ANDERSONS INC
Form DEF 14A
March 16, 2007

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box

o Preliminary Proxy Statement

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

The Andersons, Inc.

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(I)(1) and 0-11.

o Fee paid previously with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

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THE ANDERSONS, INC.
480 West Dussel Drive
Maumee, Ohio 43537

March 19, 2007

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of shareholders that will be held on Friday, May 11, 2007, at 8:00 a.m., local time, at The Andersons Headquarters Building, 480 West Dussel Drive, Maumee, Ohio 43537.

This booklet includes the formal notice of the meeting and the proxy statement. The proxy statement tells you more about the agenda, and how to vote your proxy and procedures for the meeting. It also describes how the board operates and gives you information about our director candidates. A form of proxy for voting at the meeting and our 2006 annual report to shareholders are included with this booklet.

It is important that your shares are represented and voted at the Annual Meeting, regardless of the size of your holdings. I urge you to vote your proxy as soon as possible so that your shares may be represented at the meeting. If you attend the Annual Meeting, you may revoke your proxy in writing and vote your shares in person, if you wish.

I look forward to seeing you on May 11th.

Sincerely,

/s/ Richard P. Anderson
Richard P. Anderson
Chairman, Board of Directors

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THE ANDERSONS, INC.
480 West Dussel Drive
Maumee, Ohio 43537

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date: **May 11, 2007**
Time: **8:00 A.M., Local Time**
Place: **The Andersons Headquarters Building**
480 West Dussel Drive
Maumee, Ohio 43537

Matters to be voted upon:

1. The election of ten directors to hold office for a one-year term.

2. The ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for the year ending December 31, 2007.

3. Any other matters that may properly come before the Annual Meeting and any adjournments or postponements thereof.

Holders of record of The Andersons, Inc. Common Shares as of the close of business on March 12, 2007 will be entitled to vote at the Annual Meeting.

By order of the Board of Directors

Maumee, Ohio
March 19, 2007

/s/ Naran U. Burchinow

Naran U. Burchinow
Secretary

Your vote is important. Whether or not you plan to attend the Annual Meeting in person and regardless of the number of shares you own, please vote your shares by proxy, either by mailing the enclosed proxy card or, by telephone or via the Internet. If you attend the Annual Meeting, you may revoke your proxy in writing and vote your shares in person, if you wish.

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THE ANDERSONS, INC.
480 West Dussel Drive
Maumee, Ohio 43537
PROXY STATEMENT

Annual Meeting of Shareholders
May 11, 2007

Introduction

The Board of Directors is soliciting your proxy to encourage your participation in the voting at the Annual Meeting and to obtain your support on each of the proposals. You are invited to attend the Annual Meeting and vote your shares directly. However, even if you do not attend, you may vote by proxy, which allows you to direct another person to vote your shares at the meeting on your behalf. This proxy is being mailed to shareholders on or about March 19, 2007.

This Proxy Solicitation

Included in this package are, among other things, the proxy card and this proxy statement. The proxy card and the identification number on it are the means by which you authorize another person to vote your shares in accordance with your instructions.

This proxy statement provides you with information about the proposals and about The Andersons, Inc. (the Company) that you may find useful in deciding how to vote. After this introduction, you will find the following seven sections:

- Voting
- Proposals
- Board of Directors
- Appointment of Independent Registered Public Accounting Firm
- Share Ownership
- Executive Compensation
- Other Information

The Annual Meeting

As shown on the Notice of Annual Meeting, the Annual Meeting will be held on Friday, May 11, 2007, at 8:00 a.m., local time at The Andersons Headquarters Building in Maumee, Ohio. The Company s Code of Regulations requires that a majority of our Common Shares be represented at the Annual Meeting, either in person or by proxy, in order to transact business.

Abstentions and broker non-votes (proxies held in street name by brokers that are not voted on all proposals) will be treated as present for purposes of determining whether a majority is represented.

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There were no shareholder proposals submitted for the Annual Meeting. We must receive any shareholder proposals for the 2008 Annual Meeting at our principal offices in Maumee, Ohio by December 31, 2007.

Common Shares Outstanding

On March 12, 2007, The Andersons, Inc. had issued and outstanding 17,783,053 shares of common stock.

Voting

You are entitled to one vote at the Annual Meeting for each Common Share of The Andersons, Inc. that you owned of record as of the close of business on March 12, 2007.

How to Vote Your Shares

You may vote your shares at the Annual Meeting by proxy or in person. Even if you plan to attend the meeting, we urge you to vote in advance. If your shares are recorded in your name, you may cast your vote in one of these four ways:

- Vote by telephone: You can vote by phone at any time by calling the toll-free number (for residents of the U.S.) listed on your proxy card. To vote, enter the control number listed on your proxy card and follow the simple recorded instructions. **If you vote by phone, you do not need to return your proxy card.**

- Vote by mail: If you choose to vote by mail, simply mark your proxy card, and then date, sign and return it in the postage-paid envelope provided.

- Vote via the Internet: You can vote via the Internet by accessing the following website www.investorvote.com. Follow the simple instructions and be prepared to enter the code listed on your proxy card. **If you vote via the Internet, you do not need to return your proxy card.**

- Vote in person at the Annual Meeting.

Shareholders who hold their shares beneficially in street name through a nominee (such as a bank or a broker) may be able to vote by telephone or the Internet, as well as by mail. You should follow the instructions you receive from your nominee to vote these shares.

When you vote by proxy, the shares you hold will be voted in accordance with your instructions. Your proxy vote will direct the designated persons (known as proxies) to vote your shares at the Annual Meeting in accordance with your instructions. The Board has designated Matthew C. Anderson, Naran U. Burchinow and Dale W. Fallat to serve as the proxies for the Annual Meeting.

How to Revoke Your Proxy

You may revoke your proxy at any time before it is exercised by any of the following means:

- Notifying Naran U. Burchinow, our Corporate Secretary, in writing prior to the Annual Meeting;

- Submitting a later dated proxy card or telephone vote; or

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Attending the Annual Meeting and revoking your proxy in writing. Your attendance at the Annual Meeting will not, by itself, revoke a proxy.

Voting at the Annual Meeting

Your shares will be voted at the meeting as directed by the instructions on your proxy card or voting instructions if: (1) you are entitled to vote, (2) your proxy was properly executed, (3) we received your proxy prior to the Annual Meeting, and (4) you did not validly revoke your proxy prior to the meeting.

The Board s Recommendations

If you send a properly executed proxy without specific voting instructions, the designated proxies will vote your shares for the election of the nominated directors and the ratification of the independent registered public accounting firm.

Votes Required to Approve Each Item

The Company s Code of Regulations also states that the nominees for director receiving the greatest number of votes shall be elected. Therefore, abstentions and broker non-votes will not count as a vote for or against the election of directors. The ratification of the independent registered public accounting firm requires a majority of the common shares present and eligible to vote. A broker non-vote or abstention will count as a vote against this proposal.

Where to Find Voting Results

We will announce the voting results at the Annual Meeting and will publish the voting results in the Company s Form 10-Q for the second quarter ended June 30, 2007. We will file that Form 10-Q with the Securities and Exchange Commission sometime in August 2007.

Proposals

The Governance / Nominating Committee and the Board, including all independent directors, have nominated ten directors each for a one-year term. The Audit Committee has hired and the Board has approved PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2007 and recommends that you vote for their ratification.

Election of Directors

The Board of Directors is currently comprised of ten directors. The Governance / Nominating Committee and Board of Directors have nominated and recommend the election of each of the nominees listed below. Each Director that is elected will serve until the next Annual Meeting or until their earlier removal or resignation. Each of the nominees listed is currently a Director of the Company. The Board of Directors expects all nominees named below to be available for election. In case any nominee is not available, the proxy holders may vote for a substitute, unless the Board of Directors reduces the number of directors as provided for in the Company s Code of Regulations.

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Directors will be elected at the Annual Meeting by a plurality of the votes cast at the Annual Meeting by the holders of shares represented in person or by proxy. There is no right to cumulative voting as to any matter, including the election of directors.

The following is a brief biography of each nominee. Information as to their ownership of the Common Shares can be found in the Share Ownership section at page 11. All information provided is current as of March 12, 2007, the record date for shareholders entitled to vote at the Annual Meeting.

Name	Age	Principal Occupation, Business Experience and Other Directorships	Director Since
Michael J. Anderson	55	President and Chief Executive Officer since January 1999, President and Chief Operating Officer from 1996 through 1998, Vice President and General Manager of the Retail Group from 1994 until 1996 and Vice President and General Manager Grain Group from 1990 through 1994. Chairman of Interstate Bakeries Corporation. Director of FirstEnergy Corp. and Fifth Third Bank, Northwest Ohio.	1988
Richard P. Anderson	77	Chairman of the Board since 1996, Chief Executive Officer from 1987 to 1998, Managing Partner from 1984 to 1987, general partner and member of Managing Committee from 1947 to 1987.	1987
John F. Barrett	57	Chairman, President and Chief Executive Officer of The Western and Southern Financial Group, previously President and Chief Operating Officer and Executive Vice President and Chief Financial Officer. Director of Convergys Corp., Inc. and Fifth Third Bancorp.	1992
Robert J. King, Jr.	51	Managing Director, Financial Stocks, Inc. since 2006. Formerly Managing Director, Western Reserve Partners LLC, Regional President of Fifth Third Bank from 2002 through 2004 and Chairman, President and Chief Executive Officer of Fifth Third Bank (Northeastern Ohio) from 1997 through 2002. Director of Shiloh Industries, Inc. and MTD Holdings, Inc.	2005
Paul M. Kraus	74	Of counsel to the Toledo, Ohio law firm of Marshall & Melhorn, LLC, member since 1962.	1988
Donald L. Mennel	60	President and Treasurer of The Mennel Milling Company since 1984. Served as a member of the Federal Grain Inspection Service Advisory Board and a past chairman of the Eastern Soft Wheat Technical Board.	1998

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Name	Age	Principal Occupation, Business Experience and Other Directorships	Director Since
David L. Nichols	65	Past President and Chief Operating Officer of Macy s South, a division of Federated Department Stores, Inc. from 2000 through 2005, previously Chairman and Chief Executive Officer of Mercantile Stores, Inc. Director of R. G. Barry Corporation. Past director of the Federal Reserve Bank, Cleveland, Ohio.	1995
Sidney A. Ribeau	59	President of Bowling Green State University since 1995. Previously Vice President for Academic Affairs at California State Polytechnic University, Pomona, California. Director of Worthington Industries, Inc. and Convergys Corp., Inc.	1997
Charles A. Sullivan	71	Past Chairman of the Board and former Chief Executive Officer of Interstate Bakeries Corporation. Past director of UMB Bank of Kansas City, Missouri. Advisory director of Plaza Belmont, LLC.	1996
Jacqueline F. Woods	59	Retired President of Ameritech Ohio (subsequently renamed AT&T Ohio). Director of The Timken Company and School Specialty, Inc.	1999

Certain Relationships, Legal Proceedings and Related Party Transactions

Richard P. Anderson and Paul M. Kraus are brothers-in-law. Michael J. Anderson is a nephew of Richard P. Anderson and Paul M. Kraus.

Charles A. Sullivan was formerly Chairman and Chief Executive Officer of Interstate Bakeries Corporation, which filed for Chapter 11 reorganization under the federal bankruptcy code on September 22, 2004. Mr. Sullivan s last date of service as an executive officer of that company was September 30, 2002, which places the filing within the five year proxy disclosure requirement for bankruptcy filings. Michael J. Anderson is Chairman of Interstate Bakeries Corporation.

Certain Real Estate Transactions Prior to June 2006, Richard P. Anderson and Paul M. Kraus each leased the land and home in which they live from the Company pursuant to lifetime leases that were granted in 1978 by the predecessor entity to The Andersons, Inc. Thomas H. Anderson, who had served as a director until his death in November 2006, also was a lifetime lessee of his home. Their lease payments were based on the fair market rental value of the properties over their projected lifetimes, and were fully paid by such Directors in a single lump sum in 1978. Following discussion with such Directors, the Company offered to sell to each of them their respective land and homes, based on their current fair market value. Such a sale would terminate the leases and give those Directors fee simple ownership of their homes.

Pursuant to Ohio law, the matter was referred to the independent Directors of the Company. The independent Directors retained outside independent counsel, and a third party architect and real estate professional to advise them. The independent Directors determined that it was not in the best interests of

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the Company to continue to own these parcels of residential real estate, or to serve as a landlord. The independent Directors commissioned appraisals of the parcels from an independent real estate appraiser, whose methodology was then reviewed and approved by a second independent real estate appraiser. The independent Directors then concluded that Thomas H. Anderson, Richard P. Anderson and Paul M. Kraus would be offered the opportunity to purchase their homes at such fair market values, net of the value of their lifetime leaseholds, which, as described above, such Directors already owned. The value of the lifetime leaseholds was determined by independent counsel by reference to the Directors and surviving spouses life expectancies, based upon Internal Revenue Code actuarial tables. The sales were consummated in the second quarter of 2006.

A limited number of adjacent land parcels for residential homesites are expected to be sold. The independent Directors were advised that local zoning laws and prevailing land uses made sale of the parcels as residential properties the most practical and easily disposable use of the properties. Appraisals of the fair market value were also obtained for those parcels by the same process. Relatives of the three Directors (certain of whom are also officers and/or employees of the Company) were advised that such parcels may soon be available for sale, at the appraised fair market values. Offers to purchase two of the three parcels at such fair market value were received from such individuals and the Company completed one of these sales to John P. Kraus, an employee of the Company and son of Paul M. Kraus, director, in the fourth quarter of 2006. A pending sale to Daniel T. Anderson, President of the Retail Group and son of Richard P. Anderson, director, is expected to close in 2007.

The Company believes that the sales made during 2006 were on terms no less favorable to the Company than a sale made to unaffiliated persons. In addition, the Company believes that any pending sales, if made, will be on terms no less favorable to the Company than a sale made to unaffiliated persons.

Certain Transactions with Charitable Foundation The Company contributes a portion of its earnings to charities and The Anderson Foundation, a 501(c)(3) charitable foundation established by the Anderson family. Richard P. Anderson is a trustee of the Anderson Foundation, together with other relatives and Dale Fallat, an officer of the Company. The foundation was not created by the Company, nor does the Company have a formal role in its governance. For 2006, the Foundation received $1.3 million from the Company.

Director Medical Insurance Richard P. Anderson and Paul M. Kraus receive medical coverage consistent with retirees of the Company. Richard P. Anderson is a recent retiree. Paul M. Kraus is the spouse of Carol Anderson Kraus one of the original general partners of the partnership which was the predecessor entity to the Company. As such, Ms. Kraus (and thereby Paul M. Kraus) had been given the option to participate in the Company s retiree medical plan. Each pay a portion of the premium cost consistent with other retirees of the Company.

Review and Approval of Transactions with Related Persons The Governance / Nominating Committee is charged with the review of any transactions with related persons. They may utilize outside legal counsel or the Company s general counsel to provide opinions as to the appropriateness of any potential related party transaction.

The Board of Directors recommends a vote **FOR** the election of the ten directors as presented.

Approval of Independent Registered Public Accounting Firm

The Audit Committee has hired and the Board of Directors has approved PricewaterhouseCoopers LLP as our independent registered public accounting firm to audit the financial statements of the Company for fiscal year 2007.

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If the shareholders do not ratify this appointment by a majority of the shares represented in person or by proxy at the Annual Meeting, the Audit Committee will consider other independent registered public accounting firms.

The Board of Directors recommends a vote **FOR** ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm.

Other Business

At the date of this Proxy Statement, we have no knowledge of any business other than the proposals described above that will be presented at the Annual Meeting. If any other business should properly come before the Annual Meeting, the proxies will be voted on at the discretion of the proxy holders.

Board of Directors

		Committees of the Board		
Name	**Board**	**Audit**	**Compensation**	**Governance / Nominating**
Michael J. Anderson	X			
Richard P. Anderson	X*			
John F. Barrett	X		X	
Robert J. King, Jr.	X		X	
Paul M. Kraus	X			
Donald L. Mennel	X	X*		X
David L. Nichols	X	X		
Sidney A. Ribeau	X		X*	X
Charles A. Sullivan	X	X		X*
Jacqueline F. Woods	X		X	X

* Chair

Board Meetings and Committees

The Board of Directors (the Board) held five regular meetings and four special meetings in 2006. Each director attended 75% or more of the 2006 meetings of the Board of Directors and its committees. Each of the Board members attended the Annual Shareholders Meeting held on May 12, 2006.

Audit Committee: The Audit Committee, among other duties, appoints the independent registered public accounting firm, reviews the internal audit and external financial reporting of the Company, reviews the scope of the independent audit and considers comments by the independent registered public accounting firm regarding internal controls and accounting procedures and management s response to those comments. The Audit Committee held four regular meetings in 2006.

The Board has determined that Donald L. Mennel, the Chairman of the Audit Committee, is an audit committee financial expert as defined in the federal securities laws. All members of the Audit Committee are independent as defined in the listing standards of the NASDAQ.

Compensation Committee: The Compensation Committee, comprised solely of four independent directors, reviews the recommendations of the Company s Chief Executive Officer as to the appropriate compensation that includes base salaries, short-term and long-term compensation, and benefits of the Company s officers (other than the Chief Executive Officer) and determines the compensation of such officers and the Company s Chief Executive Officer for the ensuing year. In addition, under the Company s 2005 Long-Term Performance Compensation Plan, the Compensation Committee reviews, approves and recommends to the Board of Directors grants of equity-based compensation to all participants. The Compensation Committee met three times during 2006: in February, October and December. For more information, see Executive Compensation Compensation Discussion and Analysis beginning on page 13.

Governance / Nominating Committee: The Governance / Nominating Committee is comprised solely of four independent directors. This Committee met twice in 2006. The Committee recommends to the Board actions to be taken regarding its structure, organization and functioning, selects and reviews candidates to be nominated to the Board, reports to the Board regarding the qualifications of such candidates, and recommends a slate of directors to be submitted to the shareholders for approval and conducts regular meetings of the independent directors without management being present. The Governance / Nominating Committee recommended the election to the Board of each nominee named in this Proxy Statement. The charter for the Governance / Nominating Committee is available at the Company s website www.andersonsinc.com. All members of the Governance / Nominating Committee are independent as defined in the listing standards of the NASDAQ.

It is the policy of the Governance / Nominating Committee to consider for nomination as a director any person whose name is submitted by a shareholder, provided that the submission is made prior to December 31 of the year that precedes the next annual meeting of shareholders and provided that the person is willing to be considered as a candidate.

Each candidate for director is evaluated on the basis of his / her ability to contribute expertise to the businesses and services in which the Company engages, to conduct himself / herself in accordance with the Company s Statement of Principles, and to contribute to the mission and greater good of the Company. The candidate s particular expertise, as well as existing Board expertise, is taken into consideration. A candidate s independence, as defined by applicable laws, and the Board s ratio of independent to non-independent directors is also taken into consideration. Qualifications and specific qualities or skills considered necessary for one or more of the directors to possess include, but are not limited to, the following:

- Able to serve for a reasonable period of time
- Multi-business background preferred
- Successful career in business preferred
- Active vs. retired preferred
- Audit Committee membership potential
- Strategic thinker
- Leader / manager
- Agribusiness background, domestic and international
- Transportation background
- Retail background
- Brand marketing exposure

Submission of names by shareholders is to be made to the Secretary of the Company, at the Company s Maumee, Ohio address. The Secretary, in turn, submits the names to the Chair of the Governance / Nominating Committee.

Shareholder Communications to Board: Shareholders may send communications to the Board by writing any of its officers at the Company s Maumee, Ohio, address or by calling any officer at 419-893-5050 or 800-537-3370. All shareholder communications intended for the Board will be forwarded to the Board members. Shareholders may also obtain additional information about the Company at the Company s website (www.andersonsinc.com).

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Code of Ethics

The Company has Standards of Business Conduct that apply to all employees, including the principal executive officer, principal financial officer and the principal accounting officer. These Standards of Business Conduct are available on the Company s website (www.andersonsinc.com). The Company intends to post amendments to or waivers, if any, from its Standards of Business Conduct as relates to the Company s chief executive officer, principal financial officer or principal accounting officer on its website.

Audit Committee Report

The Audit Committee of The Andersons, Inc. Board of Directors is comprised of three independent directors and operates under a written charter (included in Appendix A). The Audit Committee appoints, establishes fees to, pre-approves non-audit services provided by, and evaluates the performance of, the Company s independent registered public accounting firm. The Audit Committee s appointment of the Company s independent registered public accounting firm is presented to the shareholders in the annual proxy statement for ratification.

Management is responsible for the Company s internal controls, financial reporting process and compliance with laws and regulations and ethical business standards. The Company s independent registered public accounting firm is responsible for performing an audit of the consolidated financial statements of the Company in accordance with standards established by the Public Company Accounting Oversight Board (PCAOB) and for issuing their reports. The Audit Committee is responsible for monitoring and overseeing these processes.

In this context, the Audit Committee has met and held discussions with management, the Company s internal audit manager and the independent registered public accounting firm. Management represented to the Audit Committee that the consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management, the Company s internal audit manager and the independent registered public accounting firm. The Audit Committee also discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees) and reviewed all material written communications between the independent registered public accounting firm and management.

The Company s independent registered public accounting firm also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent registered public accounting firm that firm s independence.

The Audit Committee has also reviewed the services provided by the independent registered public accounting firm (as disclosed below under the caption Audit Fees) when considering their independence.

Based upon the Audit Committee s discussion with management and the independent registered public accounting firm and the Audit Committee s review of the representations of management and the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission.

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AUDIT COMMITTEE

Donald L. Mennel (chair), David L. Nichols, Charles A. Sullivan

Appointment of Independent Registered Public Accounting Firm

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP (PwC) served as the Company s independent registered public accounting firm for the year ended December 31, 2006. The Audit Committee has appointed PwC as the independent registered public accounting firm of the Company for the year ending December 31, 2007.

Representatives from PricewaterhouseCoopers LLP are expected to attend the meeting. They will have an opportunity to make a statement at the meeting if they desire to do so and are expected to be available to respond to questions.

Audit Fees

During 2006, PwC not only acted as the Company s independent registered public accounting firm but also rendered other services to the Company. The following table sets forth the aggregate fees billed by PwC for audit and tax related services related to 2006 and 2005 and for other services billed in the most recent two years:

Fees	2006	2005
Audit (1)	$1,559,952	$1,306,838
Audit-related		
Tax (2)	120,412	77,243
Other (3)	1,500	1,500
Total	$1,681,864	$1,385,581

(1) Fees for professional services rendered for the audit of the consolidated financial statements, statutory and subsidiary audits, consents, income tax provision procedures, assistance with review of documents filed with the SEC and the issuance of a comfort letter to underwriters as part of the Company s registration and

issuance of 2.3 million common shares..

(2) Fees for services related to tax consultations and tax planning projects.

(3) Annual license fee for technical accounting research software.

Policy on Audit Committee Pre-Approval of Services Performed by the Independent Registered Public Accounting Firm

In accordance with the Securities and Exchange Commission s rules issued pursuant to the Sarbanes-Oxley Act of 2002, which were effective as of May 6, 2003 and require, among other things, that the Audit Committee pre-approve all audit and non-audit services provided by the Company s independent registered public accounting firm, the Audit Committee has adopted a formal policy on auditor independence requiring the approval by the Audit Committee of all professional services rendered by the Company s independent registered public accounting firm. Under this policy, the Audit Committee specifically pre-approves at the beginning of each fiscal year all audit and audit-related services to be provided by the independent registered public accounting firm during that fiscal year within a general budget. The Audit Committee is updated as to the actual billings for these items on a quarterly basis.

Tax and all other services that are permitted to be performed by the independent registered public accounting firm, but could also be performed by other service providers, require specific pre-approval by the Audit Committee after considering other bids and the impact of these services on auditor independence. If the Audit Committee pre-approves services in these categories by the independent registered public accounting firm, the Audit Committee is updated on a quarterly basis as to the actual fees billed under each project.

Since May 6, 2003, 100% of the tax and other fees were pre-approved by the Audit Committee. All fees noted above were for full-time, permanent employees of PricewaterhouseCoopers LLP.

Share Ownership

Shares Owned by Directors and Executive Officers

This table indicates the number of Common Shares beneficially owned as of February 28, 2007. The table displays this information for the group as a whole, for each director individually and for the Named Executive Officers (as defined hereafter).

	Amount and Nature of Shares Beneficially Owned as of February 28, 2007		
Name	**Options (a)**	**Aggregate Number Of Shares Beneficially Owned**	**Percent of Class (b)**
Dennis J. Addis	60,400	28,207(c)	*
Michael J. Anderson	207,000	304,352(d)	2.8%
Richard P. Anderson	95,776	546,149(e)	3.6%
John F. Barrett	14,400	32,030	*
Richard R. George	17,800	35,362	*
Robert J. King Jr.	2,000	1,000	*
Paul M. Kraus	14,400	135,860(f)	*
Donald L. Mennel	10,200	32,776	*
David L. Nichols	6,000	23,487	*
Harold M. Reed	61,000	47,221	*
Sidney A. Ribeau	13,814	17,574	*
Rasesh H. Shah	50,000	42,430	*
Gary L. Smith	17,800	16,311	*
Charles A. Sullivan	14,400	42,082(g)	*
Jacqueline F. Woods	14,400	16,837	*
All directors and executive officers as a group (21 persons)	686,855	1,648,093	12.6%

(a) Includes options exercisable within 60 days of February 28, 2007.

(b)

An asterisk denotes percentages less than one percent.

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(c) Includes 1,133 Common Shares owned by Jonathan Addis, Mr. Addis s son. Mr. Addis disclaims beneficial ownership of such Common Shares. Includes 27,074 Common Shares owned by Dennis J. Addis, Trustee of the Dennis J. and Therese A. Addis Joint Revocable Trust.

(d) Includes 103,092 Common Shares held by Mrs. Carol H. Anderson, Mr. Anderson s spouse and 14,814 Common Shares held by Colin J. Anderson, Mr. Anderson s son. Mr. Anderson disclaims beneficial ownership of such Common Shares.

(e) Includes 505,622 Common Shares held by Richard P. Anderson, LLC. Richard P. Anderson holds all options on Common Shares. Voting shares of the LLC are held 50% by Richard P. Anderson and 50% by Mrs. Frances H. Anderson, Mr. Anderson s spouse. Nonvoting shares are held 24.53% each by Mr. Anderson and Mrs. Anderson. Mr. and Mrs. Anderson s children and grandchildren hold the remaining nonvoting shares. Mr. Anderson disclaims beneficial ownership of such Common Shares.

(f) Includes 63,300 Common Shares held by Mrs. Carol A. Kraus, Mr. Kraus s spouse. Mr. Kraus disclaims beneficial ownership of such Common Shares.

(g) Includes 13,300 Common Shares owned by Charles A.

Sullivan Trust.

Share Ownership of Certain Beneficial Owners

As of March 12, 2007, the Company s records and other information available from outside sources indicated that there were no stockholders that were beneficial owners of more than five percent of the outstanding shares of the Company s Common Stock.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires executive officers and directors to file reports of securities ownership and changes in such ownership with the Securities and Exchange Commission. In addition, persons that are not executive officers or directors but who beneficially own more than ten percent of Common Shares, must also report under Section 16(a). Copies of all Section 16(a) forms filed by officers, directors and greater-than-10% owners are required to be provided to the Company.

We have reviewed the reports and written representations from the executive officers and directors. Based on our review, we believe that all filing requirements were met during 2006, except for the following:

Dennis J. Addis filed a late Form 4 for acquisitions made through a dividend reinvestment program in prior years;

Daniel T. Anderson filed a late Form 4 for a gift made July 31;

Daniel T. Anderson filed a late Form 4 for shares gifted to him on October 18;

Richard P. Anderson filed a late Form 4 for gifts of shares made July 21;

Richard P. Anderson filed a late Form 4 for gifts of shares made November 2;

Paul M. Kraus filed a late Form 4 for gifts of shares made in 2002 and sales of shares in 2004;

Harold M. Reed filed a late Form 4 for a gift of shares made December 29;

Charles A. Sullivan filed a late Form 4 for a gift of shares made March 7; and

Thomas L. Waggoner filed a late Form 4 for the vesting of restricted shares on January 1.

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Executive Compensation

Compensation Committee Report

The Compensation Committee has reviewed with management the Compensation Discussion and Analysis which follows, and recommends to the Board of Directors of The Andersons, Inc., that it be included in the Company s Annual Report on Form 10-K and the Company s proxy statement. The following Compensation Discussion and Analysis is intended to deliver comprehensive information about the Company s compensation programs in an understandable, systematic manner.

Compensation Discussion and Analysis

General Principles and Procedures

Compensation Committee s Role and Responsibilities

The Compensation Committee reviews all aspects of cash and long-term incentive compensation for executive officers and other key employees and makes recommendations to the Board. Management makes initial recommendations to the Compensation Committee and participates in Compensation Committee discussions. The Compensation Committee then makes recommendations related to the compensation provided to executive officers (including the Named Executive Officers (NEOs)) to the Board of Directors for their approval. Management has retained Findley Davies, an independent human resource consulting, actuarial, and administrative services firm based in Toledo, Ohio to assist in the design and development of its compensation policies. Management also retained the Hay Group, global management consultants headquartered in Philadelphia, Pennsylvania, to perform evaluations of executive positions and for benchmark competitive data.

The Compensation Committee does not currently engage consultants or advisors that are independent from those engaged by management.

Our Philosophy

Our executive compensation philosophy links executive compensation with improvement in corporate performance and increases in shareholder value. Our Statement of Principles, found on our website at www.andersonsinc.com, provides a firm foundation for our compensation philosophy. The document describes our core beliefs and provides meaningful insight into our philosophy as it relates to profit, personal gain, and the need for a balanced and thoughtful approach.

One of the guiding principles we apply to the design of our compensation and benefit programs is a sense of caring and equal treatment and the avoidance of excessive symbols of rank and status. This principle is evident in our approach to executive compensation and benefits. We provide executives and rank and file employees with identical health and welfare benefits. Our retirement programs are designed to treat all employees, including executives, equitably in providing an opportunity to achieve comparable levels of income replacement.

Rewarding Performance and Achieving Objectives

Our compensation plans and policies are structured to achieve the following goals:

Compensation should reflect a balanced mix of short- and long-term components.

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Short-term cash compensation (which is both base pay and bonuses) should be based on annual Company, business unit, and individual performance.

Long-term equity compensation should encourage achievement of the Company s long-term performance goals and align the interests of executives with shareholders.

Executives should build and maintain appropriate levels of Company stock ownership so their interests continue to be aligned with the Company s shareholders.

Compensation levels should be sufficient to attract and retain highly qualified employees.

Compensation should reflect individual performance and responsibilities.

The Components of Our Compensation.

The Company s executive compensation is comprised of three components:

Base salary, paid in cash;

Bonuses or short-term incentive compensation, paid in cash; and

Equity or long-term incentive compensation, paid in the form of equity grants as discussed below.

The combined base salary and short-term incentive compensation may be called the Company s Total Cash Compensation. Total Cash Compensation combined with long-term incentive compensation may be called Total Direct Compensation. We view cash bonuses as short-term incentive compensation, and equity as the Company s long-term incentive compensation. They are described in greater detail below.

2006 Executive Compensation Components

Benchmarking

For all salaried positions, including our NEOs, we compare our compensation to that of other companies annually. We use the Compensation Planning and Executive Compensation Surveys, an annual study of U.S. businesses, produced by the Hay Group, for such comparisons. Specifically for the majority of salaried positions from entry level to the CEO, we compare ourselves to the Hay Group General Industry Benchmark, a cross-section of U.S. industrial companies, focusing on those with annual revenues under $1 billion. Our goal is to have the total of base pay, and short- and long-term incentive compensation result in total direct compensation on a par with the median total direct compensation of the Hay Group s competitive benchmark if annually established target levels of performance at the Company and business segment level are achieved.

Base Pay

Base pay salary ranges for each position, including NEOs, are set under the Hay Group job evaluation system which measures required skills and responsibilities. We try to set our base pay salary range for executive positions to fall in the bottom 25^{th}-50^{th} percentile of our benchmark groups.

In 2006, all NEOs and other executives received base salary increases that included a merit and promotional component. Promotional increases were based on the results of executive job evaluations conducted by a Hay Group, Inc. Senior Consultant and compared to industry benchmarks. However,

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internal equity considerations as determined by the job evaluation criteria were the primary input used to make decisions regarding base pay, which also impacted the levels of short-term and long-term compensation opportunity for each affected NEO.

Following is 2006 base salary and the dollar and percentage change from 2005 base salaries. A change in pay cycle occurred in early 2006 that resulted in a one-time 5 day pay deferral into the following year. This had the impact of understating 2006 base salary by approximately 3.8% for all NEOs.

	2006	Base Salary Change from 2005	% increase
Michael J. Anderson	$415,385	$ 28,718	7.4%
Richard R. George	$184,616	$ 5,449	3.0%
Gary L. Smith	$184,616	$ 5,449	3.0%
Dennis J. Addis	$221,154	$ 13,654	6.6%
Harold M. Reed	$230,769	$ 20,186	9.6%
Rasesh H. Shah	$240,385	$ 27,885	13.1%

Bonus, Performance Targets & Thresholds

We believe that our bonus plan (which we call the Management Performance Plan or MPP) encourages sound investment decisions, prudent asset management and profitable segment and Company performance.

Our executive incentive pay programs set annual income targets and thresholds for each of the Company s five business groups (Grain & Ethanol, Rail, Plant Nutrient, Retail and Turf & Specialty) and the total Company. The development of targets begin with the pretax income objectives for various types of permanent assets employed in each business unit working capital, property, plant & equipment, leased facilities and equipment, and other non-current assets, such as equity investments in affiliates. By multiplying a business permanent asset balances by our target returns on investment, we produce an initial pretax formula in order to calculate income target and threshold objective. Generally, threshold is the level that must be achieved before any incentive compensation can be earned and target is the level at which incentive compensation will equal the targeted competitive level of compensation discussed above under *Benchmarking*.

Each business unit s formula target and threshold is then adjusted to add the income needed to pay for non-operating assets, company overhead expenses, and our income expectations from service or non-asset-based business activities, as well as considerations of the market value of income producing assets and industry trends. The result is our proposed income targets and thresholds for the coming year for each business unit. The CEO outlines general target parameters to the Compensation Committee for its consideration in December, with final amounts typically determined and approved at the February meeting. The Committee then makes a recommendation to the Board of Directors for their approval.

Our bonus plan makes cash available for bonuses to executives when the Company as a whole, and their individual business groups, achieve their income thresholds. If the Company, as a whole, or the individual b