Total fair value of shares vested during the year ended December 31 (000 s)	\$ 3,084	\$ 4,145	\$ 533
Weighted average fair value of options granted during the year ended December 31	\$ 13.75	\$ 3.80	\$ 15.26

As of December 31, 2010, there was \$0.9 million of total unrecognized compensation cost related to stock options and SOSARs granted under the LT Plan. That cost is expected to be recognized over the next 1.17 years.

Restricted Stock Awards

The LT Plan permits awards of restricted stock. These shares carry voting and dividend rights; however, sale of the shares is restricted prior to vesting. Restricted shares have a three year vesting period. Total restricted stock expense is equal to the market value of the Company's common shares on the date of the award and is recognized over the service period. In 2010, there were 19,007 shares issued to members of management.

A summary of the status of the Company's nonvested restricted shares as of December 31, 2010, and changes during the period then ended, is presented below:

Nonvested Shares	Shares (000) s	Weighted-Average Grant-Date Fair Value
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Nonvested at January 1, 2010	61	\$	28.07
Granted	19		32.75
Vested	(15)		40.92
Forfeited	(1)		26.27
Nonvested at December 31, 2010	64	\$	26.52

	2010	2009	2008
Total fair value of shares vested during the year ended December 31 (000 s)	\$ 566	\$ 109	\$ 20
Weighted average fair value of restricted shares granted during the year ended December 31	\$ 32.75	\$ 11.02	\$ 46.06

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As of December 31, 2010, there was \$0.5 million of total unrecognized compensation cost related to nonvested restricted shares granted under the LT Plan. That cost is expected to be recognized over the next 2.0 years.

Performance Share Units (PSUs)

The LT Plan also allows for the award of PSUs. Each PSU gives the participant the right to receive common shares dependent on the achievement of specified performance results over a three calendar year performance period. At the end of the performance period, the number of shares of stock issued will be determined by adjusting the award upward or downward from a target award. Fair value of PSUs issued is based on the market value of the Company's common shares on the date of the award. The related compensation expense is recognized over the performance period when achievement of the award is probable and is adjusted for changes in the number of shares expected to be issued if changes in performance are expected. In 2010 there were 35,849 PSUs issued to executive officers. Currently, the Company is accounting for the awards granted in 2009 and 2010 at 50% of the maximum amount available for issuance. The Company did not reach the minimum threshold earnings per share growth for issuance of any of the 2008 awards and therefore no stock compensation expense is being taken on these awards.

PSUs Activity

A summary of the status of the Company's PSUs as of December 31, 2010, and changes during the period then ended, is presented below:

Nonvested Shares	Shares (000) s	Weighted-Average Grant-Date Fair Value	
Nonvested at January 1, 2010	106	\$	27.10
Granted	36		32.69
Vested	(9)		41.68
Forfeited	(9)		37.92
Nonvested at December 31, 2010	124	\$	26.90
	2010	2009	2008
Weighted average fair value of PSUs granted during the year ended December 31	\$ 32.69	\$ 10.81	\$ 46.24

As of December 31, 2010, there was \$0.5 million of total unrecognized compensation cost related to nonvested PSUs granted under the LT Plan. That cost is expected to be recognized over the next 2.0 years.

Employee Share Purchase Plan (the ESP Plan)

The Company's 2004 ESP Plan allows employees to purchase common shares through payroll withholdings. The Company has registered 306,674 common shares remaining available for issuance to and purchase by employees under this plan. The ESP Plan also contains an option component. The purchase price per share under the ESP Plan is the lower of the market price at the beginning or end of the year. The Company records a liability for withholdings not yet applied towards the purchase of common stock.

The fair value of the option component of the ESP Plan is estimated at the date of grant under the Black-Scholes option pricing model with the following assumptions for the appropriate year. Expected volatility was estimated based on the historical volatility of the Company's common shares over the past year. The average expected life

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was based on the contractual term of the plan. The risk-free rate is based on the U.S. Treasury issues with a one year term. Forfeitures are estimated at the date of grant based on historical experience.

	2010	2009	2008
Employee Share Purchase Plan			
Risk free interest rate	0.47%	0.37%	3.34%
Dividend yield	1.10%	2.06%	0.73%
Volatility factor of the expected market price of the Company's common shares	.544	.673	.470
Expected life for the options (in years)	1.00	1.00	1.00

12. Commitments and Contingencies**Railcar leasing activities:**

The Company is a lessor of railcars. The majority of railcars are leased to customers under operating leases that may be either net leases (where the customer pays for all maintenance) or full service leases (where the Company provides maintenance and fleet management services). The Company also provides such services to financial intermediaries to whom it has sold railcars and locomotives in non-recourse lease transactions. Fleet management services generally include maintenance, escrow, tax filings and car tracking services.

Many of the Company's leases provide for renewals. The Company also generally holds purchase options for railcars it has sold and leased-back from a financial intermediary, and railcars sold in non-recourse lease transactions. These purchase options are for stated amounts which are determined at the inception of the lease and are intended to approximate the estimated fair value of the applicable railcars at the date for which such purchase options can be exercised.

Lease income from operating leases (with the Company as lessor) to customers (including month to month and per diem leases) and rental expense for railcar operating leases (with the Company as lessee) were as follows:

	(in thousands)	Year ended December 31,		
		2010	2009	2008
Rental and service income - operating leases		\$ 60,700	\$ 73,575	\$ 87,445
Rental expense		\$ 20,023	\$ 24,271	\$ 23,695

Lease income recognized under per diem arrangements (described in Note 1) totaled \$2.6 million, \$3.9 million and \$9.1 million, in 2010, 2009 and 2008, respectively, and is included in the amounts above.

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Future minimum rentals and service income for all noncancelable railcar operating leases greater than one year are as follows:

(in thousands)	Future Rental and Service Income - Operating Leases	Future Minimum Rental Payments
Year ended December 31,		
2011	\$ 45,618	\$ 18,507
2012	30,595	11,828
2013	20,867	8,244
2014	13,533	5,795
2015	10,030	5,619
Future years	20,431	15,484
	\$ 141,074	\$ 65,477

The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to financial intermediaries and assigns the related operating lease on a non-recourse basis. The Company generally provides ongoing railcar maintenance and management services for the financial intermediaries, and receives a fee for such services when earned. Management and service fees earned in 2010, 2009 and 2008 were \$2.9 million, \$3.0 million and \$3.1 million, respectively.

Other leasing activities:

The Company, as a lessee, leases real property, vehicles and other equipment under operating leases. Certain of these agreements contain lease renewal and purchase options. The Company also leases excess property to third parties. Net rental expense under these agreements was \$5.6 million, \$5.1 million and \$4.7 million in 2010, 2009 and 2008, respectively. Future minimum lease payments (net of sublease income commitments) under agreements in effect at December 31, 2010 are as follows: 2011 \$3.8 million; 2012 \$3.0 million; 2013 \$1.8 million; 2014 \$1.2 million; 2015 \$1.1 million; and \$2.0 million thereafter.

In addition to the above, the Company leases its Albion, Michigan and Clymers, Indiana grain elevators under operating leases to two of its ethanol joint ventures. The Albion, Michigan grain elevator lease expires in 2056. The initial term of the Clymers, Indiana grain elevator lease ends in 2014 and provides for 5 renewals of 7.5 years each. Lease income for the years ended December 31, 2010, 2009 and 2008 was \$1.8 million in each year.

Litigation activities:

The Company is party to litigation, or threats thereof, both as defendant and plaintiff with some regularity, although individual cases that are material in size occur infrequently. As a defendant, the Company establishes reserves for claimed amounts that are considered probable, and capable of estimation. If those cases are resolved for lesser amounts, the excess reserve can be taken into income and, conversely, if those cases are resolved for amounts incremental to what the Company has accrued, the Company records a charge to income. The Company believes it is unlikely that the results of its current legal proceedings for which it is the defendant, even if unfavorable, will be material. As a plaintiff, amounts that are collected can also result in sudden, non-recurring income. Litigation results depend upon a variety of factors, including the availability of evidence, the credibility of witnesses, the performance of counsel, the state of the law, and the impressions of judges and jurors, any of which can be critical in importance, yet difficult, if not impossible, to predict. Consequently, cases currently pending, or future matters, may result in unexpected, and non-recurring losses, or income, from time to time. In that regard, the Company currently is involved in a certain dispute matter which may result in significant gains and it is reasonably possible that the Company could

recognize material gains from the dispute over the next 12 months, although for all the reasons cited above neither the likelihood of success, nor the amounts or collection of any settlement or verdict, can be predicted, estimated or assured.

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The Company provides full-time employees with pension benefits under defined benefit and defined contribution plans. The measurement date for all plans is December 31. The Company's expense for its defined contribution plans amounted to \$5.3 million in 2010, \$3.3 million in 2009 and \$2.7 million in 2008. The Company also provides certain health insurance benefits to employees as well as retirees.

The Company has both funded and unfunded noncontributory defined benefit pension plans. The plans provide defined benefits based on years of service and average monthly compensation using a career average formula. During the third quarter of 2009, the Company announced that it would be freezing its defined benefit plan as of July 1, 2010 for all of its non-retail line of business employees. Pension benefits for the retail line of business employees were frozen at December 31, 2006. As a result of this curtailment, the Company recorded a gain of \$4.1 million to pension expense in the Company's Consolidated Statements of Income in 2009. The net gain consisted of \$4.3 million of remaining prior service cost and a \$0.2 million curtailment loss that were recorded in accumulated other comprehensive loss.

The Company also has postretirement health care benefit plans covering substantially all of its full time employees hired prior to January 1, 2003. These plans are generally contributory and include a cap on the Company's share for most retirees.

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. One of the provisions of the PPACA eliminates the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D coverage. As a result, the Company was required to make an adjustment to its deferred tax asset associated with its postretirement benefit plan in the amount of \$1.4 million. The offset to this adjustment is included in the provision for income taxes on the Company's Consolidated Statements of Income.

Based on preliminary analysis, the Health Care Reform legislation is not expected to have a material impact on the Plans.

Obligation and Funded Status

Following are the details of the obligation and funded status of the pension and postretirement benefit plans:

(in thousands)	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 74,875	\$ 67,686	\$ 21,294	\$ 19,792
Service cost	1,614	2,861	465	412
Interest cost	4,339	4,001	1,213	1,155
Actuarial (gains)/losses	12,120	6,739	2,383	654
Participant contributions			444	382
Retiree drug subsidy received			118	87
Benefits paid	(2,345)	(2,050)	(1,324)	(1,188)
Plan curtailment		(4,362)		
Benefit obligation at end of year	\$ 90,603	\$ 74,875	\$ 24,593	\$ 21,294
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 70,423	\$ 51,209	\$	\$
Actual gains (loss) on plan assets	9,852	15,214		
Company contributions	6,167	6,050	880	806
Participant contributions			444	382

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Benefits paid	(2,345)	(2,050)	(1,324)	(1,188)
Fair value of plan assets at end of year	\$ 84,097	\$ 70,423	\$	\$
Funded status of plans at end of year	\$ (6,506)	\$ (4,452)	\$ (24,593)	\$ (21,294)

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Amounts recognized in the consolidated balance sheets at December 31, 2010 and 2009 consist of:

(in thousands)	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Accrued expenses	\$ (210)	\$ (72)	\$ (1,196)	\$ (1,163)
Employee benefit plan obligations	(6,296)	(4,380)	(23,397)	(20,131)
Net amount recognized	\$ (6,506)	\$ (4,452)	\$ (24,593)	\$ (21,294)

Following are the details of the pre-tax amounts recognized in accumulated other comprehensive loss at December 31, 2010:

(in thousands)	Pension Benefits		Postretirement Benefits	
	Unamortized	Unamortized	Unamortized	Unamortized
	Actuarial	Prior	Actuarial	Prior
	Net	Service	Net	Service
	Losses	Costs	Losses	Costs
Balance at beginning of year	\$ 33,259	\$	\$ 9,066	\$ (3,580)
Amounts arising during the period	7,719		2,383	
Amounts recognized as a component of net periodic benefit cost	(1,817)		(688)	510
Balance at end of year	\$ 39,161	\$	\$ 10,761	\$ (3,070)

The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic benefit cost during the next fiscal year are as follows:

(in thousands)	Pension	Postretirement	Total
Prior service cost	\$	\$ (540)	\$ (540)
Net actuarial loss	893	840	1,733

The accumulated benefit obligations related to the Company's defined benefit pension plans are \$90.4 million and \$74.3 million as of December 31, 2010 and 2009, respectively.

Amounts applicable to the Company's defined benefit plans with accumulated benefit obligations in excess of plan assets are as follows:

(in thousands)	2010	2009
Projected benefit obligation	\$ 90,603	\$ 74,875
Accumulated benefit obligation	\$ 90,357	\$ 74,267

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The combined benefits expected to be paid for all Company defined benefit plans over the next ten years (in thousands) are as follows:

Year	Expected Pension Benefit Payout	Expected Postretirement Benefit Payout	Medicare Part D Subsidy
2011	\$ 5,444	\$ 1,349	\$ (154)
2012	5,968	1,426	(177)
2013	5,521	1,515	(204)
2014	5,865	1,598	(228)
2015	6,145	1,675	(259)
2016-2020	30,221	9,419	(1,853)

Following are components of the net periodic benefit cost for each year:

(in thousands)	Pension Benefits			Postretirement Benefits		
	2010	2009	2008	2010	2009	2008
Service cost	\$ 1,614	\$ 2,861	\$ 2,666	\$ 465	\$ 412	\$ 374
Interest cost	4,339	4,001	3,614	1,213	1,155	1,125
Expected return on plan assets	(5,451)	(4,356)	(5,037)			
Amortization of prior service cost		(392)	(619)	(511)	(511)	(511)
Recognized net actuarial loss	1,817	3,503	945	691	624	611
Curtailement gain		(4,132)				
Net periodic benefit cost	\$ 2,319	\$ 1,485	\$ 1,569	\$ 1,858	\$ 1,680	\$ 1,599

Assumptions

Weighted Average Assumptions	Pension Benefits			Postretirement Benefits		
	2010	2009	2008	2010	2009	2008
Used to Determine Benefit Obligations at Measurement Date						
Discount rate (a)	5.20%	5.70%	6.10%	5.30%	5.80%	6.10%
Rate of compensation increases	3.50%	3.50%	4.50%			
Used to Determine Net Periodic Benefit Cost for Years ended December 31						
Discount rate (b)	5.70%	6.10%	6.30%	5.80%	6.10%	6.40%
Expected long-term return on plan assets	8.00%	8.25%	8.25%			
	3.50%	4.50%	4.50%			

Rate of compensation
increases

- (a) In 2010 and 2009, the calculated discount rate for the unfunded pension plan was different than the defined benefit pension plan. The calculated rate for the supplemental employee retirement plan was 4.20% and 6.00% in 2010 and 2009, respectively.
- (b) In 2010, the calculated discount rate for the unfunded pension plan was different than the defined benefit pension plan. The calculated rate for the supplemental employee retirement plan was 6.00%.

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The discount rate is calculated based on projecting future cash flows and aligning each year's cash flows to the Citigroup Pension Discount Curve and then calculating a weighted average discount rate for each plan. The Company has elected to use the nearest tenth of a percent from this calculated rate.

The expected long-term return on plan assets was determined based on the current asset allocation and historical results from plan inception. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels and is disclosed in the Plan Assets section of this Note. The plan strives to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio.

Assumed Health Care Cost Trend Rates at Beginning of Year

	2010	2009
Health care cost trend rate assumed for next year	8.0%	8.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2017	2017

The assumed health care cost trend rate has an effect on the amounts reported for postretirement benefits. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

(in thousands)	One-Percentage-Point Increase	Decrease
Effect on total service and interest cost components in 2010	\$ (19)	\$ 17
Effect on postretirement benefit obligation as of December 31, 2010	(146)	121

To partially fund self-insured health care and other employee benefits, the Company made payments to a trust. This trust was closed in December 2009 after all of the remaining cash was used to fund benefits.

Plan Assets

The Company's pension plan weighted average asset allocations at December 31 by asset category, are as follows:

Asset Category	2010	2009
Equity securities	68%	74%
Fixed income securities	31%	24%
Cash and equivalents	1%	2%
	100%	100%

The plan assets are allocated within the broader asset categories in investments that focus on more specific sectors. Within equity securities, subcategories include large cap growth, large cap value, small cap growth, small cap value, and internationally focused investment funds. These funds are judged in comparison to benchmark indexes that best match their specific category. Within fixed income securities, the funds are invested in a broad cross section of securities to ensure diversification. These include treasury, government agency, corporate, securitization, high yield, global, emerging market and other debt securities.

The investment policy and strategy for the assets of the Company's funded defined benefit plan includes the following objectives:

- ensure superior long-term capital growth and capital preservation;
- reduce the level of the unfunded accrued liability in the plan; and
- offset the impact of inflation.

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Risks of investing are managed through asset allocation and diversification. Investments are given extensive due diligence by an impartial third party investment firm. All investments are monitored and re-assessed by the Company's pension committee on a semi-annual basis. Available investment options include U.S. Government and agency bonds and instruments, equity and debt securities of public corporations listed on U.S. stock exchanges, exchange listed U.S. mutual funds and institutional portfolios investing in equity and debt securities of publicly traded domestic or international companies and cash or money market securities. In order to reduce risk and volatility, the Company has placed the following portfolio market value limits on its investments, to which the investments must be rebalanced after each quarterly cash contribution. Note that the single security restriction does not apply to mutual funds or institutional investment portfolios. No securities are purchased on margin, nor are any derivatives used to create leverage. The overall expected long-term rate of return is determined by using long-term historical returns for equity and fixed income securities in proportion to their weight in the investment portfolio.

	Percentage of Total Portfolio Market Value		
	Minimum	Maximum	Single Security
Equity based	30%	70%	<5%
Fixed income based	20%	70%	<5%
Cash and equivalents	1%	5%	<5%
Alternative Investments	0%	20%	<5%

The following table presents the fair value of the assets (by asset category) in the Company's defined benefit pension plan at December 31, 2010.

(in thousands)

Assets	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 12,119	\$	\$	\$ 12,119
Money market fund		793		793
Equity funds		45,502		45,502
Fixed income funds		25,683		25,683
Total	\$ 12,119	\$ 71,978	\$	\$ 84,097

There is no equity or debt of the Company included in the assets of the defined benefit plan.

Cash Flows

The Company expects to make contributions to the defined benefit pension plan of up to \$3.0 million in 2011. The Company reserves the right to contribute more or less than this amount. For the year ended December 31, 2010, the Company contributed \$6.0 million to the defined benefit pension plan.

14. Fair Values of Financial Instruments

The fair values of the Company's cash equivalents, margin deposits, short-term borrowings and certain long-term borrowings approximate their carrying values since the instruments are close to maturity and/or carry variable interest rates based on market indices. The Company accounts for investments in affiliates using either the equity method or the cost method. These investments have no quoted market price.

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Certain long-term notes payable and the Company's debenture bonds bear fixed rates of interest and terms of up to 10 years. Based upon the Company's credit standing and current interest rates offered by the Company on similar bonds and rates currently available to the Company for long-term borrowings with similar terms and remaining maturities, the Company estimates the fair values of its long-term debt instruments outstanding at December 31, 2010 and 2009, as follows:

(in thousands)	Carrying Amount	Fair Value
2010:		
Fixed rate long-term notes payable	\$ 196,242	\$ 199,292
Long-term notes payable, non-recourse	15,991	16,157
Debenture bonds	36,887	39,991
	\$ 249,120	\$ 255,440
2009:		
Fixed rate long-term notes payable	\$ 214,207	\$ 219,904
Long-term notes payable, non-recourse	24,350	24,629
Debenture bonds	45,595	46,307
	\$ 284,152	\$ 290,840

15. Derivatives

The Company's operating results are affected by changes to commodity prices. The Company has established unhedged grain position limits (the amount of grain, either owned or contracted for, that does not have an offsetting derivative contract to lock in the price). To reduce the exposure to market price risk on grain owned and forward grain and ethanol purchase and sale contracts, the Company enters into regulated commodity futures contracts, primarily via regulated exchanges such as the CME and, to a lesser extent, via over-the-counter contracts with various counterparties. The Company's forward contracts are for physical delivery of the commodity in a future period. Contracts to purchase grain from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of grain to processors or other consumers generally do not extend beyond one year. The terms of the contracts for the purchase and sale of grain and ethanol are consistent with industry standards. The Company, although to a lesser extent, also enters into option contracts for the purpose of providing pricing features to its customers and to manage price risk on its own inventory.

All of these contracts are considered derivatives. While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges as defined under current accounting standards. The Company records forward commodity contracts that do not require the receipt or posting of cash collateral on the balance sheet as commodity derivative assets or liabilities, as appropriate, and accounts for them at estimated fair value, the same method it uses to value its grain inventory. The estimated fair value of the commodity futures and options contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received) within margin deposits or accrued expenses and other current liabilities on the balance sheet, as appropriate. Management determines fair value based on exchange-quoted prices and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets and non-performance risk.

Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices, changes in performance or credit risk, or due to sale, maturity or extinguishment of the commodity contract) and grain inventories are included in sales and merchandising revenues in the statements of income.

The following table presents the fair value of the Company's commodity derivatives as of December 31, 2010 and 2009, and the balance sheet line item in which they are located:

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(in thousands)	December 31,	
	2010	2009
Forward commodity contracts included in Commodity derivative assets current	\$ 226,216	\$ 24,255
Forward commodity contracts included in Commodity derivative assets noncurrent	18,113	3,137
Forward commodity contracts included in Commodity derivative liabilities current	(57,621)	(24,871)
Forward commodity contracts included in Commodity derivative liabilities noncurrent	(3,279)	(830)
Regulated futures and options contracts included in Margin deposits (a)	(105,030)	(11,354)
Over-the-counter contracts included in Margin deposits (a)	(41,300)	(1,824)
Over-the-counter contracts included in accrued expenses and other current liabilities		(4,193)
Total estimated fair value of commodity derivatives	\$ 37,099	\$ (15,680)

(a) The fair value of futures, options and over-the-counter contracts are offset by cash collateral posted or received and included as a net amount in the Consolidated Balance Sheets. See Note 1 for additional information. The gains included in the Company's Consolidated Statement of Income and the line items in which they are located for the years ended December 31, 2010 and 2009 are as follows:

(in thousands)	Year ended December 31,	
	2010	2009
(Loss)/gain on commodity derivatives included in sales and merchandising revenues	\$ (53,942)	\$ 45,707

At December 31, 2010, the Company had the following bushels and gallons outstanding (on a gross basis) on all commodity derivative contracts:

Commodity	Number of bushels (in thousands)	Number of tons (in thousands)	Number of gallons (in thousands)
Corn	352,367		
Soybeans	22,465		
Wheat	14,416		
Oats	8,824		
Soymeal		20	
Ethanol			368,030
Other	306		
Total	398,378	20	368,030

Interest Rate Derivatives

The Company periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. One of the Company's long-term interest rate swaps is recorded in other long-term liabilities and is designated as a cash flow hedge; accordingly, changes in the fair value of this instrument are recognized in other

comprehensive income. The terms of the swap match the terms of the underlying debt instrument. The deferred derivative gains and losses on the interest rate swap are reclassified into income over the term of the underlying hedged items. For the years ended December 31, 2010, 2009 and 2008, the Company reclassified less than \$0.1 million of accumulated other comprehensive loss into earnings. The Company expects to reclassify less than \$0.1 million of accumulated other comprehensive loss into earnings in the next twelve months.

The Company has other interest rate contracts that are not designated as hedges. While the Company considers all of its interest rate derivative positions to be effective economic hedges of specified risks, these interest rate contracts are recorded on the balance sheet in prepaid expenses and other assets or current and long-term liabilities and changes in fair value are recognized currently in income as interest expense.

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The following table presents the open interest rate contracts at December 31, 2010.

Interest Rate Hedging Instrument	Year Entered	Year of Maturity	Initial Notional Amount (in millions)	Hedged Item	Interest Rate
<i>Short-term</i>					
Cap	2009	2011	\$ 10.0	Interest rate component of debt not accounted for as a hedge	2.92%
Cap	2009	2011	\$ 10.0	Interest rate component of debt not accounted for as a hedge	2.92%
<i>Long-term</i>					
Swap	2005	2016	\$ 4.0	Interest rate component of an operating lease not accounted for as a hedge	5.23%
Swap	2006	2016	\$ 14.0	Interest rate component of debt accounted for as cash flow hedge	5.95%
Cap	2009	2012	\$ 10.0	Interest rate component of debt not accounted for as a hedge	3.42%
Cap	2010	2012	\$ 10.0	Interest rate component of debt not accounted for as a hedge	2.75%

At December 31, 2010 and 2009, the Company had recorded the following amounts for the fair value of the Company's interest rate derivatives:

(in thousands)	December 31,	
	2010	2009
<i>Derivatives not designated as hedging instruments</i>		
Interest rate contracts included in other assets	\$ 6	\$ 55
Interest rate contracts included in deferred income and other long term liabilities	(368)	(320)
Total fair value of interest rate derivatives not designated as hedging instruments	\$ (362)	\$ (265)
<i>Derivatives designated as hedging instruments</i>		
Interest rate contract included in deferred income and other long term liabilities	\$(1,768)	\$(1,540)
Total fair value of interest rate derivatives designated as hedging instruments	\$(1,768)	\$(1,540)

The gains (losses) included in the Company's Consolidated Statement of Income and the line item in which they are located for interest rate derivatives not designated as hedging instruments are as follows:

(in thousands)	Year ended December 31,	
	2010	2009
Interest expense	\$ (133)	\$ 158

The gains included in the Company's Statement of Shareholders' Equity and the line item in which they are located for interest rate derivatives designated as hedging instruments are as follows:

(in thousands)	Year ended December 31,	
	2010	2009
Accumulated other comprehensive loss	\$ (229)	\$ 893

Foreign Currency Derivatives

The Company has entered into a zero cost foreign currency collar to hedge the change in conversion rate between the Canadian dollar and the U.S. dollar for railcar leases in Canada. This zero cost collar, which is being accounted for as a cash flow hedge, has an initial notional amount of \$6.8 million and places a floor and ceiling on the

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Canadian dollar to U.S. dollar exchange rate at \$0.9875 and \$1.069, respectively. Changes in the fair value of this derivative are included as a component of other comprehensive income or loss. The terms of the collar match the underlying lease agreements and therefore any ineffectiveness is considered immaterial.

At December 31, 2010 and 2009, the Company had recorded the following amount for the fair value of the Company's foreign currency derivatives:

(in thousands)	December 31,	
	2010	2009

Foreign currency contract included in other assets	\$ (26)	\$ 42
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The losses included in the Company's Statement of Shareholders' Equity and the line item in which they are located for foreign currency derivatives designated as hedging instruments are as follows:

(in thousands)	Year ended December	
	2010	2009

Accumulated other comprehensive loss	\$ (68)	\$ (539)
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16. Segment Information

The Company's operations include five reportable business segments that are distinguished primarily on the basis of products and services offered. The Grain & Ethanol Group's operations include grain merchandising, the operation of terminal grain elevator facilities and the investment in and management of ethanol production facilities as well as an investment in Lansing Trade Group LLC. In the Rail Group, operations include the leasing, marketing and fleet management of railcars and locomotives, railcar repair and metal fabrication. The Plant Nutrient Group manufactures and distributes agricultural inputs, primarily fertilizer, to dealers and farmers. The Turf & Specialty Group's operations include the production and distribution of turf care and corncob-based products. The Retail Group operates large retail stores, a specialty food market, a distribution center and a lawn and garden equipment sales and service shop. Included in Other are the corporate level amounts not attributable to an operating Group and the sale of some of the Company's excess real estate.

The segment information below includes the allocation of expenses shared by one or more Groups. Although management believes such allocations are reasonable, the operating information does not necessarily reflect how such data might appear if the segments were operated as separate businesses. Inter-segment sales are made at prices comparable to normal, unaffiliated customer sales. Capital expenditures include additions to property, plant and equipment, software and intangible assets.

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(in thousands)	Grain &		Plant		Turf &		Retail		Other		Total	
2010	Ethanol	Rail	Nutrient	Specialty	Retail	Other						
Revenues from external customers	\$ 2,405,452	\$ 94,816	\$ 619,330	\$ 123,549	\$ 150,644	\$					\$ 3,393,791	
Inter-segment sales	3	637	13,517	1,636							15,793	
Equity in earnings of affiliates	25,999		8								26,007	
Other income, net	2,733	4,502	1,298	1,335	608	1,176					11,652	
Interest expense	8,315	4,928	3,901	1,604	1,039	78					19,865	
Operating income (loss) (a)	81,387	107	30,062	3,443	(2,534)	(8,541)					103,924	
Income attributable to noncontrolling interest	(219)										(219)	
Income before income taxes	81,606	107	30,062	3,443	(2,534)	(8,541)					104,143	
Identifiable assets	1,099,480	196,149	208,548	62,643	52,430	80,140					1,699,390	
Capital expenditures	10,343	927	7,631	2,237	8,827	932					30,897	
Railcar expenditures		18,354									18,354	
Cash invested in affiliates	395										395	
Acquisition of businesses	39,293										39,293	
Investment in convertible preferred securities		13,100									13,100	
Depreciation and amortization	7,951	15,107	10,225	2,032	2,400	1,198					38,913	
(in thousands)	Grain &		Plant		Turf &		Retail		Other		Total	
2009	Ethanol	Rail	Nutrient	Specialty	Retail	Other						
Revenues from external customers	\$ 2,153,978	\$ 92,789	\$ 491,293	\$ 125,306	\$ 161,938	\$					\$ 3,025,304	
Inter-segment sales	9	634	12,245	1,504							14,392	
Equity in earnings of affiliates	17,452		8			3					17,463	
Other income, net	2,319	485	1,755	1,131	683	1,958					8,331	

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Interest expense	9,363	4,468	3,933	1,429	961	534	20,688
Operating income (loss) (a)	51,354	(1,034)	11,294	4,735	(2,843)	(3,225)	60,281
Income attributable to noncontrolling interest	(1,215)						(1,215)
Income before income taxes	52,569	(1,034)	11,294	4,735	(2,843)	(3,225)	61,496
Identifiable assets	597,041	194,748	205,968	63,353	45,696	177,585	1,284,391
Capital expenditures	6,145	297	6,610	1,305	1,157	1,046	16,560
Railcar expenditures		24,965					24,965
Cash invested in affiliates	1,100					100	1,200
Acquisition of businesses			30,480				30,480
Depreciation and amortization	5,532	15,967	8,665	2,314	2,286	1,256	36,020

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(in thousands)	Grain &	Plant		Turf &	Retail	Other	Total
2008	Ethanol	Rail	Nutrient	Specialty			
Revenues from external customers	\$ 2,411,144	\$ 133,898	\$ 652,509	\$ 118,856	\$ 173,071	\$	\$ 3,489,478
Inter-segment sales	15	439	17,189	1,270			18,913
Equity in earnings of affiliates	4,027		6				4,033
Other income, net	4,751	526	893	446	692	(1,138)	6,170
Interest expense	18,667	4,154	5,616	1,522	886	394	31,239
Operating income (loss) (a)	43,587	19,782	(12,325)	2,321	843	(4,842)	49,366
Loss attributable to noncontrolling interest	2,803						2,803
Income before income taxes	40,784	19,782	(12,325)	2,321	843	(4,842)	46,563
Identifiable assets	575,589	198,109	266,785	70,988	50,605	146,697	1,308,773
Capital expenditures	5,317	682	10,481	2,018	924	893	20,315
Railcar expenditures	19,066	78,923					97,989
Cash invested in affiliates	41,350					100	41,450
Depreciation and amortization	4,377	13,915	5,901	2,228	2,218	1,128	29,767

(a) Operating income (loss) for each Group is based on net sales and merchandising revenues plus identifiable other income less all identifiable operating expenses, including interest expense for carrying working capital and long-term assets and is reported net of net (income) loss attributable to the noncontrolling interest.

Grain sales for export to foreign markets amounted to approximately \$267.3 million, \$312.7 million and \$194.9 million in 2010, 2009 and 2008, respectively. Revenues from leased railcars in Canada totaled \$9.1 million, \$12.4 million and \$18.1 million in 2010, 2009 and 2008, respectively. The net book value of the leased railcars at December 31, 2010 and 2009 was \$22.0 million and \$26.9 million, respectively. Lease revenue on railcars in Mexico totaled \$0.3 million in 2010, \$0.3 million in 2009 and \$0.8 million in 2008.

Table of Contents**17. Quarterly Consolidated Financial Information (Unaudited)**

The following is a summary of the unaudited quarterly results of operations for 2010 and 2009.
(in thousands, except for per common share data)

Quarter Ended	Net Sales	Gross Profit	Net Income attributable to The Andersons, Inc.	Earnings Per Share-Basic	Earnings Per Share-Diluted
2010					
March 31	\$ 721,998	\$ 58,550	\$ 12,265	\$ 0.67	\$ 0.66
June 30	810,999	87,554	25,169	1.37	1.36
September 30	706,825	53,109	1,394	0.08	0.08
December 31	1,153,969	82,466	25,834	1.40	1.39
Year	\$ 3,393,791	\$ 281,679	\$ 64,662	3.51	3.48
2009					
March 31	\$ 697,392	\$ 61,374	\$ 4,952	\$ 0.27	\$ 0.27
June 30	810,954	73,334	15,918	0.87	0.87
September 30	601,000	51,010	1,250	0.07	0.07
December 31	915,958	69,788	16,231	0.89	0.88
Year	\$ 3,025,304	\$ 255,506	\$ 38,351	2.10	2.08

Net income per share is computed independently for each of the quarters presented. As such, the summation of the quarterly amounts may not equal the total net income per share reported for the year.

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

The Company is not organized with one Chief Financial Officer. Our Vice President, Controller and CIO is responsible for all accounting and information technology decisions while our Vice President, Finance and Treasurer is responsible for all treasury functions and financing decisions. Each of them, along with the President and Chief Executive Officer (Certifying Officers), are responsible for evaluating our disclosure controls and procedures. These named Certifying Officers have evaluated our disclosure controls and procedures as defined in the rules of the Securities and Exchange Commission, as of December 31, 2010, and have determined that such controls and procedures were effective in ensuring that material information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Report on Internal Control over Financial Reporting is included in Item 8 on page 39.

There were no significant changes in internal control over financial reporting that occurred during the fourth quarter of 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

For information with respect to the executive officers of the registrant, see Executive Officers of the Registrant included in Part I of this report. For information with respect to the Directors of the registrant, see Election of Directors in the Proxy Statement for the Annual Meeting of the Shareholders to be held on May 6, 2011 (the Proxy Statement), which is incorporated herein by reference; for information concerning 1934 Securities and Exchange Act Section 16(a) Compliance, see such section in the Proxy Statement, incorporated herein by reference.

Item 11. Executive Compensation

The information set forth under the caption Executive Compensation in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth under the caption Share Ownership and Executive Compensation Equity Compensation Plan Information in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information set forth under the caption Review, Approval or Ratification of Transactions with Related Persons in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

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The information set forth under Appointment of Independent Registered Public Accounting Firm in the Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) The consolidated financial statements of the Company are set forth under Item 8 of this report on Form 10-K.

(2) The following consolidated financial statement schedule is included in Item 15(d):

II. Consolidated Valuation and Qualifying Accounts - years ended December 31, 2010, 2009 and 2008	Page 90
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All other schedules for which provisions are made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are not applicable, and therefore have been omitted.

(3) Exhibits:

- 2.1 Agreement and Plan of Merger, dated April 28, 1995 and amended as of September 26, 1995, by and between The Andersons Management Corp. and The Andersons. (Incorporated by reference to Exhibit 2.1 to Registration Statement No. 33-58963).
- 3.1 Articles of Incorporation. (Incorporated by reference to Exhibit 3(d) to Registration Statement No. 33-16936).
- 3.4 Code of Regulations of The Andersons, Inc. (Incorporated by reference to Exhibit 3.4 to Registration Statement No. 33-58963).
- 4.3 Specimen Common Share Certificate. (Incorporated by reference to Exhibit 4.1 to Registration Statement No. 33-58963).
- 4.4 The Seventeenth Supplemental Indenture dated as of August 14, 1997, between The Andersons, Inc. and The Fifth Third Bank, successor Trustee to an Indenture between The Andersons and Ohio Citizens Bank, dated as of October 1, 1985. (Incorporated by reference to Exhibit 4.4 to The Andersons, Inc. the 1998 Annual Report on Form 10-K).
- 4.5 Loan Agreement dated October 30, 2002 and amendments through the eighth amendment dated September 27, 2006 between The Andersons, Inc., the banks listed therein and U.S. Bank National Association as Administrative Agent. (Incorporated by reference from Form 10-Q filed November 9, 2006).
- 10.1 Management Performance Program. * (Incorporated by reference to Exhibit 10(a) to the Predecessor Partnership's Form 10-K dated December 31, 1990, File No. 2-55070).
- 10.2 The Andersons, Inc. Amended and Restated Long-Term Performance Compensation Plan * (Incorporated by reference to Appendix A to the Proxy Statement for the April 25, 2002 Annual Meeting).

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- 10.3 The Andersons, Inc. 2004 Employee Share Purchase Plan * (Incorporated by reference to Appendix B to the Proxy Statement for the May 13, 2004 Annual Meeting).
- 10.4 Marketing Agreement between The Andersons, Inc. and Cargill, Incorporated dated June 1, 1998 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003).
- 10.5 Lease and Sublease between Cargill, Incorporated and The Andersons, Inc. dated June 1, 1998 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003).
- 10.6 Amended and Restated Marketing Agreement between The Andersons, Inc.; The Andersons Agriculture Group LP; and Cargill, Incorporated dated June 1, 2003 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003).
- 10.7 Amendment to Lease and Sublease between Cargill, Incorporated; The Andersons Agriculture Group LP; and The Andersons, Inc. dated July 10, 2003 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003).
- 10.8 Amended and Restated Asset Purchase agreement by and among Progress Rail Services and related entities and Cap Acquire LLC, Cap Acquire Canada ULC and Cap Acquire Mexico S. de R.L. de C.V. (Incorporated by reference from Form 8-K filed February 27, 2004).
- 10.9 Indenture between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (Issuers) and Wells Fargo Bank, National Association (Indenture Trustee) dated February 12, 2004. (Incorporated by reference from Form 10K for the year ended December 31, 2003).
- 10.10 Management Agreement between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (the Companies), The Andersons, Inc. (the Manager) and Wells Fargo Bank, National Association (Indenture Trustee and Backup Manager) dated February 12, 2004. (Incorporated by reference from Form 10K for the year ended December 31, 2003).
- 10.11 Servicing Agreement between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (the Companies), The Andersons, Inc. (the Servicer) and Wells Fargo Bank, National Association (Indenture Trustee and Backup Servicer) dated February 12, 2004. (Incorporated by reference from form 10K for the year ended December 31, 2003).
- 10.12 Form of Stock Option Agreement (Incorporated by reference from Form 10-Q filed August 9, 2005).
- 10.13 Form of Performance Share Award Agreement (Incorporated by reference from Form 10-Q filed -August 9, 2005).
- 10.14 Security Agreement, dated as of December 29, 2005, made by The Andersons Rail Operating I, LLC in favor of Siemens Financial Services, Inc. as Agent (Incorporated by reference from Form 8-K filed January 5, 2006).
- 10.15 Management Agreement, dated as of December 29, 2005, made by The Andersons Rail Operating I, LLC and The Andersons, Inc., as Manager (Incorporated by reference from Form 8-K filed January 5, 2006).
- 10.16 Servicing Agreement, dated as of December 29, 2005, made by The Andersons Rail Operating I, LLC and The Andersons, Inc., as Servicer (Incorporated by reference from Form 8-K filed January 5, 2006).

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- 10.17 Term Loan Agreement, dated as of December 29, 2005, made by The Andersons Rail Operating I, LLC, as borrower, the lenders named therein, and Siemens Financial Services, Inc., as Agent and Lender (Incorporated by reference from Form 8-K filed January 5, 2006).
- 10.18 The Andersons, Inc. Long-Term Performance Compensation Plan dated May 6, 2005* (Incorporated by reference to Appendix A to the Proxy Statement for the May 6, 2005 Annual Meeting).
- 10.19 Form of Stock Only Stock Appreciation Rights Agreement (Incorporated by reference from Form 10-Q filed May 10, 2006).
- 10.20 Form of Performance Share Award Agreement (Incorporated by reference from Form 10-Q filed May 10, 2006).
- 10.21 Real Estate Purchase Agreement between Richard P. Anderson and The Andersons Farm Development Co., LLC (Incorporated by reference from Form 8-K filed July 5, 2006).
- 10.22 Real Estate Purchase Agreement between Thomas H. Anderson and The Andersons Farm Development Co., LLC (Incorporated by reference from Form 8-K filed July 5, 2006).
- 10.23 Real Estate Purchase Agreement between Paul M. Kraus and The Andersons Farm Development Co., LLC (Incorporated by reference from Form 8-K filed July 5, 2006).
- 10.24 Loan agreement dated September 27, 2006 between The Andersons, Inc., the banks listed therein and U.S. Bank National Association as Administrative Agent (Incorporated by reference from Form 10-Q filed November 9, 2006).
- 10.25 Ninth Amendment to Loan Agreement, dated March 14, 2007, between The Andersons, Inc., as borrower, the lenders name herein, and U.S. National Bank Association as Agent and Lender (Incorporated by reference from Form 8-K filed March 19, 2007).
- 10.26 Form of Stock Only Stock Appreciation Rights Agreement (Incorporated by reference from Form 10-Q filed May 10, 2007)
- 10.27 Form of Performance Share Award Agreement (Incorporated by reference from Form 10-Q filed May 10, 2007)
- 10.28 Credit Agreement, dated February 25, 2008, between The Andersons, Inc., as borrower, and Wells Fargo Bank National Association, as lender (Incorporated by reference from Form 10-K filed February 28, 2008).
- 10.29 Note Purchase Agreement, dated March 27, 2008, between The Andersons, Inc., as borrowers, and several purchases with Wells Fargo Capital Markets acting as agent (Incorporated by reference from Form 8-K filed March 27, 2008).
- 10.30 First Amendment to Amended and Restated Loan Agreement, dated April 16, 2008, between The Andersons, Inc., as borrower, and several banks, with U.S. Bank National Association acting as agent and lender (Incorporated by reference from Form 8-K filed April 17, 2008).
- 10.31 Form of Stock Only Stock Appreciation Rights Agreement (Incorporated by reference from Form 10-Q filed May 9, 2008).

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- 10.32 Form of Performance Share Award Agreement (Incorporated by reference from Form 10-Q filed May 9, 2008).
- 10.33 Fifth Amendment to Amended and Restated Loan Agreement, dated October 14, 2008, between The Andersons, Inc. as borrower, and several banks with U.S. National Bank Association acting as Agent and Lender (Incorporated by reference from Form 8-K filed October 20, 2008).
- 10.34 Form of Change in Control and Severance Participation Agreement (Incorporated by reference from Form 8-K filed January 13, 2009).
- 10.35 Change in Control and Severance Policy (Incorporated by reference from Form 8-K filed January 13, 2009).
- 10.36 Form of Performance Share Award Agreement (Incorporated by reference from Form 8-K filed March 6, 2009).
- 10.37 Form of Stock Only Stock Appreciation Rights Agreement (Incorporated by reference from Form 8-K filed March 6, 2009).
- 10.38 Form of Stock Only Stock Appreciation Rights Agreement Non-Employee Directors (Incorporated by reference from Form 8-K filed March 6, 2009).
- 10.39 Second Amended and Restated Loan Agreement dated April 30, 2009 between The Andersons, Inc., as borrower, and several banks with U.S. Bank National Association acting as agent and lender (Incorporated by reference from Form 8-K filed May 6, 2009).
- 10.40 Amended and Restated Note Purchase Agreement, dated February 26, 2010, between The Andersons, Inc., as borrower, and Co-Bank, one of the lenders to the original agreement (Incorporated by reference from Form 8-K filed March 5, 2010).
- 10.43 Loan Agreement dated September 30, 2010, between The Andersons, Inc., as borrower, and several banks with U.S. Bank National Association acting as agent and lender (Incorporated by reference from Form 8-K filed October 5, 2010).
- 10.44 Third Amended and Restated Loan Agreement, dated December 17, 2010, between The Andersons, Inc., as borrower, and several banks with U.S. Bank National Association acting as agent and lender (Incorporated by reference from Form 8-K filed December 21, 2010).
- 10.45 First Amendment to the Third Amended and Restated Loan Agreement, dated January 7, 2011, between The Andersons, Inc., as borrower, and several banks to the original agreement (Incorporated by reference from Form 8-K filed January 10, 2011).
- 12 Computation of Ratio of Earnings to Fixed Charges (filed herewith)
- 21 Consolidated Subsidiaries of The Andersons, Inc.

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23 Consent of Independent Registered Public Accounting Firm.

31.1 Certification of President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a).

31.2 Certification of Vice President, Controller & CIO under Rule 13(a)-14(a)/15d-14(a).

31.3 Certification of Vice President, Finance and Treasurer under Rule 13(a)-14(a)/15d-14(a).

32.1 Certifications Pursuant to 18 U.S.C. Section 1350.

* Management contract or compensatory plan.

The Company agrees to furnish to the Securities and Exchange Commission a copy of any long-term debt instrument or loan agreement that it may request.

(b) Exhibits:

The exhibits listed in Item 15(a)(3) of this report, and not incorporated by reference, follow Financial Statement Schedule referred to in (d) below.

(c) Financial Statement Schedule

The financial statement schedule listed in 15(a)(2) follows Signatures.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE ANDERSONS, INC. (Registrant)

By /s/ Michael J. Anderson
Michael J. Anderson
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date	Signature	Title	Date
/s/ Michael J. Anderson	Chairman of the Board President and Chief Executive Officer	3/1/11	/s/ John T. Stout, Jr.	Director	3/1/11
Michael J. Anderson	(Principal Executive Officer)		John T. Stout, Jr.		
/s/ Richard R. George	Vice President, Controller & CIO	3/1/11	/s/ Donald L. Mennel	Director	3/1/11
Richard R. George	(Principal Accounting Officer)		Donald L. Mennel		
/s/ Nicholas C. Conrad	Vice President, Finance & Treasurer	3/1/11	/s/ David L. Nichols	Director	3/1/11
Nicholas C. Conrad	(Principal Financial Officer)		David L. Nichols		
/s/ Gerard M. Anderson	Director	3/1/11	/s/ Ross W. Manire	Director	3/1/11
Gerard M. Anderson			Ross W. Manire		
/s/ Robert J. King, Jr.	Director	3/1/11	/s/ Jacqueline F. Woods	Director	3/1/11
Robert J. King, Jr.			Jacqueline F. Woods		
/s/ Catherine M. Kilbane	Director	3/1/11			
Catherine M. Kilbane					

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Schedule

THE ANDERSONS, INC.
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
SCHEDULE II CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(in thousands) Description	Balance at Beginning of Period	Additions		Transferred to Allowance for Notes Receivable	(1) Deductions	Balance at End of Period
		Charged to Costs and Expenses				
Allowance for Doubtful Accounts Receivable Year ended December 31						
2010	\$ 8,753	\$ 8,678		\$ (101)	\$ (11,646)	\$ 5,684
2009	13,584	4,973		(7,889)	(1,915)	8,753
2008	4,545	8,710		31	298	13,584
Allowance for Doubtful Notes Receivable Year ended December 31						
2010	\$ 7,950	\$ 38		\$ 101	\$ (7,835)	\$ 254
2009	134			7,889	(73)	7,950
2008	339			(31)	(174)	134

(1) Uncollectible accounts written off, net of recoveries and adjustments to estimates for the allowance accounts.

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**THE ANDERSONS, INC.
EXHIBIT INDEX**

**Exhibit
Number**

12	Computation of Ratio of Earnings to Fixed Charges
21	Consolidated Subsidiaries of The Andersons, Inc.
23.1	Consent of Independent Registered Public Accounting Firm
23.2	Consent of Independent Registered Public Accounting Firm
31.1	Certification of President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)
31.2	Certification of Vice President, Controller and CIO under Rule 13(a)-14(a)/15d-14(a)
31.3	Certification of Vice President, Finance and Treasurer under Rule 13(a)-14(a)/15d-14(a)
32.1	Certifications Pursuant to 18 U.S.C. Section 1350

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16,761,534

Cognizant Technology Solutions Corp. - Class A^{(b)(c)}

124,800

8,651,136

Cypress Semiconductor Corp.^(b)

505,600

7,179,520

Dialog Semiconductor PLC^(a)

131,599

5,749,321

Ellie Mae, Inc.^{(a)(b)(c)}

47,900

4,177,838

Facebook, Inc. - Class A^{(a)(b)(c)}

94,300

15,960,275

Foxconn Technology Co., Ltd.

1,264,000

3,800,937

Lam Research Corp.^(b)

60,800

9,695,168

Microsoft Corp.^{(b)(c)}

89,600

6,513,920

Nintendo Co., Ltd.

14,800

5,031,557

salesforce.com, Inc.^{(a)(b)(c)}

33,000

2,996,400

Samsung Electronics Co., Ltd.

10,197

21,960,386

Semiconductor Manufacturing International Corp.^(a)

1,960,000

2,158,038

Ulvac, Inc.

62,700

3,366,901

ViaSat, Inc.^{(a)(b)(c)}

157,835

10,431,315

Western Digital Corp.^{(b)(c)}

54,400

4,630,528

Yelp, Inc.^{(a)(b)(c)}

347,700

11,310,681

173,486,028

Materials 0.51%

Chr Hansen Holding A/S

39,001

3,141,312

TOTAL COMMON STOCKS

(Cost \$457,998,931)

527,314,732

PARTICIPATION NOTES 1.18%

Consumer Discretionary 0.76%

Midea Group Co., Ltd. - Class A (Loan Participation Notes issued by Morgan Stanley Asia Products), expiring 05/13/2019^(d)

770,300

4,716,426

	Shares	Value
Consumer Staples 0.42%		
Kweichow Moutai Co., Ltd. - Class A (Loan Participation Notes issued by Morgan Stanley Asia Products), expiring 11/09/2017 ^(d)	36,007	\$2,575,055
TOTAL PARTICIPATION NOTES (Cost \$5,464,668)		7,291,481
PREFERRED STOCKS 1.61%		
Annaly Capital Management, Inc. ^(b)		
Series E, 7.625%	162,911	4,160,747
Ares Management LP ^(b)		
Series A, 7.000%	147,000	3,964,590
PennyMac Mortgage Investment Trust		
Series B, 8.000%	70,000	1,753,500
		9,878,837
TOTAL PREFERRED STOCKS (Cost \$9,364,164)		9,878,837
WARRANTS 0.00% ^{(a)(g)}		
Atlas Mara, Ltd., Strike price 11.50, Expires 12/17/2017 ^(d)	487,322	1,340
TOTAL WARRANTS (Cost \$4,873)		1,340

Description and Maturity Date	Principal Amount	Value
CORPORATE BONDS 27.40%		
Amazon.com, Inc. 11/29/2022, 2.500% ^(b)	\$4,000,000	4,056,216
Ares Capital Corp. 01/15/2020, 3.875% ^{(b)(c)}	7,383,000	7,549,657
01/19/2022, 3.625% ^(b)	6,012,000	6,118,929
AvalonBay Communities, Inc. 09/15/2022, 2.950%	5,200,000	5,293,340
Bank of America Corp. 10/21/2022, 2.503%	1,000,000	992,575
Biogen, Inc. 09/15/2020, 2.900%	20,000	20,540
BMW US Capital LLC 09/15/2021, 1.850% ^(h)	3,890,000	3,835,910
Boston Properties LP 05/15/2021, 4.125% ^{(b)(c)}	4,000,000	4,246,956
Chubb INA Holdings, Inc. 11/03/2020, 2.300% ^(b)	3,500,000	3,541,426
Citizens Bank National Association 12/04/2019, 2.450% ^(b)	2,802,000	2,828,709
05/13/2021, 2.550% ^(b)	4,910,000	4,931,712
EMC Corp. 06/01/2020, 2.650% ^(b)	3,000,000	2,961,738

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Description and Maturity Date	4,000,000	3,884,576	Principal Amount	Value
06/01/2023, 3.375% ^(b)				
CORPORATE BONDS (continued)				
Exelon Generation Co. LLC				
01/15/2020, 2.950% ^(b)		\$3,510,000		\$3,585,970
First Republic Bank				
06/17/2019, 2.375% ^(b)		3,000,000		3,021,273
02/13/2047, 4.625% ^(b)		4,000,000		4,077,816
Five Corners Funding Trust				
11/15/2023, 4.419% ^{(b)(d)}		3,000,000		3,266,103
Ford Motor Credit Co. LLC				
03/18/2021, 3.336% ^{(b)(c)}		6,000,000		6,147,900
General Motors Financial Co., Inc.				
07/06/2021, 3.200% ^(b)		5,000,000		5,085,875
Goldman Sachs Group, Inc.				
09/15/2020, 2.750% ^{(b)(c)}		4,000,000		4,060,012
11/15/2021, 2.350% ^(b)		4,500,000		4,464,724
Jackson National Life Global Funding				
04/29/2021, 2.250% ^{(b)(d)}		4,160,000		4,133,917
JPMorgan Chase & Co.				
06/07/2021, 2.400% ^(b)		4,000,000		4,014,264
09/23/2022, 3.250%		4,000,000		4,133,092
Lear Corp.				
01/15/2023, 4.750% ^(b)		6,500,000		6,729,008
01/15/2025, 5.250% ^(b)		4,000,000		4,287,860
Liberty Mutual Group, Inc.				
03/15/2037, 4.151% ^{(b)(d)(i)}		7,500,000		7,368,750
Manufacturers & Traders Trust Co.				
02/06/2020, 2.100% ^(b)		4,000,000		4,019,460
Metropolitan Life Global Funding I				
09/15/2021, 1.950% ^{(b)(d)}		6,000,000		5,910,744
Morgan Stanley				
06/16/2020, 2.800% ^{(b)(c)}		5,000,000		5,093,590
New York Life Global Funding				
04/09/2020, 2.000% ^{(b)(d)}		4,000,000		4,006,024
PNC Bank National Association				
11/05/2020, 2.450% ^(b)		4,000,000		4,055,600
Royal Bank of Canada				
02/05/2020, 1.875% ^{(b)(c)}		5,000,000		5,000,305
Scripps Networks Interactive, Inc.				
06/15/2022, 3.500%		2,700,000		2,765,070
Toronto-Dominion Bank				
12/14/2020, 2.500% ^(b)		3,332,000		3,385,169
VF Corp.				
09/01/2021, 3.500%		4,000,000		4,178,108
Wells Fargo & Co.				
12/07/2020, 2.550% ^(b)		10,000,000		10,138,080
Welltower, Inc.				
04/01/2019, 4.125% ^(b)		5,033,000		5,193,794

TOTAL CORPORATE BONDS

(Cost \$167,269,359)

168,384,792

ASSET/MORTGAGE BACKED SECURITIES 6.58%

Federal National Mortgage Association - REMICS

Series 2017-60, Class C,

08/25/2047, 3.500%^(f)

4,000,000

3,960,000

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Description and Maturity Date	Principal Amount	Value
ASSET/MORTGAGE BACKED SECURITIES (continued)		
Government National Mortgage Association - REMICS		
Series 2014-67, Class AE, 05/16/2039, 2.150%	\$7,806,069	\$7,897,863
Series 2012-83, Class A, 07/16/2041, 1.368%	3,853,879	3,743,142
Series 2014-172, Class AC, 09/16/2041, 1.900%	4,203,439	4,200,538
Series 2013-68, Class AC, 02/16/2046, 1.300%	3,596,932	3,432,537
Series 2015-130, Class AB, 08/16/2047, 2.550%	3,144,111	3,152,769
Series 2014-166, Class PJ, 07/16/2051, 2.500%	4,073,772	4,089,224
Series 2012-111, Class A, 09/16/2052, 2.387%	2,576,582	2,574,613
Series 2013-101, Class AD, 12/16/2053, 2.623% ⁽ⁱ⁾	2,980,559	2,931,768
Series 2017-29, Class A, 01/16/2058, 2.400%	4,476,106	4,421,829
TOTAL ASSET/MORTGAGE BACKED SECURITIES (Cost \$40,939,448)		40,404,283
GOVERNMENT & AGENCY OBLIGATIONS 7.94%		
U.S. Treasury Bonds		
11/15/2026, 6.500% ^(b)	6,300,000	8,548,558
08/15/2029, 6.125% ^(b)	6,750,000	9,397,924
02/15/2038, 4.375%	4,000,000	5,066,796
05/15/2040, 4.375%	4,500,000	5,709,901
11/15/2040, 4.250%	12,000,000	14,988,984
02/15/2047, 3.000%	5,000,000	5,106,640
TOTAL GOVERNMENT & AGENCY OBLIGATIONS (Cost \$49,169,282)		48,818,803
MUNICIPAL BONDS 3.43%		
Florida State Board of Administration Finance Corp. Revenue Bonds, Series A		
07/01/2021, 2.638% ^{(b)(c)}	7,000,000	7,070,910
New York City Transitional Finance Authority Revenue Bonds, Series E-2		
02/01/2026, 3.080%	4,000,000	4,015,840
New York State Transportation Development Corp. Revenue Bonds, Series B		
07/01/2024, 3.023%	3,150,000	3,068,258
New York State Urban Development Corp. Revenue Bonds, Series B		
03/15/2023, 2.670%	3,000,000	3,023,820
Description and Maturity Date	Principal Amount	Value

MUNICIPAL BONDS (continued)

Wisconsin State General Fund Annual

Appropriation Revenue Bonds,

Series A

05/01/2023, 2.049%

\$4,000,000 \$3,925,920

TOTAL MUNICIPAL BONDS

(Cost \$21,081,846)

21,104,748

SHORT-TERM INVESTMENTS 5.06%

Money Market Fund 5.06%

BlackRock Liquidity Funds, T-Fund Portfolio - Institutional Class (0.887% 7-day yield)

Shares Value

31,074,496 31,074,496

TOTAL SHORT-TERM INVESTMENTS

(Cost \$31,074,496)

31,074,496

Total Investments - 139.01%

(Cost \$782,367,067)

854,273,512

Liabilities in Excess of Other Assets - (39.01%)(j)

(239,736,816)

NET ASSETS - 100.00%

\$614,536,696

SCHEDULE OF SECURITIES SOLD SHORT (a)

Shares Value

COMMON STOCKS (7.14%)

Consumer Discretionary (1.41%)

Viacom, Inc. - Class B

(134,100) (4,682,772)

Williams-Sonoma, Inc.

(85,700) (3,979,051)

(8,661,823)

Financials (1.17%)

Ally Financial, Inc.

(212,500) (4,811,000)

Deutsche Bank AG

(124,800) (2,226,432)

Santander Consumer USA Holdings, Inc.

(8,507) (108,975)

(7,146,407)

Health Care (1.70%)

AmerisourceBergen Corp.

(36,500) (3,424,430)

McKesson Corp.

(21,600) (3,496,392)

Owens & Minor, Inc.

(109,427) (3,526,832)

(10,447,654)

Information Technology (2.86%)

Amkor Technology, Inc.

(290,100) (3,008,337)

AU Optronics Corp. - Sponsored ADR

(305,512) (1,228,158)

Ingenico Group SA

(26,190) (2,747,553)

International Business Machines Corp.

(49,400) (7,146,698)

LINE Corp. - Sponsored ADR

(79,500) (2,922,420)

SCHEDULE OF SECURITIES SOLD SHORT ^(a) (continued)	Shares	Value
Information Technology (continued)		
Manhattan Associates, Inc.	(12,200)	\$(539,240) (17,592,406)
TOTAL COMMON STOCKS (Proceeds \$43,471,241)		(43,848,290)
EXCHANGE TRADED FUNDS (0.60%)		
United States Natural Gas Fund LP	(588,000)	(3,716,160)
TOTAL EXCHANGE TRADED FUNDS (Proceeds \$4,643,995)		(3,716,160)
TOTAL SECURITIES SOLD SHORT (Proceeds \$48,115,236)		\$(47,564,450)

(a) Non-income producing security.

Pledged security; a portion or all of the security is pledged as collateral for securities sold short or borrowings. As of July 31, 2017, the aggregate value of those securities was \$596,940,055, representing 97.14% of net assets. (See Note 1 and Note 3)

(c) Loaned security; a portion or all of the security is on loan as of July 31, 2017.

Security exempt from registration of the Securities Act of 1933. These securities may be resold in transactions exempt from registration under Rule 144A, normally to qualified institutional buyers. As of July 31, 2017, these securities had an aggregate value of \$40,195,605 or 6.54% of net assets.

Private Placement; these securities may only be resold in transactions exempt from registration under the Securities Act of 1933. As of July 31, 2017, these securities had a total value of \$8,217,246 or 1.33% of net assets and have been deemed illiquid by the Adviser based on procedures approved by the Board of Trustees. (See Note 1)

Fair valued security; valued by management in accordance with procedures approved by the Fund's Board of Trustees. As of July 31, 2017, these securities had an aggregate market value of \$12,177,246 or 1.98% of total net assets.

(g) Less than 0.005% or (0.005%) of net assets.

Securities were purchased pursuant to Regulation S under the Securities Act of 1933, which exempts securities offered and sold outside of the United States from registration. Such securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. As of July 31, 2017, the aggregate value of those securities was \$3,835,910, representing 0.62% of net assets.

(i) Floating or variable rate security - rate disclosed as of July 31, 2017.

(j) Includes cash which is being held as collateral for total return swap contracts, securities sold short or futures contracts.

FUTURES CONTRACTS

Description	Position	Contracts	Expiration Date	Underlying Face Amount at Value	Unrealized Depreciation
Foreign Currency Contracts					
Japanese Yen Currency Futures	Short	40	09/18/2017	\$(4,545,500)	\$ (18,180)
				\$(4,545,500)	\$ (18,180)

TOTAL RETURN SWAP CONTRACTS

Counter Party	Reference Entity/Obligation	Notional Amount	Floating Rate Paid by the Fund	Floating Rate Index	Termination Date	Net Unrealized Appreciation
Credit Suisse	Hero MotoCorp, Ltd.	\$6,691,280	LIBOR	1 M LIBOR	12/31/2020	\$ 1,253,994
Morgan Stanley	Hero MotoCorp, Ltd.	2,789,428	FEDEF	1 D FEDEF	07/12/2018	322,885
Credit Suisse	Housing Development Finance Corp.	9,409,145	LIBOR	1 M LIBOR	12/31/2020	4,225,288
Morgan Stanley	Housing Development Finance Corp.	8,000,581	FEDEF	1 D FEDEF	07/12/2018	2,357,399
Credit Suisse	Indiabulls Housing Finance	4,891,873	LIBOR	1 M LIBOR	12/31/2020	2,342,689
Morgan Stanley	ITC, Ltd.	4,878,884	FEDEF	1 D FEDEF	07/12/2018	708,710
Credit Suisse	Larsen & Toubro, Ltd.	7,078,221	LIBOR	1 M LIBOR	12/31/2020	1,914,848
Morgan Stanley	Larsen & Toubro, Ltd.	2,267,279	FEDEF	1 D FEDEF	07/12/2018	446,350
Credit Suisse	Mahindra & Mahindra, Ltd.	3,470,932	LIBOR	1 M LIBOR	12/31/2020	42,172
Morgan Stanley	Mahindra & Mahindra, Ltd.	6,934,657	FEDEF	1 D FEDEF	07/12/2018	1,003,907
Morgan Stanley	State Bank of India	4,436,355	FEDEF	1 D FEDEF	07/25/2019	156,633
		\$60,848,635				\$ 14,774,875

Abbreviations:

1D FEDEF - Federal Funds Effective Rate (Daily)

1M LIBOR - London Interbank Offered Rate (Monthly)

ADR - American Depositary Receipt

AG - Aktiengesellschaft is a German term that refers to a corporation that is limited by shares, i.e., owned by shareholders

A/S - Aktieselskab, Joint Stock Company in Denmark

BDC - Business Development Company

bps - Basis Points

LLC - Limited Liability Corporation

Ltd. - Limited

PLC - Public Limited Company

REIT - Real Estate Investment Trust

REMICS - Real Estate Mortgage Investment Conduits

For Fund compliance purposes, each Fund's sector classifications refer to any one of the sector sub-classifications used by one or more widely recognized market indexes, and/or as defined by each Fund's management. This definition may not apply for purposes of this report, which may combine sector sub-classifications for reporting ease. Sectors are shown as a percent of net assets. These sector classifications are unaudited.

See Notes to Quarterly Statement of Investments.

CLOUGH GLOBAL FUNDS
NOTES TO QUARTERLY STATEMENT OF INVESTMENTS
JULY 31, 2017 (UNAUDITED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING AND OPERATING POLICIES

Clough Global Dividend and Income Fund (prior to July 31, 2016 known as Clough Global Allocation Fund), Clough Global Equity Fund, and Clough Global Opportunities Fund (each a “Fund”, collectively the “Funds”), are closed-end management investment companies registered under the Investment Company Act of 1940 (the “1940 Act”). The Funds were organized under the laws of the state of Delaware on April 27, 2004, January 25, 2005, and January 12, 2006, respectively for Clough Global Dividend and Income Fund, Clough Global Equity Fund, and Clough Global Opportunities Fund. The Funds were previously registered as non-diversified investment companies. As a result of ongoing operations, each of the Funds became a diversified company. The Funds may not resume operating in a non-diversified manner without first obtaining shareholder approval. Each Fund’s investment objective is to provide a high level of total return. Each Declaration of Trust provides that the Board of Trustees (the “Board”) may authorize separate classes of shares of beneficial interest. The common shares of Clough Global Dividend and Income Fund, Clough Global Equity Fund, and Clough Global Opportunities Fund are listed on the NYSE MKT and trade under the ticker symbols “GLV”, “GLQ” and “GLO” respectively. The Board of each Fund announced, on September 12, 2014, that it had approved a change to the Funds’ fiscal year-end from March 31 to October 31.

The following is a summary of significant accounting policies followed by the Funds. These policies are in conformity with U.S. generally accepted accounting principles (“GAAP”). The preparation of the Statement of Investments in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the Statement of Investments during the reporting period. Management believes the estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the Statement of Investments may differ from the value the Funds ultimately realize upon sale of the securities. Each Fund is considered an investment company for financial reporting purposes under GAAP and follows the accounting and reporting guidance applicable to investment companies as codified in Accounting Standards Codification (“ASC”) 946 – Investment Companies. The Statement of Investments have been prepared as of the close of the New York Stock Exchange (“NYSE” or the “Exchange”) on July 31, 2017.

The net asset value per share of each Fund is determined no less frequently than daily, on each day that the New York Stock Exchange (“NYSE” or the “Exchange”) is open for trading, as of the close of regular trading on the Exchange (normally 4:00 p.m. New York time). Trading may take place in foreign issues held by the Fund at times when a Fund is not open for business. As a result, each Fund’s net asset value may change at times when it is not possible to purchase or sell shares of a Fund.

Investment Valuation: Securities, including futures contracts, preferred stocks, exchange traded funds, closed-end funds and participation notes held by each Fund for which exchange quotations are readily available are valued at the last sale price, or if no sale price or if traded on the over-the-counter market, at the mean of the bid and asked prices on such day. Most securities listed on a foreign exchange are valued at the last sale price at the close of the exchange on which the security is primarily traded. In certain countries market maker prices are used since they are the most representative of the daily trading activity. Market maker prices are usually the mean between the bid and ask prices. Certain markets are not closed at the time that the Funds price their portfolio securities. In these situations, snapshot prices are provided by the individual pricing services or other alternate sources at the close of the NYSE as appropriate. Securities not traded on a particular day are valued at the mean between the last reported bid and the asked quotes, or the last sale price when appropriate; otherwise fair value will be determined by the board-appointed fair valuation committee. Debt securities for which the over-the-counter market is the primary market are normally valued on the basis of prices furnished by one or more pricing services or dealers at the mean between the latest available bid and asked prices. As authorized by the Board, debt securities (including short-term obligations that will

mature in 60 days or less) may be valued on the basis of valuations furnished by a pricing service which determines valuations based upon market transactions for normal, institutional-size trading units of securities or a matrix method which considers yield or price of comparable bonds provided by a pricing service. Over-the-counter options are valued at the mean between bid and asked prices provided by dealers. Exchange-traded options are valued at closing settlement prices. Total return swaps are priced based on valuations provided by a Board approved independent third party pricing agent. If a total return swap price cannot be obtained from an independent third party pricing agent the Fund shall seek to obtain a bid price from at least one independent and/or executing broker.

If the price of a security is unavailable in accordance with the aforementioned pricing procedures, or the price of a security is unreliable, e.g., due to the occurrence of a significant event, the security may be valued at its fair value determined by management pursuant to procedures adopted by the Board. For this purpose, fair value is the price that a Fund reasonably expects to receive on a current sale of the security. Due to the number of variables affecting the price of a security, however; it is possible that the fair value of a security may not accurately reflect the price that a Fund could actually receive on a sale of the security.

A three-tier hierarchy has been established to classify fair value measurements for disclosure purposes. 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 are inputs that 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 are inputs that 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.

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Various inputs are used in determining the value of each Fund's investments as of the reporting period end. 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 a Fund has the 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 inputs used as of July 31, 2017, in valuing each Fund's investments carried at value.

Clough Global Dividend and Income Fund

Investments in Securities at Value*	Level 1	Level 2	Level 3	Total
Common Stocks				
Consumer Discretionary	\$15,912,777	\$–	\$–	\$15,912,777
Consumer Staples	1,763,198	–	–	1,763,198
Energy	–	–	1,099,187	1,099,187
Financials	43,030,166	–	–	43,030,166
Health Care	9,487,862	–	–	9,487,862
Industrials	2,576,153	–	–	2,576,153
Information Technology	30,665,574	–	–	30,665,574
Materials	774,998	–	–	774,998
Closed-End Funds	3,012,985	–	–	3,012,985
Participation Notes	–	1,803,884	–	1,803,884
Preferred Stocks	4,285,053	–	–	4,285,053
Warrants	322	–	–	322
Corporate Bonds	–	54,296,324	–	54,296,324
Asset/Mortgage Backed Securities	–	11,948,859	–	11,948,859
Government & Agency Obligations	–	13,148,234	–	13,148,234
Municipal Bonds	–	9,613,300	–	9,613,300
Short-Term Investments				
Money Market Fund	6,772,040	–	–	6,772,040
TOTAL	\$118,281,128	\$90,810,601	\$1,099,187	\$210,190,916

Other Financial Instruments	Level 1	Level 2	Level 3	Total
Assets				
Total Return Swap Contracts**	\$–	\$3,778,541	\$–	\$3,778,541
Liabilities				
Securities Sold Short				
Common Stocks	(10,949,502)	–	–	(10,949,502)
Exchange Traded Funds	(930,304)	–	–	(930,304)
Futures Contracts**	(3,636)	–	–	(3,636)
TOTAL	\$(11,883,442)	\$3,778,541	\$–	\$(8,104,901)

Clough Global Equity Fund

Investments in Securities at Value*	Level 1	Level 2	Level 3	Total
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Common Stocks				
Consumer Discretionary	\$45,322,835	\$-	\$-	\$45,322,835
Consumer Staples	2,841,288	-	-	2,841,288
Energy	-	-	1,830,016	1,830,016
Financials	87,479,590	-	-	87,479,590
Health Care	43,864,131	1,490,126	-	45,354,257
Industrials	4,093,480	-	-	4,093,480
Information Technology	87,030,253	-	-	87,030,253
Materials	1,264,869	-	-	1,264,869
Utilities	17,702,056	-	-	17,702,056
Participation Notes	-	2,946,630	-	2,946,630
Preferred Stocks	8,667,337	-	-	8,667,337
Warrants	538	-	-	538
Asset/Mortgage Backed Securities	-	1,242,508	-	1,242,508
Government & Agency Obligations	-	22,501,531	-	22,501,531
Short-Term Investments				
Money Market Fund	8,369,498	-	-	8,369,498
TOTAL	\$306,635,875	\$28,180,795	\$1,830,016	\$336,646,686

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			Level	
Other Financial Instruments	Level 1	Level 2	3	Total
Assets				
Total Return Swap Contracts**	\$–	\$6,222,816	\$ –	\$6,222,816
Liabilities				
Securities Sold Short				
Common Stocks	(20,570,152)	–	–	(20,570,152)
Exchange Traded Funds	(1,483,936)	–	–	(1,483,936)
Futures Contracts**	(6,818)	–	–	(6,818)
TOTAL	\$(22,060,906)	\$6,222,816	\$ –	\$(15,838,090)

Clough Global Opportunities Fund

Investments in Securities at Value*	Level 1	Level 2	Level 3	Total
Common Stocks				
Consumer Discretionary	\$83,683,812	\$–	\$–	\$83,683,812
Consumer Staples	7,063,226	–	–	7,063,226
Energy	–	–	4,507,760	4,507,760
Financials	157,079,640	–	–	157,079,640
Health Care	84,408,798	3,709,486	–	88,118,284
Industrials	10,234,670	–	–	10,234,670
Information Technology	173,486,028	–	–	173,486,028
Materials	3,141,312	–	–	3,141,312
Participation Notes	–	7,291,481	–	7,291,481
Preferred Stocks	9,878,837	–	–	9,878,837
Warrants	1,340	–	–	1,340
Corporate Bonds	–	168,384,792	–	168,384,792
Asset/Mortgage Backed Securities	–	40,404,283	–	40,404,283
Government & Agency Obligations	–	48,818,803	–	48,818,803
Municipal Bonds	–	21,104,748	–	21,104,748
Short-Term Investments				
Money Market Fund	31,074,496	–	–	31,074,496
TOTAL	\$560,052,159	\$289,713,593	\$4,507,760	\$854,273,512

Other Financial Instruments	Level 1	Level 2	Level 3	Total
Assets				
Total Return Swap Contracts**	\$–	\$14,774,875	\$–	\$14,774,875
Liabilities				
Securities Sold Short				
Common Stocks	(43,848,290)	–	–	(43,848,290)
Exchange Traded Funds	(3,716,160)	–	–	(3,716,160)
Futures Contracts**	(18,180)	–	–	(18,180)
TOTAL	\$(47,582,630)	\$14,774,875	\$–	\$(32,807,755)

*For detailed sector descriptions, see the accompanying Statement of Investments.

** Swap contracts and futures contracts are reported at their unrealized appreciation/(depreciation) at measurement date, which represents the change in the contract's value from trade date.

The Funds recognize transfers between the levels as of the end of the period in which the transfer occurred. As of the period ended July 31, 2017, the Funds had the following transfers between level 1 and level 2.

Clough Global Equity Fund

	Level 1 Transfers In	Transfers (Out)	Level 2 Transfers In	Transfers (Out)
Common Stock	\$ 1,218,476	\$ -	\$-	\$(1,218,476)
Total	\$ 1,218,476	\$ -	\$-	\$(1,218,476)

Clough Global Opportunities fund

	Level 1 Transfers In	Transfers (Out)	Level 2 Transfers In	Transfers (Out)
Common Stock	\$ 3,115,144	\$ -	\$-	\$(3,115,144)
Total	\$ 3,115,144	\$ -	\$-	\$(3,115,144)

In the event a Board approved independent pricing service is unable to provide an evaluated price for a security or Clough Capital Partners L.P. (the “Adviser” or “Clough”) believes the price provided is not reliable, securities of each Fund may be valued at fair value as described above. In these instances the Adviser may seek to find an alternative independent source, such as a broker/dealer to provide a price quote, or by using evaluated pricing models similar to the techniques and models used by the independent pricing service. These fair value measurement techniques may utilize unobservable inputs (Level 3).

On a monthly basis, the Fair Value Committee of each Fund meets and discusses securities that have been fair valued during the preceding month in accordance with the Funds’ Fair Value Procedures and reports quarterly to the Board on the results of those meetings.

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

Clough Global Dividend and Income Fund

Investments in Securities	Balance as of October 31, 2016	Realized Gain/(Loss)	Change in Unrealized Appreciation/Depreciation	Purchases	Sales Proceeds	Transfer into Level 3	Transfer out of Level 3	Balance as of July 31, 2017	Net change in unrealized appreciation/ (depreciation) attributable to Level 3 investments held at July 31, 2017
Common Stocks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,099,187	\$ 1,099,187	\$ (207,813)
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,099,187	\$ 1,099,187	\$ (207,813)

Clough Global Equity Fund

Investments in Securities	Balance as of October	Realized Gain/(Loss)	Change in Unrealized Appreciation/	Purchases	Sales Proceeds	Transfer into Level 3	Transfer out of Level	Balance as of July 31, 2017	Net change in unrealized appreciation/
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	31, 2016	(Depreciation)					3	(depreciation) attributable to Level 3 investments held at July 31, 2017	
Common Stocks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (345,984)
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (345,984)

Clough Global Opportunities Fund

	Balance as of October 31, 2016	Realized Gain/(Loss)	Change in Unrealized Appreciation/ Depreciation	Purchase Proceeds	Transfer into Level 3	Transfer out of Level 3	Balance as of July 31, 2017	Net change in unrealized appreciation/ (depreciation) attributable to Level 3 investments held at July 31, 2017
Investments in Securities Common Stocks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (852,240)
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (852,240)

The following is a summary of valuation techniques and quantitative information used in determining the fair value of the Fund's Level 3 investments at July 31, 2017:

Fund	Sector	Fair Value	Valuation Technique	Unobservable Input ^(a)	Range
Clough Global Dividend Income Fund	Energy	\$ 1,099,187	Comparable Company Approach	Comparable Company Multiples	0.96x - 1.04x
Clough Global Equity Fund	Energy	\$ 1,830,016	Comparable Company Approach	Comparable Company Multiples	0.96x - 1.04x
Clough Global Opportunities Fund	Energy	\$ 4,507,760	Comparable Company Approach	Comparable Company Multiples	0.96x - 1.04x

(a) A change to 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
Comparable Company Multiples	Increase	Decrease

Foreign Securities: Each Fund may invest a portion of its assets in foreign securities. In the event that a Fund executes a foreign security transaction, the Fund will generally enter into a foreign currency spot contract to settle the foreign security transaction. Foreign securities may carry more risk than U.S. securities, such as political, market and currency risks.

The accounting records of each Fund are maintained in U.S. dollars. Prices of securities denominated in foreign currencies are translated into U.S. dollars at the closing rates of exchange at period end. Amounts related to the purchase and sale of foreign securities and investment income are translated at the rates of exchange prevailing on the respective dates of such transactions.

A foreign currency spot contract is a commitment to purchase or sell a foreign currency at a future date, at a negotiated rate. Each Fund may enter into foreign currency spot contracts to settle specific purchases or sales of securities denominated in a foreign currency and for protection from adverse exchange rate fluctuation. Risks to a Fund include the potential inability of the counterparty to meet the terms of the contract.

Exchange Traded Funds: Each Fund may invest in exchange traded funds ("ETFs"), which are funds whose shares are traded on a national exchange. ETFs may be based on underlying equity or fixed income securities, as well as commodities or currencies. ETFs do not sell individual shares directly to investors and only issue their shares in large blocks known as "creation units." The investor purchasing a creation unit then sells the individual shares on a secondary market. Although similar diversification benefits may be achieved through an investment in another investment company, ETFs generally offer greater liquidity and lower expenses. Because an ETF incurs its own fees and

expenses, shareholders of a Fund investing in an ETF will indirectly bear those costs. Such Funds will also incur brokerage commissions and related charges when purchasing or selling shares of an ETF. Unlike typical investment company shares, which are valued once daily, shares in an ETF may be purchased or sold on a securities exchange throughout the trading day at market prices that are generally close to the NAV of the ETF.

Short Sales: Each Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When a Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which a Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of the short sale.

Each Fund's obligation to replace the borrowed security will be secured by collateral deposited with the broker-dealer, usually cash, U.S. government securities or other liquid securities. Each Fund will also be required to designate on its books and records similar collateral with its custodian to the extent, if any, necessary so that the aggregate collateral value is at all times at least equal to the current value of the security sold short. Each Fund is obligated to pay interest to the broker for any debit balance of the margin account relating to short sales.

Each Fund may also sell a security short if it owns at least an equal amount of the security sold short or another security convertible or exchangeable for an equal amount of the security sold short without payment of further compensation (a short sale against-the-box). In a short sale against-the-box, the short seller is exposed to the risk of being forced to deliver stock that it holds to close the position if the borrowed stock is called in by the lender, which would cause gain or loss to be recognized on the delivered stock. Each Fund expects normally to close its short sales against-the-box by delivering newly acquired stock.

Derivatives Instruments and Hedging Activities: The following discloses the Funds' use of derivative instruments and hedging activities.

The Funds' investment objectives not only permit the Funds to purchase investment securities, they also allow the Funds to enter into various types of derivative contracts, including, but not limited to, purchased and written options, swaps, futures and warrants. In doing so, the Funds will employ strategies in differing combinations to permit them to increase, decrease, or change the level or types of exposure to market factors. Central to those strategies are features inherent to derivatives that make them more attractive for this purpose than equity securities; they require little or no initial cash investment, they can focus exposure on only certain selected risk factors, and they may not require the ultimate receipt or delivery of the underlying security (or securities) to the contract. This may allow the Funds to pursue their objectives more quickly and efficiently than if they were to make direct purchases or sales of securities capable of affecting a similar response to market factors.

Risk of Investing in Derivatives: The Funds' use of derivatives can result in losses due to unanticipated changes in the market risk factors and the overall market. In instances where the Funds are using derivatives to decrease or hedge exposures to market risk factors for securities held by the Funds, there are also risks that those derivatives may not perform as expected, resulting in losses for the combined or hedged positions.

Derivatives may have little or no initial cash investment relative to their market value exposure and therefore can produce significant gains or losses in excess of their cost. This use of embedded leverage allows the Funds to increase their market value exposure relative to their net assets and can substantially increase the volatility of the Funds' performance.

Additional associated risks from investing in derivatives also exist and potentially could have significant effects on the valuation of the derivative and the Funds. Typically, the associated risks are not the risks that the Funds are attempting to increase or decrease exposure to, per their investment objectives, but are the additional risks from investing in derivatives.

Examples of these associated risks are liquidity risk, which is the risk that the Funds will not be able to sell the derivative in the open market in a timely manner, and counterparty credit risk, which is the risk that the counterparty will not fulfill its obligation to the Funds. Associated risks can be different for each type of derivative and are discussed by each derivative type in the notes that follow.

Each Fund may acquire put and call options and options on stock indices and enter into stock index futures contracts, certain credit derivatives transactions and short sales in connection with its equity investments. In connection with a Fund's investments in debt securities, it may enter into related derivatives transactions such as interest rate futures, swaps and options thereon and certain credit derivatives transactions. Derivatives transactions of the types described above subject a Fund to increased risk of principal loss due to imperfect correlation or unexpected price or interest rate movements. Each Fund also will be subject to credit risk with respect to the counterparties to the derivatives contracts purchased by a Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivatives contract due to financial difficulties, each Fund may experience significant delays in obtaining any recovery under the derivatives contract in a bankruptcy or other reorganization proceeding. Each Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Market Risk Factors: In addition, in pursuit of their investment objectives, certain Funds may seek to use derivatives, which may increase or decrease exposure to the following market risk factors:

Equity Risk: Equity risk relates to the change in value of equity securities as they relate to increases or decreases in the general market.

Foreign Exchange Rate Risk: Foreign exchange rate risk relates to the change in the U.S. dollar value of a security held that is denominated in a foreign currency. The value of a foreign currency denominated security will decrease as the dollar appreciates against the currency, while the value of the foreign currency denominated security will increase as the dollar depreciates against the currency.

Option Writing/Purchasing: Each Fund may purchase or write (sell) put and call options. One of the risks associated with purchasing an option among others, is that a Fund pays a premium whether or not the option is exercised. Additionally, a Fund bears the risk of loss of premium and change in value should the counterparty not perform under the contract. The cost of securities acquired through the exercise of call options is increased by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid. Each Fund is obligated to pay interest to the broker for any debit balance of the margin account relating to options. Each Fund pledges cash or liquid assets as collateral to satisfy the current obligations with respect to written options.

When a Fund writes an option, an amount equal to the premium received by a Fund is recorded as a liability and is subsequently adjusted to the current value of the option written. Premiums received from writing options that expire unexercised are treated by a Fund on the expiration date as realized gains. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is recorded 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 or currency in determining whether a Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by a Fund. Each Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option.

There was no written option or purchased option activity for the period ended July 31, 2017.

Futures Contracts: Each Fund may enter into futures contracts. A futures contract is an agreement to buy or sell a security or currency (or to deliver a final cash settlement price in the case of a contract relating to an index or otherwise not calling for physical delivery at the end of trading in the contract) for a set price at a future date. If a Fund buys a security futures contract, the Fund enters into a contract to purchase the underlying security and is said to be "long" under the contract. If a Fund sells a security futures contract, the Fund enters into a contract to sell the underlying security and is said to be "short" under the contract. The price at which the contract trades (the "contract price") is determined by relative buying and selling interest on a regulated exchange. Futures contracts are marked to market daily and an appropriate payable or receivable for the change in value ("variation margin") is recorded by the Fund. Such payables or receivables are recorded for financial statement purposes as variation margin payable or variation margin receivable by each Fund. Each Fund pledges cash or liquid assets as collateral to satisfy the current obligations with respect to futures contracts. Management has reviewed the futures agreement under which the futures contracts are traded and has determined that the Funds do not have the right to set-off, and therefore the futures contracts are not subject to enforceable netting arrangements.

The Funds enter into such transactions for hedging and other appropriate risk-management purposes or to increase return. While a Fund may enter into futures contracts for hedging purposes, the use of futures contracts might result in a poorer overall performance for the Fund than if it had not engaged in any such transactions. If, for example, the Fund had insufficient cash, it might have to sell a portion of its underlying portfolio of securities in order to meet daily variation margin requirements on its futures contracts or options on futures contracts at a time when it might be disadvantageous to do so. There may be an imperfect correlation between the Funds' portfolio holdings and futures contracts entered into by the Fund, which may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss.

Futures contract transactions may result in losses substantially in excess of the variation margin. There can be no guarantee that there will be a correlation between price movements in the hedging vehicle and in the portfolio securities being hedged. An incorrect correlation could result in a loss on both the hedged securities in a Fund and the hedging vehicle so that the portfolio return might have been greater had hedging not been attempted. There can be no assurance that a liquid market will exist at a time when the Fund seeks to close out a futures contract. Lack of a liquid market for any reason may prevent a Fund from liquidating an unfavorable position, and the Fund would remain obligated to meet margin requirements until the position is closed. In addition, the Fund could be exposed to risk if the counterparties to the contracts are unable to meet the terms of their contracts. With exchange traded futures contracts, there is minimal counterparty credit risk to the Funds since futures contracts are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures contracts, guarantees the futures contracts against default.

During the period ended July 31, 2017, the Funds invested in futures contracts.

Swaps: During the period each Fund engaged in total return swaps. A swap is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset. Each Fund may utilize swap agreements as a means to

gain exposure to certain assets and/or to “hedge” or protect the Fund from adverse movements in securities prices or interest rates. Each Fund is subject to equity risk and interest rate risk in the normal course of pursuing its investment objective through investments in swap contracts. Swap agreements entail the risk that a party will default on its payment obligation to a Fund. If the other party to a swap defaults, a Fund would risk the loss of the net amount of the payments that it contractually is entitled to receive. If each Fund utilizes a swap at the wrong time or judges market conditions incorrectly, the swap may result in a loss to the Fund and reduce the Fund’s total return.

Total return swaps involve an exchange by two parties in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains over the payment period. A Fund’s maximum risk of loss from counterparty risk or credit risk is the discounted value of the payments to be received from/paid to the counterparty over the contract’s remaining life, to the extent that the amount is positive. The risk is mitigated by having a netting arrangement between a Fund and the counterparty and by the posting of collateral to a Fund to cover the Fund’s exposure to the counterparty. Each Fund pledges cash or liquid assets as collateral to satisfy the current obligations with respect to swap contracts.

International Swaps and Derivatives Association, Inc. Master Agreements (“ISDA Master Agreements”) govern OTC financial derivative transactions entered into by a Fund and those counterparties. The ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to early terminate could be material to the financial statements.

During the period ended July 31, 2017, the Funds invested in swap agreements consistent with the Funds’ investment strategies to gain exposure to certain markets or indices.

Warrants/Rights: Each Fund may purchase or otherwise receive warrants or rights. Warrants and rights generally give the holder the right to receive, upon exercise, a security of the issuer at a set price. Funds typically use warrants and rights in a manner similar to their use of purchased options on securities, as described in options above. Risks associated with the use of warrants and rights are generally similar to risks associated with the use of purchased options. However, warrants and rights often do not have standardized terms, and may have longer maturities and may be less liquid than exchange-traded options. In addition, the terms of warrants or rights may limit each Fund’s ability to exercise the warrants or rights at such times and in such quantities as each Fund would otherwise wish. During the period each Fund invested in warrants. Each Fund held no rights at the end of the period.

Restricted and Illiquid Securities: Although the Funds will invest primarily in publicly traded securities, they may invest a portion of their assets (generally, 5% of its value) in restricted securities and other investments which are illiquid. Restricted securities are securities that may not be sold to the public without an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act") or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration.

The Funds may invest in securities for which there is no readily available trading market or which are otherwise illiquid. Illiquid securities include securities legally restricted as to resale, such as commercial paper issued pursuant to Section 4(2) of the Securities Act, and securities eligible for resale pursuant to Rule 144A thereunder. Section 4(2) and Rule 144A securities may, however, be treated as liquid by Clough pursuant to procedures adopted by the Board, which require consideration of factors such as trading activity, availability of market quotations and number of dealers willing to purchase the security.

The restricted securities held at July 31, 2017 are identified below and are also presented in the Funds' Statement of Investments:

Fund	Security	% of Net Assets	Acquisition Date	Shares	Cost	Fair Value
Clough Global Dividend and Income Fund	Fairway Energy LP	0.72%	6/30/2015	130,700	\$1,307,000	\$1,099,187
Total		0.72%			\$1,307,000	\$1,099,187
Clough Global Equity Fund	Fairway Energy LP	0.73%	6/30/2015	217,600	\$2,176,000	\$1,830,016
	Sienna Biopharmaceuticals Series B	0.60%	4/12/2017	76,575	937,021	1,490,126
Total		1.33%			\$3,113,021	\$3,320,142
Clough Global Opportunities Fund	Fairway Energy LP	0.73%	6/30/2015	536,000	\$5,360,000	\$4,507,760
	Sienna Biopharmaceuticals Series B	0.60%	4/12/2017	190,624	2,332,592	3,709,486
Total		1.33%			\$7,692,592	\$8,217,246

2. TAXES

Tax Basis of Investments: Net unrealized appreciation/(depreciation) of investments based on federal tax cost as of July 31, 2017, were as follows:

	Clough Global Dividend and Income Fund	Clough Global Equity Fund	Clough Global Opportunities Fund
Gross appreciation (excess of value over tax cost)	\$49,072,996	\$98,336,708	\$79,680,911
Gross depreciation (excess of tax cost over value)	(34,911,228)	(65,582,471)	(12,775,669)
Net unrealized appreciation	\$14,161,768	\$32,754,237	\$66,905,242
Cost of investments for income tax purposes	\$196,029,148	\$303,892,449	\$787,368,270

3. COMMITTED FACILITY AGREEMENT

Each Fund entered into a financing package that includes a Committed Facility Agreement (the “Agreement”) dated January 16, 2009, as amended, between each Fund and BNP Paribas Prime Brokerage, Inc. (“BNP”) that allows each Fund to borrow funds from BNP. Each Fund entered a Special Custody and Pledge Agreement (the “Pledge Agreement”) dated December 9, 2013, as amended, between each Fund, the Funds’ custodian, and BNP. As of October 31, 2016, the Pledge Agreement was assigned from BNP to BNP Paribas Prime Brokerage International, Ltd. Per the Pledge Agreement, borrowings under the Agreement are secured by assets of each Fund that are held by a Fund’s custodian in a separate account (the “pledged collateral”) valued at \$143,658,483, \$212,256,119 and \$573,657,964 for the Clough Global Dividend and Income Fund, Clough Global Equity Fund and Clough Global Opportunities Fund, respectively. Each Fund may, with 30 days notice, reduce the Maximum Commitment Financing (Initial Limit amount plus the increased borrowing amount in excess of the Initial Limit) to a lesser amount if drawing on the full amount would result in a violation of the applicable asset coverage requirement of Section 18 of the 1940 Act. Interest is charged at the three month LIBOR (London Inter-bank Offered Rate) plus 0.70% on the amount borrowed and 0.65% on the undrawn balance. Each Fund also pays a one-time arrangement fee of 0.25% on (i) the Initial Limit and (ii) any increased borrowing amount in the excess of the Initial Limit, paid in monthly installments for the six months immediately following the date on which borrowings were drawn by the Fund.

The Agreement was amended on October 31, 2016, to decrease the Maximum Commitment Financing, effective October 28, 2016, to \$72,000,000, \$113,000,000 and \$292,000,000 for the Clough Global Dividend and Income Fund, Clough Global Equity Fund and the Clough Global Opportunities Fund, respectively. Prior to October 28, 2016 the Maximum Commitment Financing was \$93,300,000, \$156,000,000 and \$388,900,000 for the Clough Global Dividend and Income Fund, Clough Global Equity Fund and the Clough Global Opportunities Fund, respectively. For the period ended July 31, 2017, the average borrowings outstanding for Clough Global Dividend and Income Fund, Clough Global Equity Fund and Clough Global Opportunities Fund under the agreement were \$72,000,000, \$113,000,000 and \$292,000,000, respectively, and the average interest rate for the borrowings was 1.81%. As of July 31, 2017, the outstanding borrowings for Clough Global Dividend and Income Fund, Clough Global Equity Fund and Clough Global Opportunities Fund were \$72,000,000, \$113,000,000 and \$292,000,000, respectively. The interest rate applicable to the borrowings of Clough Global Dividend and Income Fund, Clough Global Equity Fund and Clough Global Opportunities Fund on July 31, 2017, was 2.01%.

The Lending Agreement is a separate side-agreement between each 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 a Fund to BNP under the Agreement. The Lending Agreement is intended to permit each Fund to significantly reduce the cost of its borrowings under the Agreement. BNP has the ability to re-register 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. (It is each Fund’s understanding that BNP will perform due diligence to determine the creditworthiness of any party that borrows Lent Securities from BNP.) Each 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 a Fund. During the period in which the Lent Securities are outstanding, BNP must remit payment to each Fund equal to the amount of all dividends, interest or other distributions earned or made by 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 a Fund to BNP under the Agreement (the “Current Borrowings”), BNP must, on that day, either (1) return Lent Securities to each 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 each 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, each 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. Each Fund can recall any of the Lent Securities and BNP shall, to the extent commercially possible, return such security or equivalent security to each Fund’s custodian no later than three business days after such request. If a 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 for the ultimate delivery to each Fund’s custodian 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. Should the borrower of the securities fail financially, the Funds have the right to reduce the outstanding amount of the Current Borrowings against which the pledged collateral has been secured. Although risk is mitigated by the collateral, the Funds could experience a delay in recovering their securities and possible loss of income or value if the borrower fails to return the borrowed securities. Under the terms of the Lending Agreement, each Fund shall have the right to apply and set-off an amount equal to one hundred percent (100%) of the then current fair value of such Lent Securities against the Current Borrowings. As of July 31, 2017, the value of the Lent Securities for Clough Global Dividend and Income Fund, Clough Global Equity Fund and Clough Global Opportunities Fund were \$65,086,449, \$104,933,680 and \$274,617,809, respectively.

The Board has approved each Agreement and the Lending Agreement. No violations of the Agreement or the Lending Agreement have occurred during the period ended July 31, 2017.

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 of a date within 90 days of this filing and have concluded that the registrant's disclosure controls and procedures were effective, as of that date.

(b) There was no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3 – Exhibits.

(a) Separate certifications for the registrant's Principal Executive Officer and Principal Financial Officer, as required by Rule 30a-2(a) under the Investment Company Act of 1940, are attached as Ex99.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.

CLOUGH GLOBAL EQUITY FUND

By: /s/ Edmund J. Burke
Edmund J. Burke
President (Principal Executive Officer)

Date: September 26, 2017

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/ Edmund J. Burke
Edmund J. Burke
President (Principal Executive Officer)

Date: September 26, 2017

By: /s/ Jeremy O. May
Jeremy O. May
Treasurer (Principal Financial Officer)

Date: September 26, 2017