CALAMOS CONVERTIBLE OPPORTUNITIES & INCOME FUND
Form N-2/A
February 22, 2019
Table of Contents

As filed with the Securities and Exchange Commission on February 22, 2019

1933 Act File No. 333-229042

1940 Act File No. 811-21080

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form N-2

(Check appropriate box or boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 1

Post-Effective Amendment No.

and

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 32

CALAMOS CONVERTIBLE OPPORTUNITIES AND INCOME FUND

2020 Calamos Court

Naperville, Illinois 60563

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Agent for Service

John P. Calamos, Sr.

President

Calamos Convertible Opportunities and Income Fund

2020 Calamos Court

Naperville, Illinois 60563

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Approximate Date of Proposed Public Offering: From time to time after the effective date of the Registration Statement.

If any of the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

It is proposed that this filing will become effective (check appropriate box)

when declared effective pursuant to section 8(c)

CALCULATION OF REGISTRATION FEE

UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	**Amount Being Registered(1)**	**Proposed Maximum Offering Price(2)**	**Amount of Registration Fee(3)**
Common shares, no par value per share; preferred shares, no par value per share; debt securities		$100,000,000	$12,120.00

(1) There are being registered hereunder a presently indeterminate number of shares of common stock to be offered on an immediate, continuous or delayed basis.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended. In no event will the aggregate initial offering price of all securities offered from time to time pursuant to the prospectus included as part of this Registration Statement exceed $100,000,000.

(3) Amount represents $121.20 previously paid to register $1,000,000 of common shares, plus $11,998.80 to register the additional $99,000,000 of common shares registered hereby.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 22, 2019

Base Prospectus

$100,000,000

Calamos Convertible Opportunities and Income Fund

Common Shares

Preferred Shares

Debt Securities

Calamos Convertible Opportunities and Income Fund (the Fund, we, us, or our) is a diversified, closed-end management investment company that commenced investment operations in June 2002. Our investment objective is to provide total return through a combination of capital appreciation and current income.

We may offer, on an immediate, continuous or delayed basis, up to $100,000,000 aggregate initial offering price of our common shares (no par value per share), preferred shares (no par value per share) or debt securities, which we refer to in this prospectus collectively as our securities, in one or more offerings. We may offer our common shares, preferred shares and debt securities separately or together, in amounts, at prices and on terms set forth in a prospectus supplement to this prospectus. You should read this prospectus and the related prospectus supplement carefully before you decide to invest in any of our securities.

We may offer our securities directly to one or more purchasers, through agents that we or they designate from time to time, or to or through underwriters or dealers. The prospectus supplement relating to the particular offering will identify any agents or underwriters involved in the sale of our securities, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and such agents or underwriters or among the underwriters and the basis upon which such amount may be calculated. For more information about the manner in which we may offer our securities, see Plan of Distribution. Our securities may not be sold through agents, underwriters or dealers without delivery or deemed delivery of a prospectus supplement and a prospectus.

Our common shares are listed on the Nasdaq Global Select Market under the symbol CHI. As of January 31, 2019, the last reported sale price for our common shares was $10.31 per share. As of January 31, 2019, the last reported net asset value for our common shares was $10.45 per share.

Investing in our securities involves certain risks, including the risks associated with the Fund s use of leverage. You could lose some or all of your investment. See Risk Factors beginning on page 36 of this prospectus. Shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss to purchasers of our securities. You should consider carefully these risks together with all of the other information contained in this prospectus and any prospectus supplement before making a decision to purchase our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Beginning on March 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund s shareholder reports will no longer be sent by mail, unless you

Table of Contents

specifically request paper copies of the reports from the Fund or from your financial intermediary. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically by calling 800.582.6959. If you own these shares through a financial intermediary, you may contact your financial intermediary.

You may elect to receive all future reports in paper free of charge. You can inform the Fund that you wish to continue receiving paper copies of your shareholder reports by calling 800.582.6959. If you own these shares through a financial intermediary, you may contact your financial intermediary or follow instructions included with this disclosure to elect to continue to receive paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held with the fund complex or your financial intermediary.

Prospectus dated March 1, 2019

This prospectus, together with any accompanying other prospectus supplement, sets forth concisely the information that you should know before investing. You should read the prospectus and prospectus supplement, which contain important information, before deciding whether to invest in our securities. You should retain the prospectus and prospectus supplement for future reference. A statement of additional information, dated the same date as this prospectus, as supplemented from time to time, containing additional information, has been filed with the Securities and Exchange Commission (the SEC or Commission) and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the statement of additional information, the table of contents of which is on page 80 of this prospectus, request a free copy of our annual and semi-annual reports, request other information or make shareholder inquiries, by calling toll-free 1-800-582-6959 or by writing to the Fund at 2020 Calamos Court, Naperville, Illinois 60563. The Fund s annual and semi-annual reports also are available on our website, free of charge, at www.calamos.com, which also provides a link to the Commission s website, as described below, where the Fund s statement of additional information can be obtained. Information included on our website does not form part of this prospectus. You can review documents we have filed on the Commission s website (http://www.sec.gov) for free. You may also e-mail requests for these documents to publicinfo@sec.gov.

Our securities do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

Table of Contents

TABLE OF CONTENTS

	Page
Prospectus Summary	1
Summary of Fund Expenses	16
Financial Highlights	18
Market and Net Asset Value Information	19
Use of Proceeds	20
The Fund	20
Investment Objective and Principal Investment Strategies	21
Leverage	28
Interest Rate Transactions	34
Risk Factors	36
Management of the Fund	48
Closed-End Fund Structure	54
Certain Federal Income Tax Matters	54
Net Asset Value	62
Dividends and Distributions on Common Shares; Automatic Dividend Reinvestment Plan	64
Description of Securities	69
Rating Agency Guidelines	73
Certain Provisions of the Agreement and Declaration of Trust and By-Laws, Including Antitakeover Provisions	75
Plan of Distribution	76
Custodian, Transfer Agent, Dividend Disbursing Agent and Registrar	79
Legal Matters	79
Experts	79
Available Information	79
Table of Contents of the Statement of Additional Information	80

You should rely only on the information contained or incorporated by reference in this prospectus and any related prospectus supplement in making your investment decisions. We have not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus and any prospectus supplement do not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction where the offer or sale is not permitted. The information appearing in this prospectus and in any prospectus supplement is accurate only as of the dates on their covers. Our business, financial condition and prospects may have changed since such dates. We will advise investors of any material changes to the extent required by applicable law.

Table of Contents

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, any accompanying prospectus supplement and the statement of additional information contain forward-looking statements. Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, and simila the negative of such terms. Such forward-looking statements may be contained in this prospectus as well as in any accompanying prospectus supplement. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the Commission. Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors section of this prospectus. We urge you to review carefully that section for a more detailed discussion of the risks of an investment in our securities.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risk Factors section of this prospectus. All forward-looking statements contained or incorporated by reference in this prospectus or any accompanying prospectus supplement are made as of the date of this prospectus or the accompanying prospectus supplement, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this prospectus, any accompanying prospectus supplement and the statement of additional information are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the 1933 Act).

Table of Contents

PRO SPECTUS SUMMARY

The following summary contains basic information about us and our securities. It is not complete and may not contain all of the information you may want to consider. You should review the more detailed information contained in this prospectus and in any related prospectus supplement and in the statement of additional information, especially the information set forth under the heading Risk Factors beginning on page 36 of this prospectus.

The Fund

The Fund is a diversified, closed-end management investment company. We commenced operations in June 2002 following our initial public offering. As of January 31, 2019, we had $1.12 billion of total managed assets, including $100 million of outstanding mandatory redeemable preferred shares (MRP Shares or MRPS) and $25 million of outstanding borrowings under a liquidity agreement, plus additional structural leverage that amounted to approximately $252 million. Structural leverage refers to borrowings under the liquidity agreement in respect of which the Fund s interest payments are reduced or eliminated by the Fund s securities lending activities. See Leverage. Our fiscal year ends on October 31. Our investment objective is to provide total return through a combination of capital appreciation and current income.

Investment Adviser

Calamos Advisors LLC (the Adviser or Calamos) serves as our investment adviser. Calamos is responsible on a day-to-day basis for investment of the Fund s portfolio in accordance with its investment objective and policies. Calamos makes all investment decisions for the Fund and places purchase and sale orders for the Fund s portfolio securities. As of January 31, 2019, Calamos managed approximately $22.7 billion in assets of individuals and institutions. Calamos is a wholly-owned subsidiary of Calamos Investments LLC (CILLC) and an indirect subsidiary of Calamos Asset Management, Inc.

The Fund pays Calamos an annual fee, payable monthly in arrears, for its investment management services equal to 0.80% of the Fund s average weekly managed assets. Managed assets means the total assets of the Fund (including any assets attributable to any leverage that may be outstanding) minus the sum of liabilities (other than debt representing financial leverage). Net assets does not include any assets attributable to any leverage that may be outstanding, or other debt representing financial leverage. See Management of the Fund.

The principal business address of the Adviser is 2020 Calamos Court, Naperville, Illinois 60563.

The Offering

We may offer, from time to time, in one or more offerings or series, together or separately, up to $100,000,000 of our common shares, preferred shares or debt securities, which we refer to, collectively, as the securities. We may sell our securities through underwriters or dealers, at the market to or through a market maker into an existing trading market or otherwise directly to one or more purchasers or through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus. In the event we offer common shares, the offering price per share of our common shares exclusive of any underwriting commissions or discounts will not be less than the net asset value per share of our common shares at the time we make the offering except as permitted by applicable law. To the extent that the Fund issues common shares and current shareholders do not participate, those current shareholders may experience a dilution of their voting rights as new shares are issued to the public. Depending on the facts, any issuance of new common shares may also have the effect of reducing any premium to per share net asset value at which the shares might trade and the market price at which the shares might trade.

Table of Contents

Currently, the Fund does not intend to offer any preferred shares or debt securities (collectively, senior securities), but reserves the right to do so in the future.

We may offer our securities directly to one or more purchasers, through agents that we or they designate from time to time, or to or through underwriters or dealers. The prospectus supplement relating to the relevant offering will identify any agents or underwriters involved in the sale of our securities, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and such agents or underwriters or among underwriters and the basis upon which such amount may be calculated. See Plan of Distribution. Our securities may not be sold through agents, underwriters or dealers without delivery or deemed delivery of a prospectus and prospectus supplement describing the method and terms of the applicable offering of our securities.

Use of Proceeds

Unless otherwise specified in a prospectus supplement, we currently intend to use the net proceeds from the sale of our securities primarily to invest in accordance with our investment objective and policies within approximately three months of receipt of such proceeds. We may also use proceeds from the sale of our securities to retire all or a portion of any short-term debt we incur in pursuit of our investment objective and policies and for working capital purposes, including the payment of interest and operating expenses, although there is currently no intent to issue securities primarily for these purposes.

Dividends and Distributions on Common Shares

The Fund intends to distribute to common shareholders all or a portion of its net investment income monthly and net realized capital gains, if any, at least annually. On November 4, 2008, the Commission granted Calamos, on behalf of itself and certain closed-end funds that it manages, including the Fund, or may manage in the future, an order granting an exemption from Section 19(b) of, and Rule 19b-1 under, the Investment Company Act of 1940, as amended (the 1940 Act), to conditionally permit the Fund to make periodic distributions of long-term capital gains with respect to the Fund s outstanding common shares as frequently as twelve times each year, so long as it complies with the conditions of the order and maintains in effect a distribution policy with respect to its common shares calling for periodic distributions of an amount equal to a fixed amount per share, a fixed percentage of market price per share or a fixed percentage of the Fund s net asset value per share (a Managed Distribution Policy). See Dividends and Distributions on Common Shares; Automatic Dividend Reinvestment Plan Dividends and Distributions on Common Shares for a discussion of the requirements under the order permitting the Managed Distribution Policy.

As of January 1, 2018, the Fund adopted such Managed Distribution Policy. Pursuant to such policy, the Fund currently intends to make monthly distributions to common shareholders stated in terms of a fixed cent per common share distribution rate that would be composed of, in addition to net investment income, supplemental amounts generally representing realized capital gains or, possibly, returns of capital representing either unrealized capital gains or a return of original investment. Such distributions, including such supplemental amounts, are sometimes referred to as managed distributions.

The Fund will seek to establish a distribution rate that roughly corresponds to the Adviser s projections of the total return that could reasonably be expected to be generated by the Fund over an extended period of time, although the distribution rate will not be solely dependent on the amount of income earned or capital gains realized by the Fund. Calamos, in making such projections, may consider long-term historical returns and a variety of other factors. If, for any monthly distribution, net investment income and net realized capital gains were less than the amount of the distribution, the difference would be distributed from the Fund s assets. In addition, in order to make such distributions, the Fund might have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action. The Fund s final distribution for each calendar year will include any remaining net investment income undistributed during the year and may include any remaining net realized capital gains undistributed during the year. The Fund s actual financial performance

will likely vary significantly from quarter to quarter and from year to year, and there may be extended periods of up to several years when the distribution rate will exceed the Fund s actual total returns. The Fund s projected or actual distribution rate is not a prediction of what the Fund s actual total returns will be over any specific future period. See Certain Federal Income Tax Matters Federal Income Taxation of Common and Preferred Shareholders and Dividends and Distributions on Common Shares; Automatic Dividend Reinvestment Plan Dividends and Distributions on Common Shares below for a discussion of the short- and long-term implications associated with Fund distributions.

As portfolio and market conditions change, the rate of distributions on the common shares and the Fund s distribution policy could change. To the extent that the total return of the Fund exceeds the distribution rate for an extended period, the Fund may be in a position to increase the distribution rate or distribute supplemental amounts to shareholders. Conversely, if the total return of the Fund is less than the distribution rate for an extended period of time, the Fund will effectively be drawing upon its net assets to meet payments prescribed by its distribution policy. The rate may be modified by the Fund s Board of Trustees from time to time without prior notice to the Fund s shareholders.

Net realized short-term capital gains distributed to shareholders will be taxed as ordinary income for federal income tax purposes and net realized long-term capital gain (if any) will be taxed for federal income tax purposes at long-term capital gain rates. To the extent the Fund distributes an amount in excess of the Fund s current and accumulated earnings and profits, such excess, if any, will be treated by a shareholder for federal income tax purposes as a tax-free return of capital to the extent of the shareholder s adjusted tax basis in his, her or its shares and thereafter as a gain from the sale or exchange of such shares. Any such distributions made by the Fund will reduce the shareholder s adjusted tax basis in his, her or its shares to the extent that the distribution constitutes a return of capital on a tax basis during any calendar year and, thus, could potentially subject the shareholder to capital gains taxation in connection with a later sale of Fund shares, even if those shares are sold at a price that is lower than the shareholder s original investment price. To the extent that the Fund s distributions exceed the Fund s current and accumulated earnings and profits, the distribution payout rate will exceed the yield generated from the Fund s investments. There is no guarantee that the Fund will realize capital gain in any given year. Distributions are subject to re-characterization for federal income tax purposes after the end of the fiscal year. See Certain Federal Income Tax Matters.

Pursuant to the Fund s Automatic Dividend Reinvestment Plan, unless a shareholder is ineligible or elects otherwise, all dividends and capital gain distributions on common shares are automatically reinvested in additional common shares of the Fund. However, an investor can choose to receive dividends and distributions in cash. Since investors can participate in the automatic dividend reinvestment plan only if their broker or nominee participates in our plan, you should contact your broker or nominee to confirm that you are eligible to participate in the plan. See Dividends and Distributions on Common Shares; Automatic Dividend Reinvestment Plan Automatic Dividend Reinvestment Plan.

Investment Policies

Primary Investments. Under normal circumstances, the Fund invests at least 80% of its managed assets in a diversified portfolio of convertible securities and non-convertible income securities. The portion of the Fund s assets invested in convertible securities and non-convertible income securities will vary from time to time consistent with the Fund s investment objective, changes in equity prices and changes in interest rates and other economic and market factors, although, under normal circumstances, the Fund will invest at least 35% of its managed assets in convertible securities. The Fund invests in securities with a broad range of maturities. The average term to maturity of the Fund s securities typically will range from five to ten years. See Investment Objective and Principal Investment Strategies Principal Investment Strategies.

Convertible Securities. The Fund is not limited in the percentage of its assets invested in convertible securities and investment in convertible securities forms an important part of the Fund s investment strategies.

Table of Contents

Under normal circumstances, the Fund will invest at least 35% of its managed assets in convertible securities. A convertible security is a debt security, debenture, note or preferred stock that may be converted into an equity security (typically of the same issuer) at a predetermined price (the conversion price). Depending upon the relationship of the conversion price to the market value of the underlying security, a convertible security may trade more like an equity security than a debt instrument. The Fund may invest in convertible securities of any rating. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Convertible Securities.

Synthetic Convertible Instruments. The Fund may invest in synthetic convertible instruments. A synthetic convertible instrument is a financial instrument (or two or more securities held in tandem) that is designed to simulate the economic characteristics of a convertible security through the combined features of a debt instrument and a security providing an option on an equity security. Calamos may create a synthetic convertible instrument by combining separate securities that possess the two principal characteristics of a true convertible security, i.e., a fixed-income security (fixed-income component , which may be a convertible or non-convertible security) and the right to acquire an equity security (convertible component). The fixed-income component is achieved by investing in fixed-income securities such as bonds, preferred stocks and money market instruments. The convertible component is achieved by investing in warrants or options to buy common stock at a certain exercise price, or options on a stock index.

The Fund may also invest in synthetic convertible instruments created by third parties, typically investment banks. Synthetic convertible instruments created by such parties may be designed to simulate the characteristics of traditional convertible securities or may be designed to alter or emphasize a particular feature. Traditional convertible securities typically offer the opportunity for stable cash flows with the ability to participate in capital appreciation of the underlying common stock. Traditional convertible securities are exercisable at the option of the holder. Synthetic convertible instruments may alter these characteristics by offering enhanced yields in exchange for reduced capital appreciation or additional risk of loss, or any combination of these features. Synthetic convertible instruments may include structured notes, equity-linked notes, mandatory convertibles and combinations of securities and instruments, such as a debt instrument combined with a forward contract. The Fund s holdings of synthetic convertible instruments are considered convertible securities for purposes of the Fund s policy to invest at least 35% of its managed assets in convertible securities and 80% of its managed assets in a diversified portfolio of convertible securities and non-convertible income securities. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Synthetic Convertible Instruments.

Non-Convertible Income Securities. The Fund will also invest in non-convertible income securities. The Fund s investments in non-convertible income securities may have fixed or variable principal payments and all types of interest rate and dividend payment and reset terms, including fixed rate, adjustable rate, zero coupon, contingent, deferred, payment in kind and auction rate features. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Non-Convertible Income Securities.

High Yield Securities. A substantial portion of the Fund s assets may be invested in below investment grade (high yield, high risk) securities for either current income or capital appreciation or both. These securities are rated Ba or lower by Moody s Investors Service, Inc. (Moody s) or BB or lower by Standard & Poor s Financial Services, LLC, a subsidiary of The McGraw-Hill Companies, Inc. (Standard & Poor s) or are unrated securities of comparable quality as determined by Calamos, the Fund s investment adviser. The Fund may invest in high yield securities of any rating. The Fund may, but currently does not intend to, invest up to 5% of its managed assets in distressed securities that are in default or the issuers of which are in bankruptcy. Non-convertible debt securities rated below investment grade are commonly referred to as junk bonds and are considered speculative with respect to the issuer s capacity to pay interest and repay principal. Below investment-grade securities involve greater risk of loss, are subject to greater price volatility and are less liquid, especially during periods of economic uncertainty or change, than higher rated securities. See Investment Objective and Principal Investment Strategies Principal Investment Strategies High Yield Securities.

Table of Contents

Foreign Securities. Although the Fund primarily invests in securities of U.S. issuers, the Fund may invest up to 25% of its net assets in securities of foreign issuers in developed and emerging markets, including debt and equity securities of corporate issuers and debt securities of government issuers. A foreign issuer is a foreign government or a company organized under the laws of a foreign country. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Foreign Securities.

Options Writing. The Fund may seek to generate income from option premiums by writing (selling) options. The Fund may write (sell) call options (i) on a portion of the equity securities (including equity securities obtainable by the Fund through the exercise of its rights with respect to convertible securities it owns) in the Fund s portfolio and (ii) on broad-based securities indexes (such as the S&P 500 or MSCI EAFE) or certain ETFs (exchange traded funds) that trade like common stocks but seek to replicate such market indexes.

In addition, to seek to offset some of the risk of a potential decline in value of certain long positions, the Fund may also purchase put options on individual securities, broad-based securities indexes (such as the S&P 500 or the MSCI EAFE), or certain ETFs that trade like common stocks but seek to replicate such market indexes. See Investment Objective and Principal Investment Strategies Options Writing.

Rule 144A Securities. The Fund may invest without limit in certain securities (Rule 144A Securities), such as convertible and debt securities, that are typically purchased in transactions exempt from the registration requirements of the 1933 Act pursuant to Rule 144A under that Act. Rule 144A Securities may only be sold to qualified institutional buyers, such as the Fund. Any resale of these securities must generally be effected through a sale that is registered under the 1933 Act or otherwise exempted or excepted from such registration requirements. Under the supervision and oversight of the Fund s Board of Trustees, Calamos will determine whether Rule 144A Securities are liquid. Typically, the Fund purchases Rule 144A Securities only if Calamos has determined them to be liquid. If any Rule 144A Security held by the Fund should become illiquid, the value of the security may be reduced and a sale of the security may be more difficult. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Rule 144A Securities.

Other Securities. The Fund may invest in other securities of various types to the extent consistent with its investment objective. Normally, the Fund invests substantially all of its assets to meet its investment objective. For temporary defensive purposes, the Fund may depart from its principal investment strategies and invest part or all of its assets in securities with remaining maturities of less than one year or cash equivalents; or it may hold cash. During such periods, the Fund may not be able to achieve its investment objective. There are no restrictions as to the ratings of debt securities acquired by the Fund or the portion of the Fund s assets that may be invested in debt securities in a particular ratings category. For more information on the types of derivatives that the Fund invests in, see Investment Objective and Principal Investment Strategies Principal Investment Strategies in this prospectus and Investment Objective and Policies in the statement of additional information.

Use of Leverage by the Fund

The Fund currently uses, and may in the future use, financial leverage. The Fund has obtained financial leverage (i) under an Amended and Restated Liquidity Agreement (the SSB Agreement) with State Street Bank and Trust Company (SSB or State Street) that allows the Fund to borrow up to $430 million and (ii) through the issuance of three series of MRP Shares with an aggregate liquidation preference of $100 million, as described in greater detail below. The SSB Agreement provides for securities lending and securities repurchase transactions that may offset some of the interest rate payments that would otherwise be due in respect of the borrowings under the SSB Agreement. The Fund s outstanding MRP Shares include 1,330,000 Series A MRP Shares, with an aggregate liquidation preference of $33,250,000 and a mandatory redemption date of September 6, 2022; 1,330,000 Series B MRP Shares, with an aggregate liquidation preference of $33,250,000 and a mandatory redemption date of September 6, 2024; and 1,340,000 Series C MRP Shares, with an aggregate liquidation preference of $33,500,000 and a mandatory redemption date of September 6, 2027. The Series A, Series B and Series C MRP Shares are to pay monthly cash dividends initially at rates of 3.70%, 4.00% and 4.24%,

Table of Contents

respectively, subject to adjustment under certain circumstances. Additional details regarding the SSB Agreement and the MRP Shares are included under Leverage.

As of January 31, 2019, the Fund had utilized $277 million of the $430 million available under the SSB Agreement ($25 million in borrowings outstanding, and $252 million in structural leverage consisting of collateral received from SSB in connection with securities on loan), representing 24.8% of managed assets as of that date, and had $100 million of MRP Shares outstanding, representing 8.9% of managed assets. Combined, the borrowings under the SSB Agreement and the outstanding MRP Shares represented 33.8% of managed assets.

The Fund may make further use of financial leverage through the issuance of additional preferred shares or may borrow money or issue additional debt securities to the extent permitted under the 1940 Act or under the SSB Agreement. As a non-fundamental policy, the Fund may not issue preferred shares or borrow money and/or issue debt securities with an aggregate liquidation preference and aggregate principal amount exceeding 38% of the Fund s managed assets measured at the time of borrowing or issuance of the new securities. However, the Board of Trustees reserves the right to issue preferred shares or debt securities or borrow to the extent permitted by the 1940 Act. See Leverage. The holders of preferred shares or debt, if any, on the one hand, and the holders of the common shares, on the other, may have interests that conflict with each other in certain situations. See Description of Securities Preferred Shares and Certain Provisions of the Agreement and Declaration of Trust and By-Laws, Including Antitakeover Provisions.

Because Calamos investment management fee is a percentage of the Fund s managed assets, Calamos fee will be higher if the Fund is leveraged and Calamos will have an incentive to be more aggressive and leverage the Fund. Consequently, the Fund and Calamos may have differing interests in determining whether to leverage the Fund s assets. Any additional use of leverage by the Fund effected through new, additional or increased credit facilities or the issuance of preferred shares would require approval by the Board of Trustees of the Fund. In considering whether to approve the use of additional leverage through those means, the Board would be presented with all relevant information necessary to make a determination whether or not additional leverage would be in the best interests of the Fund, including information regarding any potential conflicts of interest. For further information about the Fund s financial leverage, see Use of Leverage by the Fund.

For further information about the effects of the Fund s financial leverage and an illustration of the hypothetical effect on the return to a holder of the Fund s common shares of the leverage obtained by borrowing under the Fund s financing package, see Effects of Leverage. For further information about leveraging, see Risk Factors Fund Risks Leverage Risk.

Interest Rate Transactions

In order to seek to reduce the interest rate risk inherent in the Fund s underlying investments and capital structure, the Fund, if Calamos deems market conditions favorable, may enter into over-the-counter interest rate swap or cap transactions to attempt to protect itself from increasing dividend or interest expenses on its leverage. The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions.

In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the counterparty) a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund a payment at a variable rate that is expected to approximate the rate on any variable rate payment obligation on the Fund s leverage. The payment obligations would be based on the notional amount of the swap.

In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. There can be no assurance that the Fund will use interest rate transactions or that, if used, their use will be beneficial to the Fund. Depending on the state of interest rates in general, the Fund s use of interest rate swap or cap transactions could enhance or harm the overall performance of the common shares. See Interest Rate Transactions.

Conflicts of Interest

Conflicts of interest may arise from the fact that Calamos and its affiliates carry on substantial investment activities for other clients, in which the Fund does not have an interest. Calamos or its affiliates may have financial incentives to favor certain of these accounts over the Fund. Any of their proprietary accounts or other customer accounts may compete with the Fund for specific trades. Calamos or its affiliates may give advice and recommend securities to, or buy or sell securities for, other accounts and customers, which advice or securities recommended may differ from advice given to, or securities recommended or bought or sold for, the Fund, even though their investment objectives may be the same as, or similar to, the Fund s investment objective.

Situations may occur when the Fund could be disadvantaged because of the investment activities conducted by Calamos and its affiliates for their other accounts. Such situations may be based on, among other things, the following: (1) legal or internal restrictions on the combined size of positions that may be taken for the Fund or the other accounts, thereby limiting the size of the Fund s position; or (2) the difficulty of liquidating an investment for the Fund or the other accounts where the market cannot absorb the sale of the combined position. See Investment Objective and Principal Investment Strategies Conflicts of Interest.

Fund Risks

Convertible Securities Risk. The value of a convertible security is influenced by both the yield of non-convertible securities of comparable issuers and by the value of the underlying common stock. The value of a convertible security viewed without regard to its conversion feature (i.e., strictly on the basis of its yield) is sometimes referred to as its investment value. A convertible security s investment value tends to decline as prevailing interest rate levels increase. Conversely, a convertible security s investment value tends to increase as prevailing interest rate levels decline.

However, the convertible s market value tends to reflect the market price of the common stock of the issuing company when that stock price is greater than the convertible s conversion price. The conversion price is defined as the predetermined price at which the convertible could be exchanged for the associated stock. As the market price of the underlying common stock declines, the price of the convertible security tends to be influenced more by the yield of the convertible security and changes in interest rates. Thus, the convertible security may not decline in price to the same extent as the underlying common stock. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before the company s common stockholders. See Risk Factors Fund Risks Convertible Securities Risk.

Synthetic Convertible Instruments Risk. The value of a synthetic convertible instrument may respond differently to market fluctuations than a convertible security because a synthetic convertible instrument is composed of two or more separate instruments, each with its own market value. In addition, if the value of the underlying common stock or the level of the index involved in the convertible component falls below the exercise price of the warrant or option, the warrant or option may lose all value. See Risk Factors Fund Risks Synthetic Convertible Instruments Risk.

Non-Convertible Income Securities Risk. The Fund will also invest in non-convertible income securities. The Fund s investments in non-convertible income securities may have fixed or variable principal payments and all types of interest rate and dividend payment and reset terms, including fixed rate, adjustable rate, zero coupon, contingent, deferred, payment in kind and auction rate features. Recent events in the fixed-income market may expose the Fund to heightened interest rate risk and volatility. See Risk Factors Fund Risks Non-Convertible Income Securities Risk.

High Yield Securities Risk. The Fund may invest in high yield securities of any rating. Investment in high yield securities involves substantial risk of loss. Below investment grade non-convertible debt securities or comparable unrated securities are commonly referred to as junk bonds and are considered predominantly speculative with respect to the issuer s ability to pay interest and principal and are susceptible to default or

Table of Contents

decline in market value due to adverse economic and business developments. The market values for high yield securities tend to be very volatile, and these securities are less liquid than investment grade debt securities. For these reasons, your investment in the Fund is subject to the following specific risks:

- increased price sensitivity to changing interest rates and to a deteriorating economic environment;
- greater risk of loss due to default or declining credit quality;
- adverse company specific events are more likely to render the issuer unable to make interest and/or principal payments; and
- if a negative perception of the high yield market develops, the price and liquidity of high yield securities may be depressed. This negative perception could last for a significant period of time.

Adverse changes in economic conditions are more likely to lead to a weakened capacity of a high yield issuer to make principal payments and interest payments than an investment grade issuer. The principal amount of high yield securities outstanding has proliferated in the past decade as an increasing number of issuers have used high yield securities for corporate financing. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity.

The secondary market for high yield securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on the Fund s ability to dispose of a particular security. There are fewer dealers in the market for high yield securities than for investment grade obligations. The prices quoted by different dealers may vary significantly and the spread between the bid and asked price is generally much larger than for higher quality instruments. Under adverse market or economic conditions, the secondary market for high yield securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Fund s net asset value. See Risk Factors Fund Risks High Yield Securities Risk.

Interest Rate Risk. In addition to the risks discussed above, debt securities, including high yield securities, are subject to certain risks, including:

- if interest rates go up, the value of debt securities in the Fund s portfolio generally will decline;
- during periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer;
- during periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the estimated period until the security is paid in full, and reduce the value of the security. This is known as extension risk;
- rising interest rates could result in an increase in the cost of the Fund s leverage and could adversely affect the ability of the Fund to meet asset coverage requirements with respect to leverage;

variable rate securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. When the Fund holds variable rate securities, a decrease in market interest rates will adversely affect the income received from such securities and the NAV of the Fund s shares; and

the risks associated with rising interest rates may be particularly acute in the current market environment because market interest rates are currently near historically low levels. Thus, the Fund currently faces a heightened level of interest rate risk, especially since the Federal Reserve Board has ended its quantitative easing program and has begun, and may continue, to raise interest rates. To the extent the Federal Reserve Board continues to raise interest rates, there is a risk that interest rates across the financial system may rise. Increases in volatility and interest rates in the fixed-income market may expose the Fund to heightened interest rate risk.

Many financial instruments use or may use a floating rate based on LIBOR, which is the offered rate for

short-term Eurodollar deposits between major international banks. On July 27, 2017, the head of the United Kingdom s Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the financial instruments in which the Fund invests cannot yet be determined.

See Risk Factors Fund Risks Interest Rate Risk.

Leverage Risk. The Fund has issued indebtedness and preferred shares and may borrow money or issue debt securities. As of January 31, 2019, the Fund has leverage in the form of borrowings under the SSB Agreement and outstanding MRP Shares. Leverage is the potential for the Fund to participate in gains and losses on an amount that exceeds the Fund s investment. The borrowing of money or issuance of debt securities and preferred shares represents the leveraging of the Fund s common shares. As a non-fundamental policy, the Fund may not issue preferred shares or borrow money and/or issue debt securities with an aggregate liquidation preference and aggregate principal amount exceeding 38% of the Fund s managed assets as measured at the time of borrowing or issuance of the new securities. However, the Board of Trustees reserves the right to issue preferred shares or debt securities or borrow to the extent permitted by the 1940 Act. See Leverage.

Leverage creates risks which may adversely affect the return for the holders of common shares, including:

- the likelihood of greater volatility in the net asset value and market price of the Fund s common shares;

- fluctuations in the dividend rates on any preferred shares borne by the Fund or in interest rates on borrowings and short-term debt;

- increased operating costs, which are effectively borne by common shareholders, may reduce the Fund s total return; and

- the potential for a decline in the value of an investment acquired with borrowed funds, while the Fund s obligations under such borrowing or preferred shares remain fixed.

In addition, the rights of lenders and the holders of preferred shares and debt securities issued by the Fund will be senior to the rights of the holders of common shares with respect to the payment of dividends or to the payment of assets upon liquidation. Holders of preferred shares have voting rights in addition to and separate from the voting rights of common shareholders. See Description of Securities Preferred Shares and Certain Provisions of the Agreement and Declaration of Trust and By-Laws, Including Antitakeover Provisions. The holders of preferred shares or debt, if any, on the one hand, and the holders of the common shares, on the other, may have interests that conflict in certain situations.

Leverage is a speculative technique that could adversely affect the returns to common shareholders. Leverage can cause the Fund to lose money and can magnify the effect of any losses. To the extent the income or capital appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage, the Fund s return will be greater than if leverage had not been used. Conversely, if the income or capital appreciation from the securities purchased with such funds is not sufficient to cover the cost of leverage or if the Fund incurs capital losses, the return of the Fund will be less than if leverage had not been used, and therefore the amount available for distribution to common shareholders as dividends and other distributions will be reduced or potentially eliminated.

9

Table of Contents

The Fund will pay, and common shareholders will effectively bear, any costs and expenses relating to any borrowings and to the issuance and ongoing maintenance of preferred shares or debt securities. Such costs and expenses include the higher management fee resulting from the use of any such leverage, offering and/or issuance costs, and interest and/or dividend expense and ongoing maintenance. These conditions may, directly or indirectly, result in higher leverage costs to common shareholders.

Certain types of borrowings may result in the Fund being subject to covenants in credit agreements, including those relating to asset coverage, borrowing base and portfolio composition requirements and additional covenants that may affect the Fund s ability to pay dividends and distributions on common shares in certain instances. The Fund may also be required to pledge its assets to the lenders in connection with certain types of borrowings. The Fund may be subject to certain restrictions on investments imposed by guidelines of and covenants with rating agencies which may issue ratings for the preferred shares or short-term debt instruments issued by the Fund. These guidelines and covenants may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. The Board reserves the right to change the amount and type of leverage that the Fund uses, and reserves the right to implement changes to the Fund s borrowings that it believes are in the best interests of the Fund, even if such changes impose a higher interest rate or other costs or impacts over the intermediate, or short-term time period. There is no guarantee that the Fund will maintain leverage at the current rate, and the Board reserves the right to raise, decrease, or eliminate the Fund s leverage exposure. See Prospectus Summary Use of Leverage by the Fund.

Default Risk. Default risk refers to the risk that a company that issues a convertible or debt security will be unable to fulfill its obligations to repay principal and interest. The lower a debt security is rated, the greater its default risk. The Fund may incur cost and delays in enforcing its rights against the defaulting issuer.

Liquidity Risk. The Fund may invest without limit in securities that, at the time of investment, are illiquid (i.e., any investment that the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment). Illiquid securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. Investment of the Fund s assets in illiquid securities may restrict the Fund s ability to take advantage of market opportunities. The market price of illiquid securities generally is more volatile than that of more liquid securities, which may adversely affect the price that the Fund pays for or recovers upon the sale of illiquid securities. Illiquid securities are also more difficult to value and may be fair valued by the Board, in which case Calamos judgment may play a greater role in the valuation process. The risks associated with illiquid securities may be particularly acute in situations in which the Fund s operations require cash and could result in the Fund borrowing to meet its short-term needs or incurring losses on the sale of illiquid securities. See Risk Factors Fund Risks Liquidity Risk.

Foreign Securities Risk. Investments in non-U.S. issuers may involve unique risks compared to investing in securities of U.S. issuers. These risks are more pronounced to the extent that the Fund invests a significant portion of its non-U.S investments in one region or in the securities of emerging market issuers. See also Emerging Markets Risk below. These risks may include:

- less information may be available about non-U.S. issuers or markets due to less rigorous disclosure or accounting standards or regulatory practices in foreign jurisdictions;
- many non-U.S. markets are smaller, less liquid and more volatile. In a changing market, Calamos may not be able to sell the Fund s portfolio securities at times, in amounts and at prices it considers reasonable;
- an adverse effect of currency exchange rate changes or controls on the value of the Fund s investments;
- the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession;

- economic, political and social developments may adversely affect the securities markets in foreign jurisdictions, including expropriation and nationalization;
- the difficulty in obtaining or enforcing a court judgment in non-U.S. countries;
- restrictions on foreign investments in non-U.S. jurisdictions;
- difficulties in effecting the repatriation of capital invested in non-U.S. countries;
- withholding and other non-U.S. taxes may decrease the Fund s return; and
- dividend income the Fund receives from foreign securities may not be eligible for the special tax treatment applicable to qualified dividend income.

Based upon the Fund s test for determining whether an issuer is a foreign issuer as described above, it is possible that an issuer of securities in which the Fund invests could be organized under the laws of a foreign country, yet still conduct a substantial portion of its business in the U.S. or have substantial assets in the U.S. In this case, such a foreign issuer may be subject to the market conditions in the U.S. to a greater extent than it may be subject to the market conditions in the country of its organization. See Risk Factors Fund Risks Foreign Securities Risk. See also Non-U.S. Government Obligation Risk.

Emerging Markets Risk. Emerging market countries may have relatively unstable governments and economies based on only a few industries, which may cause greater instability. The value of emerging market securities will likely be particularly sensitive to changes in the economies of such countries. These countries are also more likely to experience higher levels of inflation, deflation or currency devaluations, which could adversely affect the value of the Fund s investments and hurt those countries economies and securities markets. See Risk Factors Fund Risks Emerging Markets Risk.

Risks Associated with Options. There are several risks associated with transactions in options. For example, there are significant differences between the securities markets and options markets that could result in an imperfect correlation among these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. The Fund s ability to utilize options successfully will depend on Calamos ability to predict pertinent market movements, which cannot be assured.

The Fund may sell options on individual securities and securities indices. All call options sold by the Fund must be covered. Even though the Fund will receive the option premium to help protect it against loss, a call option sold by the Fund exposes the Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or instrument and may require the Fund to hold a security or instrument that it might otherwise have sold. In addition, a loss on a call option sold may be greater than the premium received. The Fund may purchase and sell put options on individual securities and securities indices. In selling put options, th**position position position liability position asset position liability position**

Collateral paid
$43,191 $ $166,589 $ $ $
Collateral received
(17,675) (7,467)
Fair value of derivatives
40,476 (146,330) 25,059
Balance at end of period
$83,667 $ $20,259 $ $7,384 $(7,467)

Certain of our contracts allow the Company to post grain inventory as collateral rather than cash. Grain inventory posted as collateral on our derivative contracts are recorded in Inventories on the Consolidated Balance Sheets and the

estimated fair value of such inventory was $78.2 million, $27.3 million and $6.2 million as of June 30, 2011, December 31, 2010 and June 30, 2010, respectively.

The gains included in the Company s Condensed Consolidated Statements of Income and the line items in which they are located for the three and six months ended June 30, 2011 are as follows:

(in thousands)	**Three months ended June 30, 2011**	**Six months ended June 30, 2011**
Gains on commodity derivatives included in sales and merchandising revenues	$ 102,585	$ 103,863

At June 30, 2011, the Company had the following bushels, tons 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)
Non-exchange traded:			
Corn	308,168		
Soybeans	18,716		
Wheat	12,881		
Oats	14,482		
Soymeal			
Ethanol			202,013
Other	663		
Subtotal	354,910		202,013
Exchange traded:			
Corn	123,525		
Soybeans	17,170		
Wheat	44,100		
Oats	3,470		
Soymeal		4	
Ethanol			37,575
Other			120
Subtotal	188,265	4	37,695
Total	543,175	4	239,708

Interest Rate and Foreign Currency Derivatives

The Company periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. Information regarding the nature and terms of the Company s interest rate derivatives is presented in Note 15

Derivatives, in the Company s 2010 Annual Report on Form 10-K and such information is consistent with that as of June 30, 2011. The fair values of these derivatives are not material for any of the periods presented and are included in the Company s Condensed Consolidated Balance Sheet in either other current liabilities (if short-term in nature) or in other assets or other long-term liabilities (if non-current in nature).

Table of Contents

The impact to the Company s results of operations related to these interest rate derivatives was not material for any period presented.

In the second quarter, the Company entered into three $20 million interest rate caps to hedge expected borrowings for the time period from November 2011 to May 2012. These short-term caps are forward starting and are marked to market, with changes in fair value recorded to income on a quarterly basis. The impact on income for the second quarter was not material.

The Company holds 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. Information regarding the nature and terms of this derivative is presented in Note 15 Derivatives, in the Company s 2010 Annual Report on Form 10-K and such information is consistent with that as of June 30, 2011. The fair value of this derivative and its impact to the Company s results of operations for any of the periods presented were not material.

5. Earnings Per Share

Unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and are 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.

	Three months ended June 30,		**Six months ended June 30,**	
(in thousands, except per common share data)	**2011**	**2010**	**2011**	**2010**
Net income attributable to The Andersons, Inc.	**$ 45,218**	$ 25,169	**$ 62,484**	$ 37,434
Less: Distributed and undistributed earnings allocated to nonvested restricted stock	**205**	81	**235**	112
Earnings available to common shareholders	**$ 45,013**	$ 25,088	**$ 62,249**	$ 37,322
Earnings per share basic:				
Weighted average shares outstanding basic	**18,485**	18,366	**18,469**	18,340
Earnings per common share basic	**$ 2.44**	$ 1.37	**$ 3.37**	$ 2.04
Earnings per share diluted:				
Weighted average shares outstanding basic	**18,485**	18,366	**18,469**	18,340
Effect of dilutive awards	**134**	97	**168**	126
Weighted average shares outstanding diluted	**18,619**	18,463	**18,637**	18,466
Earnings per common share diluted	**$ 2.42**	$ 1.36	**$ 3.34**	$ 2.02

There were no antidilutive stock-based awards outstanding for the three and six month periods ended June 30, 2011. For the three and six month periods ended June 30, 2010 there were approximately 21 thousand and 14 thousand antidilutive stock-based awards outstanding.

6. Employee Benefit Plans

Included as charges against income for the three and six months ended June 30, 2011 and 2010 are the following amounts for pension and postretirement benefit plans maintained by the Company:

	Pension Benefits			
	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2011**	**2010**	**2011**	**2010**
Service cost	**$**	$ 1,257	**$**	$ 1,614
Interest cost	**1,163**	1,134	**2,289**	2,169
Expected return on plan assets	**(1,558)**	(1,362)	**(3,118)**	(2,725)
Recognized net actuarial loss	**247**	892	**470**	1,316
Benefit (income) cost	**$ (148)**	$ 1,921	**$ (359)**	$ 2,374

	Postretirement Benefits			
	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2011**	**2010**	**2011**	**2010**
Service cost	**$ 136**	$ 114	**$ 277**	$ 233
Interest cost	**325**	306	**643**	606
Amortization of prior service cost	**(136)**	(127)	**(272)**	(255)
Recognized net actuarial loss	**242**	187	**451**	345
Benefit cost	**$ 567**	$ 480	**$ 1,099**	$ 929

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 $1.5 million during the first quarter of 2010. The offset to this adjustment was included in the provision for income taxes on the Company s Consolidated Statement of Income.

7. Segment Information

During the first quarter of 2011, management re-evaluated the Company s reportable segments. Based on that evaluation, the Company has begun to separate the segment previously reported as Grain & Ethanol into two separate reportable segments for external financial reporting. We have also evaluated the impact of this change on the recoverability of our goodwill and no impairment charge was necessary. Corresponding items of segment information for earlier periods have been reclassified to conform to current year presentation.

The Company s operations include six reportable business segments that are distinguished primarily on the basis of products and services offered. The Grain business includes grain merchandising, the operation of terminal grain elevator facilities and the investment in Lansing Trade Group LLC (LTG). The Ethanol business purchases and sells ethanol and also manages the ethanol production facilities organized as limited liability companies (ethanol LLCs) in which the Company has investments and various service contracts for these investments. Rail operations include the leasing, marketing and fleet management of railcars and locomotives, railcar repair and metal fabrication. The Plant Nutrient business manufactures and distributes agricultural inputs, primarily fertilizer, to dealers and farmers. Turf & Specialty operations include the production and distribution of turf care and corncob-based products. The Retail business 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 segment.

Table of Contents

Results of Operations Segment Disclosures (in thousands)

Second quarter ended June 30, 2011	**Grain**	**Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	**$ 797,130**	**$ 164,704**	**$ 29,501**	**$ 259,823**	**$ 41,551**	**$ 45,458**	**$**	**$ 1,338,167**
Inter-segment sales	**1**			**3,221**	**627**			**3,849**
Equity in earnings of affiliates	**5,428**	**7,082**		**2**				**12,512**
Other income, net	**522**	**37**	**841**	**134**	**259**	**144**	**81**	**2,018**
Interest expense	**3,859**	**274**	**1,511**	**973**	**372**	**207**	**366**	**7,562**
Operating income (loss) (a)	**36,541**	**8,830**	**2,763**	**24,077**	**1,778**	**1,877**	**(4,673)**	**71,193**
Income attributable to noncontrolling interest		**(817)**						**(817)**
Income (loss) before income taxes	**36,541**	**9,647**	**2,763**	**24,077**	**1,778**	**1,877**	**(4,673)**	**72,010**

Second quarter ended June 30, 2010	**Grain**	**Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	$ 360,635	$ 113,045	$ 23,635	$ 228,404	$ 41,182	$ 44,098	$	$ 810,999
Inter-segment sales	2		147	2,354	400			2,903
Equity in earnings of affiliates	2,272	4,393		2				6,667
Other income (loss), net	605	19	499	302	377	157	(78)	1,881
Interest expense	840	238	1,317	1,133	503	269	363	4,663
Operating income (loss) (a)	13,373	6,249	114	19,017	2,486	2,078	(3,595)	39,722
Income attributable to noncontrolling interest		(610)						(610)
Income (loss) before income taxes	13,373	6,859	114	19,017	2,486	2,078	(3,595)	40,332

Six months ended June 30, 2011	**Grain**	**Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	**$ 1,435,097**	**$ 297,452**	**$ 58,411**	**$ 383,472**	**$ 88,821**	**$ 76,588**	**$**	**$ 2,339,841**
Inter-segment sales	**2**		**189**	**8,606**	**1,332**			**10,129**
Equity in earnings of affiliates	**11,658**	**8,096**		**4**				**19,758**

Other income, net	**1,102**	**95**	**1,594**	**259**	**549**	**300**	**425**	**4,324**
Interest expense (income)	**8,699**	**686**	**2,958**	**1,816**	**821**	**467**	**(549)**	**14,898**
Operating income (loss) (a)	**51,642**	**12,401**	**6,309**	**29,191**	**5,056**	**(787)**	**(5,547)**	**98,265**
Income attributable to noncontrolling interest		**(939)**						**(939)**
Income (loss) before income taxes	**51,642**	**13,340**	**6,309**	**29,191**	**5,056**	**(787)**	**(5,547)**	**99,204**

Six months ended June 30, 2010	**Grain**	**Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	$ 763,003	$ 231,566	$ 50,325	$ 331,562	$ 82,815	$ 73,726	$	$ 1,532,997
Inter-segment sales	2		301	6,992	1,033			8,328
Equity in earnings of affiliates	5,331	11,237		4				16,572
Other income, net	1,255	42	2,308	633	794	276	227	5,535
Interest expense	2,231	452	2,644	2,266	1,042	556	107	9,298
Operating income (loss) (a)	25,571	14,767	1,140	19,736	5,150	(749)	(4,213)	61,402
Income attributable to noncontrolling interest		(1,001)						(1,001)
Income (loss) before income taxes	25,571	15,768	1,140	19,736	5,150	(749)	(4,213)	62,403

(a) Operating income (loss), the operating segment measure of profitability, is defined as 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 inclusive of net income attributable to the noncontrolling interest.

8. Related Party Transactions

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. See Note 3 in the Company s 2010 Form 10-K for more information, including descriptions of various arrangements the Company has with certain of these entities.

Table of Contents

For the quarters ended June 30, 2011 and 2010, revenues recognized for the sale of ethanol that the Company purchased from the ethanol LLCs were $168.7 million and $97.5 million, respectively. For the six months ended June 30, 2011 and 2010, revenues recognized for the sale of ethanol that the Company purchased from the ethanol LLCs were $326.7 million and $210.1 million, respectively. For the quarters ended June 30, 2011 and 2010, revenues recognized for the sale of corn to the ethanol LLCs under these agreements were $194.4 million and $97.6 million, respectively. For the six months ended June 30, 2011 and 2010, revenues recognized for the sale of corn to the ethanol LLCs were $341.1 million and $195.2 million, respectively.
The Company also sells and purchases both grain and ethanol with LTG in the ordinary course of business on terms similar to sales and purchases with unrelated customers.
From time to time, the Company enters into derivative contracts with certain of its related parties, including the ethanol LLCs and LTG, for the purchase and sale of corn and ethanol, for similar price risk mitigation purposes and on similar terms as the purchase and sale of derivative contracts it enters into with unrelated parties. At June 30, 2011, the fair value of derivative contracts with related parties was a gross asset and liability of $4.1 million and $2.3 million, respectively.
The following table summarizes income (losses) earned from the Company s equity method investments by entity:

(in thousands)	% ownership at June 30, 2011 (direct and indirect)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
The Andersons Albion Ethanol LLC	50%	**$ 2,146**	$ 1,201	**$ 2,530**	$ 3,922
The Andersons Clymers Ethanol LLC	38%	**2,783**	2,047	**2,919**	4,931
The Andersons Marathon Ethanol LLC	50%	**2,153**	1,145	**2,648**	2,384
Lansing Trade Group LLC	51%	**5,346**	2,272	**11,512**	5,158
Other	7%-33%	**84**	2	**149**	177
Total		**$ 12,512**	$ 6,667	**$ 19,758**	$ 16,572

Total distributions received from unconsolidated affiliates were $6.7 million and $15.3 million for the three and six months ended June 30, 2011.
While the Company holds a majority of the outstanding shares of LTG, 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 LTG operating agreement, 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.
The Company holds a majority interest (66%) in The Andersons Ethanol Investment LLC (TAEI). This consolidated entity holds a 50% interest in The Andersons Marathon Ethanol LLC (TAME). The noncontrolling interest in TAEI is attributed 34% of all gains and losses of TAME.
The following table presents the Company s investment balance in each of its equity method investees by entity:

Table of Contents

(in thousands)	June 30, 2011	December 31, 2010	June 30, 2010
The Andersons Albion Ethanol LLC	**$ 31,075**	$ 31,048	$ 32,635
The Andersons Clymers Ethanol LLC	**40,106**	37,496	37,109
The Andersons Marathon Ethanol LLC	**37,577**	34,929	36,197
Lansing Trade Group LLC	**69,175**	70,143	60,729
Other	**1,955**	1,733	1,428
Total	**$ 179,888**	$ 175,349	$ 168,098

Investment in Debt Securities

During the second quarter of 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. The estimated fair value of the Company s investment in IANR as of June 30, 2011 was $15.8 million.

Based on the Company s assessment, IANR is considered a variable interest entity (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 $17.7 million, which represents the Company s investment plus unpaid accrued dividends to date of $1.9 million. The Company does not have any obligation or commitments to provide additional financial support to IANR.

Related Party Transactions

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)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Sales and service fee revenues	**$ 232,239**	$ 115,285	**$ 412,986**	$ 234,131
Purchases of product	**159,381**	105,318	**288,124**	215,071
Lease income (a)	**1,415**	1,436	**2,667**	2,819
Labor and benefits reimbursement (b)	**2,611**	2,713	**5,384**	5,399
Other expenses (c)	**45**		**45**	
Accounts receivable at June 30 (d)	**23,558**	12,056		
Accounts payable at June 30 (e)	**21,409**	16,292		

(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.

(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) Other expenses include payments to IANR for repair shop rent and use of their railroad reporting mark.

(d) Accounts receivable represents amounts due from related parties for sales of corn, leasing revenue and service fees.

(e) Accounts payable represents amounts due to related parties for purchases of ethanol.

9. Fair Value Measurements

The following table presents the Company s assets and liabilities measured at fair value on a recurring basis at June 30, 2011, December 31, 2010 and June 30, 2010:

(in thousands)	June 30, 2011			
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 182	$	$	$ 182
Commodity derivatives, net	89,769	71,296	8,794	169,859
Convertible preferred securities (b)			15,790	15,790
Other assets and liabilities (a)	18,917		(1,883)	17,034
Total	$ 108,868	$ 71,296	$ 22,701	$ 202,865

(in thousands)	December 31, 2010			
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 213	$	$	$ 213
Commodity derivatives, net	61,559	129,723	12,406	203,688
Convertible preferred securities (b)			15,790	15,790
Other assets and liabilities (a)	17,983		(2,156)	15,827
Total	$ 79,755	$ 129,723	$ 26,040	$ 235,518

(in thousands)	June 30, 2010			
Assets (liabilities)	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 173,797	$	$	$ 173,797
Commodity derivatives, net	(20,240)	(23,140)	7	(43,373)
Convertible preferred securities (b)			13,100	13,100
Other assets and liabilities (a)	8,586		(2,277)	6,309
Total	$ 162,143	$ (23,140)	$ 10,830	$ 149,833

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

(b) Recorded in Other noncurrent assets on the Company s balance sheet

17

Table of Contents

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

(in thousands)	June 30, 2011 Interest rate derivatives and swaptions	June 30, 2011 Convertible preferred securities	June 30, 2011 Commodity derivatives, net	June 30, 2010 Interest rate derivatives	June 30, 2010 Convertible preferred securities	June 30, 2010 Commodity derivatives, net
Asset (liability) at December 31,	**$ (2,156)**	**$ 15,790**	**$ 12,406**	$ (1,763)	$	$ 1,948
Gains (losses) included in earnings	**(2)**		**77**	(72)		(1,926)
Unrealized gains (losses) included in other comprehensive income	**149**			(126)		
New contracts entered into	**507**			36		
Transfers from level 2			**2,500**			
Asset (liability) at March 31,	**$ (1,502)**	**$ 15,790**	**$ 14,983**	$ (1,925)	$	$ 22
Investment in debt securities					13,100	
Gains (losses) included in earnings	**(310)**		**(6,398)**	(99)		(15)
Unrealized gains (losses) included in other comprehensive income	**(120)**			(253)		
New contracts entered into	**49**					
Transfers from level 2			**209**			
Asset (liability) at June 30,	**$ (1,883)**	**$ 15,790**	**$ 8,794**	$ (2,277)	$ 13,100	$ 7

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 futures or options contracts via regulated exchanges and contracts with producers or customers under which the future settlement date and bushels (or gallons in the case of ethanol contracts) 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, which is attributable to local market conditions, between the quoted 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 exists, 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.

During the second quarter of 2010, the Company invested in cumulative convertible preferred shares of Iowa Northern Railway Corporation. These shares are carried at estimated fair value in Other noncurrent assets on the Company s balance sheet. Changes in estimated fair value are recorded within other comprehensive income . See Note 8 for further information.

Fair Value of Financial Instruments

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 for similar types of borrowing arrangements.

(in thousands)	**June 30, 2011**	**December 31, 2010**
Fair value of long-term debt and interest rate contracts	**$311,886**	$ 307,865
Fair value in excess of carrying value	**3,926**	4,359

Table of Contents

The fair value of the Company s cash equivalents, accounts receivable and accounts payable approximate their carrying value as they are close to maturity.

10. Debt

The Company is party to borrowing arrangements with a syndicate of banks. See Note 8 in the Company s 2010 Form 10-K for a complete description of these arrangements. Total borrowing capacity for the Company under all lines of credit is currently at $1.1 billion. At June 30, 2011, the Company had a total of $880.0 million available for borrowing under its lines of credit.

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. The Series A note was paid off during the first quarter of 2011.

The Company s long-term debt at June 30, 2011, December 31, 2010 and June 30, 2010 consisted of the following:

	June 30, 2011	December 31, 2010	June 30, 2010
Current maturities of long-term debt nonrecourse	$ 2,827	$ 2,841	$ 3,076
Current maturities of long-term debt recourse	42,605	21,683	20,910
	45,432	24,524	23,986
Long-term debt, less current maturities nonrecourse	11,690	13,150	14,579
Long-term debt, less current maturities recourse	248,955	263,675	267,161
	$ 260,645	$ 276,825	$ 281,740

11. Commitments and Contingencies

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 reserves are taken into income and, conversely, if those cases are resolved for larger than the amount 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. Finally, litigation results are often subject to judicial reconsideration, appeal and further negotiation by the parties, and as a result, the final impact of a particular judicial decision may be unknown for some time, or may result in continued reserves to account for the potential of such post-verdict actions. In the second quarter, 2011, the Company received a trial verdict in the amount of $2.9 million in a civil suit. The Company has filed a motion for reconsideration of that judgment and an appeal by one or both parties is possible. No income has been recorded to-date due to uncertainty of the final amount and overall collectability of any amount against the defendant.

Table of Contents

Item 2. 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 others, including those risk factors listed under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010 (2010 Form 10-K). In some cases, you can identify forward-looking statements by terminology such as may, anticipates, believes, estimates, predicts, or the negativ 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.

Critical Accounting Policies and Estimates

Our critical accounting policies and critical accounting estimates, as described in our 2010 Form 10-K, have not materially changed during the first six months of 2011.

Executive Overview

Grain Business

The Grain business operates grain elevators in various states, primarily in the U.S. Corn Belt. In addition to storage, merchandising and grain trading, Grain performs risk management and other services for its customers. Grain is a significant investor in Lansing Trade Group LLC (LTG), an established grain merchandising business with operations throughout the country and internationally. LTG continues to increase its capabilities, including ethanol trading, and is exposed to many of the same risks as the Company s Grain business. This investment provides the business with 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 business 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 overall performance of the business and more focus should be placed on changes to merchandising revenues and service income.

Grain inventories on hand at June 30, 2011 were 47.1 million bushels, of which 46 thousand bushels were stored for others. This compares to 48.3 million bushels on hand at June 30, 2010, of which 17.7 million bushels were stored for others. At June 30, 2010, Grain had a significant number of bushels on delivery with the CME, which was not the case at June 30, 2011.

The U.S. Department of Agriculture has reported that corn acreage for 2011 increased by 4 million acres from the 2010 level, as high corn prices and strong profit potential encouraged farmers to boost acreage in almost all states. Corn acreage exceeded intentions in states that planted early and even states with extreme planting delays due to the wet spring only showed a small decline in corn acreage. In the states where the Company has grain storage facilities, 64% of the corn is now rated good to excellent, compared to 70% at the same time last year. Soybeans rated as good to excellent were an average of 40%, compared to 65% at this same time last year.

The Grain Division entered into a grain merchandising agreement with Trotter, Inc., of Arcadia, Nebraska subsequent to the end of the second quarter. The agreement provides the Grain Division with access to an additional 4.1 million bushels of storage space in Nebraska.

Table of Contents

Ethanol Business

The Ethanol business operates the three ethanol production facilities in which the Company has investments. The business also offers facility operations, risk management, corn origination, ethanol and distillers dried grains (DDG) marketing to the ethanol plants it operates as well as third parties.

The ethanol industry has been impacted by the rising corn prices caused by global supply and demand. In the third quarter, the increase in the cost of corn is expected to have a negative impact on margins. Even with the high corn prices, we do expect margins to be positive for the third quarter due to the fact that the spot rate for corn appears to be strong and gasoline prices higher than a year ago due to higher oil prices. In addition, physical corn purchases were secured in advance of the spot period at significant discounts to spot market basis. This securing of physical corn basis in advance has enabled us to yield better margins. However, during the third quarter, there will be costs associated with the planned shut-downs that will interrupt production at each facility in the September time frame.

Rail Business

The Rail business buys, sells, leases, rebuilds and repairs various types of used railcars and rail equipment. The business also provides fleet management services to fleet owners and operates a custom steel fabrication business. Rail 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.

Railcars and locomotives under management (owned, leased or managed for financial institutions in non-recourse arrangements) at June 30, 2011 were 22,390 compared to 22,834 at June 30, 2010. The average utilization rate (railcars and locomotives under management that are in lease services, exclusive of railcars managed for third party investors) has increased significantly to 84.7% for the quarter ended June 30, 2011 compared to 71.0% for the quarter ended June 30, 2010. Rail traffic on major U.S. railroads has increased 2.7% over the same period of 2010, but the rate of improvement is expected to slow for the remainder of the year.

As part of the strategy to diversify its portfolio, Rail purchased 639 used intermodal containers for $2.0 million during the second quarter of 2011. These containers can be used for multiple purposes including transporting freight and stacking various types of cargo. Rail plans to continue pursuing growth opportunities through portfolio purchases, expansion of repair facilities, and other possible prospects.

Plant Nutrient Business

The Company s Plant Nutrient business 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. Plant Nutrient provides warehousing, packaging and manufacturing services to basic manufacturers and other distributors. The business 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 business principally contain nitrogen, phosphate, potassium and sulfur.

As mentioned previously, corn acres planted increased significantly over 2010 which is a benefit to our Plant Nutrient Group as corn requires more nutrients than soybeans or wheat. Considering the wet spring, inventory moved nicely once growers were able to get in the field. In regards to fall applications, the Group is already booking strong volumes.

We are still anticipating that 2011 will be a strong year as the demand for nutrients is high and acres planted have increased as expected. As a result, margins should be strong as well as a result of tight supplies of the basic nutrients and strong price trends. However, adverse weather in the third and fourth quarters could reduce sales and gross profit.

Table of Contents

Turf & Specialty Business

The Turf & Specialty business produces granular fertilizer products for the professional lawn care and golf course markets. It also sells consumer fertilizer and weed and turf pest 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 weed and turf pest control products. Turf & Specialty is one of a limited number of processors of corncob-based products in the United States. These products primarily serve the weed and turf pest control 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 business continues to see positive results from its focus on proprietary products and expanded product lines. The Company has spent considerable time marketing the A+ program which has boosted liquid and dispersible granular sales.

Retail Business

The Retail business includes large retail stores operated as The Andersons and a specialty food market operated as The Andersons Market . It 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. Retail continues to work on the new departments and products added in the food areas as part of the reset to maximize the profitability of these new additions.

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.

The Ohio Tax Credit Authority approved job retention tax credits and job creation tax credits for the Company in relation to upcoming capital projects. To earn these credits, the company has committed to invest a minimum amount in new machinery and equipment and property renovations/improvements. In addition to the capital investment the company will retain 636 and create a minimum 20 full-time equivalent positions.

Operating Results

The following discussion focuses on the operating results as shown in the Condensed Consolidated Statements of Income with a separate discussion by segment. Additional segment information is included in the Notes to the Condensed Consolidated Financial Statements herein in Note 7. Segment Information.

(in thousands)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Sales and merchandising revenues	**$ 1,338,167**	$ 810,999	**$ 2,339,841**	$ 1,532,997
Cost of sales and merchandising revenues	**1,215,395**	723,445	**2,138,384**	1,386,893
Gross profit	**122,772**	87,554	**201,457**	146,104
Operating, administrative and general expenses	**57,730**	51,107	**111,437**	96,510
Interest expense	**7,562**	4,663	**14,898**	9,298
Equity in earnings of affiliates	**12,512**	6,667	**19,758**	16,572
Other income, net	**2,018**	1,881	**4,324**	5,535
Income before income taxes	**$ 72,010**	$ 40,332	**$ 99,204**	$ 62,403

Comparison of the three months ended June 30, 2011 with the three months ended June 30, 2010:
Grain Division

(in thousands)	Three months ended June 30, 2011	Three months ended June 30, 2010
Sales and merchandising revenues	**$ 797,130**	$ 360,635
Cost of sales and merchandising revenues	**745,650**	334,956
Gross profit	**51,480**	25,679
Operating, administrative and general expenses	**17,030**	14,343
Interest expense	**3,859**	840
Equity in earnings of affiliates	**5,428**	2,272
Other income, net	**522**	605
Operating income	**$ 36,541**	$ 13,373

Operating results for the Grain Division increased $23.2 million over the results of the same period last year. Sales and merchandising revenues increased $436.5 million and is the result of higher commodity prices and a significant increase in volume, primarily in wheat. Gross profit increased $25.8 million compared to the second quarter of 2010 and is a result of increased space income for wheat, and more specifically basis income. Basis is defined as the difference between the cash price of a commodity in one of the Company s facilities and the nearest exchange traded futures price. The Company does not expect the large basis appreciation that occurred during the second quarter to continue into the second half of the year.

Operating expenses increased $2.7 million over the same period in 2010 and is spread among several expense categories related primarily to acquisitions, including labor and incentive compensation.

Interest expense increased $3.0 million from the same period in 2010 due to greater need to cover margin deposit requirements. Other income did not change significantly quarter over quarter.

Equity in earnings of affiliates increased $3.2 million over the same period in 2010, primarily due to the investment in LTG.

Table of Contents

Ethanol Division

	Three months ended June 30,	
(in thousands)	**2011**	**2010**
Sales and merchandising and service fee revenues	**$ 164,704**	$ 113,045
Cost of sales and merchandising revenues	**159,875**	108,651
Gross profit	**4,829**	4,394
Operating, administrative and general expenses	**2,027**	1,709
Interest expense	**274**	238
Equity in earnings of affiliates	**7,082**	4,393
Other income, net	**37**	19
Operating income before noncontrolling interest	**9,647**	6,859
Income attributable to noncontrolling interest	**(817)**	(610)
Operating income	**$ 8,830**	$ 6,249

Operating results for the Ethanol Division increased $2.6 million over the results of the same period last year. Sales and merchandising and service fee revenues increased $51.7 million and is primarily due to an increase in the average price per gallon sold, as volume for the quarter remained relatively flat compared to the same quarter last year.
Gross profit, which primarily represents service fee income, increased $0.4 million over the second quarter of 2010. There were no significant changes in operating expenses, interest expense and other income.
Equity in earnings of affiliates increased $2.7 million over the same period in 2010 and relates to income from the investment in three ethanol LLCs.

Rail Group

	Three months ended June 30,	
(in thousands)	**2011**	**2010**
Sales and merchandising revenues	**$ 29,501**	$ 23,635
Cost of sales and merchandising revenues	**23,086**	19,284
Gross profit	**6,415**	4,351
Operating, administrative and general expenses	**2,982**	3,419
Interest expense	**1,511**	1,317
Other income, net	**841**	499
Operating income	**$ 2,763**	$ 114

Operating results for the Rail Group improved by $2.6 million compared to the results from the same period last year. Leasing revenues increased $2.3 million, car sales increased $3.1 million, and sales in the repair and fabrication shops increased $0.5 million. The increase in revenues is primarily attributed to the higher utilization rates achieved during the second quarter.
Rail gross profit increased by $2.1 million compared to the second quarter of 2010. Gross profit in the leasing business increased $1.1 million and is attributed to the increased utilization and decreased storage costs and lease expense compared to the same period last year. Gross profit on car sales increased $0.6 million and is attributed to a higher volume of non-recourse lease transactions. Gross profit in the repair and fabrication shops increased

$0.4 million.

Operating expenses decreased $0.4 million from the second quarter of 2010 due to lower labor and benefits, including performance incentives.

Interest expense increased slightly over the same period last year. Other income increased mainly as a result of dividend income from IANR which began accruing in May of 2010. Therefore, a full three months was accrued in 2011 versus only two months in 2010.

24

Table of Contents

Plant Nutrient Group

(in thousands)	Three months ended June 30, 2011	2010
Sales and merchandising revenues	**$ 259,823**	$ 228,404
Cost of sales and merchandising revenues	**220,572**	196,841
Gross profit	**39,251**	31,563
Operating, administrative and general expenses	**14,337**	11,717
Interest expense	**973**	1,133
Equity in earnings of affiliates	**2**	2
Other income, net	**134**	302
Operating income	**$ 24,077**	$ 19,017

Operating results for the Plant Nutrient Group increased $5.1 million over the same period last year. Sales and merchandising revenues increased $31.4 million due primarily to an increase in the average price per ton sold as sales volumes declined slightly compared to the same quarter last year. Gross profit increased $7.7 million as a result of the impact of price escalation and overall margin improvement.

Operating expenses increased $2.6 million over the same period last year primarily due to lower expense absorption as a result of the lower volume and an increase in labor and benefits, including performance incentives. There were no significant changes in interest expense, equity in earnings of affiliates and other income.

Turf & Specialty Group

(in thousands)	Three months ended June 30, 2011	2010
Sales and merchandising revenues	**$ 41,551**	$ 41,182
Cost of sales and merchandising revenues	**34,583**	33,150
Gross profit	**6,968**	8,032
Operating, administrative and general expenses	**5,077**	5,420
Interest expense	**372**	503
Other income, net	**259**	377
Operating income	**$ 1,778**	$ 2,486

Operating results for the Turf & Specialty Group decreased $0.7 million compared to results from the same period last year. Sales and merchandising revenues increased $0.4 million primarily due to an increase in the average price per ton sold as volumes remained relatively stable quarter over quarter. Gross profit decreased $1.1 million due to softness in the margin per unit within the consumer and contract manufacturing lines.

Operating expenses decreased $0.3 million over the same period last year and is due primarily to lower labor and depreciation expense. There were no significant changes in interest expense and other income quarter over quarter.

Retail Group

(in thousands)	Three months ended June 30, 2011	2010

Sales and merchandising revenues	**$ 45,458**	$ 44,098
Cost of sales and merchandising revenues	**31,629**	30,563
Gross profit	**13,829**	13,535
Operating, administrative and general expenses	**11,889**	11,345
Interest expense	**207**	269
Other income, net	**144**	157
Operating income	**$ 1,877**	$ 2,078

Operating results for the Retail Group decreased $0.2 million compared to the same period last year. Sales and merchandising revenues increased $1.4 million. Customer counts decreased 2%, while the average sale per customer increased by 5%. As a result, gross profit increased $0.3 million.

Operating expenses increased $0.5 million and is spread among several expense categories including labor and benefits, and depreciation. There were no significant changes in interest expense and other income.

Other

(in thousands)	Three months ended June 30, 2011	2010
Sales and merchandising revenues	**$**	$
Cost of sales and merchandising revenues		
Gross profit		
Operating, administrative and general expenses	**4,388**	3,154
Interest expense	**366**	363
Other income (loss), net	**81**	(78)
Operating loss	**$ (4,673)**	$ (3,595)

Net corporate operating loss not allocated to business segments increased $1.1 million over the same period last year. Operating expenses increased mainly due to benefits and performance incentive related expenses. There were no significant changes in interest expense and other income.

As a result of the above, income attributable to The Andersons, Inc., after tax, of $45.2 million for the second quarter of 2011 was $20.0 million higher than income attributable to The Andersons, Inc. of $25.2 million recognized in the second quarter of 2010. Income tax expense of $26.0 million was provided at 36.1%. The Company anticipates that its 2011 effective annual rate will be 36.3%. In the second quarter of 2010, income tax expense of $14.6 million was provided at a rate of 36.1%. The Company s actual 2010 effective tax rate was 37.7%. The higher effective rate for 2010 was due primarily to a one time adjustment to increase tax expense by $1.5 million as a result of the Patient Protection and Affordable Care Act which was signed into law in the first quarter of 2010. See Note 6 for further explanation.

Comparison of the six months ended June 30, 2011 with the six months ended June 30, 2010:

Grain Division

(in thousands)	Six months ended June 30, 2011	2010
Sales and merchandising revenues	**$1,435,097**	$763,003
Cost of sales and merchandising revenues	**1,352,325**	715,125
Gross profit	**82,772**	47,878
Operating, administrative and general expenses	**35,191**	26,662
Interest expense	**8,699**	2,231
Equity in earnings of affiliates	**11,658**	5,331
Other income, net	**1,102**	1,255
Operating income	**$ 51,642**	$ 25,571

Operating results for the Grain Division increased $26.1 million over the results of the same period last year. Sales and merchandising revenues increased $672.1 million and is the result of a combination of higher average price per bushel sold due to increasing commodity prices and a 5% increase in volume. Gross profit increased $34.9 million

over the first six months of 2010 and relates primarily to an increase in space income, and more specifically basis appreciation. Basis is defined as the difference between the cash price of a commodity in one of the Company s facilities and the nearest exchange traded futures price. The Company does not expect the large basis appreciation that occurred during the first half of the year to continue into the second half of the year.

26

Table of Contents

Operating expenses increased $8.5 million over the same period in 2010, primarily in labor and benefits related to growth and incentive compensation expense. Bad debt expense also increased due to uncertainties related to a specific customer.

Interest expense increased $6.5 million from the same period in 2010 due to the greater need to cover margin deposit requirements as commodity prices are well above the same period in 2010.

Equity in earnings of affiliates increased $6.3 million over the same period in 2010 and relates to income from the investment in LTG. There were no significant changes in other income year over year.

Ethanol Division

	Six months ended June 30,	
(in thousands)	**2011**	**2010**
Sales and merchandising and service fee revenues	**$297,452**	$231,566
Cost of sales and merchandising revenues	**288,158**	223,438
Gross profit	**9,294**	8,128
Operating, administrative and general expenses	**3,459**	3,187
Interest expense	**686**	452
Equity in earnings of affiliates	**8,096**	11,237
Other income, net	**95**	42
Operating income before noncontrolling interest	**13,340**	15,768
Income attributable to noncontrolling interest	**(939)**	(1,001)
Operating income	**$ 12,401**	$ 14,767

Operating results for the Ethanol Division decreased $2.4 million over the results of the same period last year. Sales and merchandising and service fee revenues increased $65.9 million as a result of an increase in the average price per gallon sold, as volume was relatively consistent with the same period last year. Gross profit increased $1.2 million over the first six months of 2010 and relates to an increase in ethanol service fee income.

Operating expenses, interest expense and other income did not change significantly from the same period in 2010.

Equity in earnings of affiliates decreased $3.1 million over the same period in 2010 and relates to income from the investment in three ethanol LLCs.

Rail Group

	Six months ended June 30,	
(in thousands)	**2011**	**2010**
Sales and merchandising revenues	**$58,411**	$50,325
Cost of sales and merchandising revenues	**44,879**	41,972
Gross profit	**13,532**	8,353
Operating, administrative and general expenses	**5,859**	6,877
Interest expense	**2,958**	2,644
Other income, net	**1,594**	2,308
Operating income	**$ 6,309**	$ 1,140

Operating results for the Rail Group increased $5.2 million compared to the results of the same period last year. Leasing revenues increased $2.2 million, car sales increased $5.2 million and sales in the repair and fabrication shops increased $0.7 million. The increase in revenues is attributable to the higher utilization rates achieved in the first half of the year.

Table of Contents

Gross profit increased $5.2 million compared to the first six months of 2010. Gross profit in the leasing business increased $2.1 million and is attributed to the increased utilization rates and decreased storage costs and lease expense compared to the same period last year. Gross profit on car sales increased $2.8 million and is due to higher volume of non-recourse lease transactions. Gross profit in the repair and fabrication shops increased $0.3 million for the first half of the year.

Operating expenses decreased $1.0 million from the same period in 2010 due to lower labor and benefits, including performance incentives.

Interest expense increased slightly over the same period last year. Other income decreased due to fewer 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. The decrease in end of lease settlements was slightly offset by dividend income from the investment in IANR.

Plant Nutrient Group

	Six months ended June 30,	
(in thousands)	**2011**	**2010**
Sales and merchandising revenues	**$ 383,472**	$ 331,562
Cost of sales and merchandising revenues	**326,137**	288,003
Gross profit	**57,335**	43,559
Operating, administrative and general expenses	**26,591**	22,194
Interest expense	**1,816**	2,266
Equity in earnings of affiliates	**4**	4
Other income, net	**259**	633
Operating income	**$ 29,191**	$ 19,736

Operating results for the Plant Nutrient Group increased $9.5 million over the same period last year. Sales and merchandising revenues increased $51.9 million due to a combination of a 29% increase in the average price per ton sold, partially offset by a 10% decrease in volume. The increase in the average price per ton sold is a result of the escalating prices of the core nutrients used. Gross profit increased $13.8 million as a result of the wider margins achieved through price appreciation on tons sold.

Operating expenses increased $4.4 million over the same period last year primarily due to lower expense absorption due to lower volumes and an increase in labor and benefits, including performance incentives.

There were no significant changes in interest expense, equity in earnings of affiliates and other income.

Turf & Specialty Group

	Six months ended June 30,	
(in thousands)	**2011**	**2010**
Sales and merchandising revenues	**$ 88,821**	$ 82,815
Cost of sales and merchandising revenues	**73,077**	66,343
Gross profit	**15,744**	16,472
Operating, administrative and general expenses	**10,416**	11,074
Interest expense	**821**	1,042
Other income, net	**549**	794

Operating income	**$ 5,056**	$ 5,150

Operating results for the Turf & Specialty Group are comparable to results of the same period last year. Sales in the lawn fertilizer business increased $4.5 million due primarily to the increase in the average selling price within both the consumer and industrial lines and the professional line of business. Sales in the cob business increased $1.5 million over the first six months of 2010 due to an increase in

Table of Contents

volume of 6.5% and a 9.4% increase in the average price per ton sold. Gross profit increased $0.7 million. Gross profit in the lawn fertilizer business was down 8.5% per ton due to softness in the margins within the consumer and industrial lines, however, the cob business experienced a 7% increase in gross profit per ton.
Operating expenses decreased $0.7 million over the same period last year due to efficiencies gained from automation initiatives. There were no significant changes in interest expense and other income.

Retail Group

	Six months ended June 30,	
(in thousands)	**2011**	**2010**
Sales and merchandising revenues	**$ 76,588**	$ 73,726
Cost of sales and merchandising revenues	**53,808**	52,012
Gross profit	**22,780**	21,714
Operating, administrative and general expenses	**23,400**	22,183
Interest expense	**467**	556
Other income, net	**300**	276
Operating loss	**$ (787)**	$ (749)

Operating results for the Retail Group are comparable to the results of the first six months of 2010 and sales and merchandising revenues increased $2.9 million. Same store customer counts decreased slightly; however, same store average sale per customer increased 5.4%. Gross profit also increased as a result of the increased sales although margins are lower.
Operating expenses increased $1.2 million and is spread among several expense categories including labor and benefits, and depreciation. There were no significant changes in interest expense and other income.

Other

	Six months ended June 30,	
(in thousands)	**2011**	**2010**
Sales and merchandising revenues	**$**	$
Cost of sales and merchandising revenues		
Gross profit		
Operating, administrative and general expenses	**6,521**	4,333
Interest (income) expense	**(549)**	107
Other income, net	**425**	227
Operating loss	**$ (5,547)**	$ (4,213)

Net corporate operating loss not allocated to business segments increased $1.3 million over the same period last year due primarily to benefits and performance incentive related expenses. Operating expenses increased mainly due to benefits and performance incentive related expenses. There were no significant changes in interest expense and other income.
As a result of the above, income attributable to The Andersons, Inc., after tax, of $62.5 million for the first six months of 2011 was $25.1 million higher than income attributable to The Andersons, Inc. of $37.4 million recognized in the

first six months of 2010. Income tax expense of $35.8 million was provided at 36.1%. The Company anticipates that its 2011 effective annual rate will be 36.3%. In the first six months of 2010, income tax expense of $24.0 million was provided at a rate of 38.4%. The Company s actual 2010 effective tax rate was 37.7%. The higher effective rate for 2010 was due primarily to a one time adjustment to increase tax expense by $1.5 million as a result of the Patient Protection and Affordable Care Act which was signed into law in the first quarter of 2010. See Note 6 for further explanation.

29

Table of Contents

Liquidity and Capital Resources

Working Capital

At June 30, 2011, the Company had working capital of $352.7 million, an increase of $50.9 million from December 31, 2010 and a $53.4 million increase from June 30, 2010. This increase is attributed to changes in the following components of current assets and current liabilities (in thousands):

	June 30, 2011	June 30, 2010	Variance
Current Assets:			
Cash and cash equivalents	**$ 18,616**	$ 204,317	$ (185,701)
Restricted cash	**12,572**	3,548	9,024
Accounts receivables, net	**240,254**	132,701	107,553
Inventories	**469,551**	237,994	231,557
Commodity derivative assets current	**187,438**	21,534	165,904
Deferred income taxes	**17,710**	11,572	6,138
Other current assets	**30,867**	20,604	10,263
	$ 977,008	$ 632,270	$ 344,738
Current Liabilities:			
Borrowings under short-term line of credit	**$ 194,200**		$ 194,200
Accounts payable for grain	**80,374**	76,922	3,452
Other accounts payable	**164,325**	115,023	49,302
Customer prepayments and deferred revenue	**64,231**	12,712	51,519
Commodity derivative liabilities current	**24,289**	54,918	(30,629)
Accrued expenses	**51,410**	49,408	2,002
Current maturities of long-term debt	**45,432**	23,986	21,446
	624,261	332,969	291,292
Working capital	**$ 352,747**	$ 299,301	$ 53,446

In comparison to the same period of the prior year, current assets increased largely as a result of higher inventories and commodity derivative assets driven by rising commodity prices in the first half of 2011. Current liabilities increased primarily as a result of borrowings on our short-term line of credit. See the discussion below on sources and uses of cash for an understanding of the decrease in cash from prior year.

Sources and Uses of Cash

Operating Activities

The Company s operations provided cash of $63.2 million in the first six months of 2011 compared to cash provided by operations of $105.2 million in the first six months of 2010.

The Company made income tax payments of $2.5 million in the first quarter of 2011 and made payments of $22.7 million in the second quarter of 2011. The Company expects to make additional payments totaling approximately $17.4 million for the remainder of 2011.

Investing Activities

Total capital spending for 2011 on property, plant and equipment in the Company s base business is expected to be approximately $70 million. Through the first half of 2011, the Company has spent $12.6 million.

Table of Contents

In addition to spending on conventional property, plant and equipment, the Company expects to spend $90 million for the purchase of railcars, locomotives and related leases and capitalized modifications of railcars. The Company also expects to offset this amount by proceeds from the sales and dispositions of railcars of $75.0 million. Through June 30, 2011, the Company invested $32.2 million in the purchase of additional railcars, partially offset by proceeds from sales of $17.8 million.

Financing Activities

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. The Company is party to a borrowing arrangement with a syndicate of banks, which was increased at the Company s request during the first quarter of 2011, to provide the Company with an additional $92 million for a total of $992.3 million in short-term lines of credit and $115 million in long-term lines of credit. Increase in borrowings, due to the rising volatility for grain and fertilizer prices is the reason the Company elected to increase the line of credit. The Company had $194.2 million drawn on its short-term line of credit at June 30, 2011. The Company continues to feel that it has adequate capacity to meet its funding needs going forward. Peak short-term borrowings for the Company to date are $601.5 million on April 26, 2011. Typically, 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.

The Company paid $0.0875 per common share for the dividends paid in January 2010, $0.090 per common share for the dividends paid in April, July and October 2010, and $0.11 per common share for the dividends paid in January and April 2011. On May 6, 2011, the Company declared a cash dividend of $0.11 per common share payable on July 22, 2011 to shareholders of record on July 1, 2011. During the first six months of 2011, the Company issued approximately 124 thousand shares to employees and directors under its equity-based compensation plans.

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 June 30, 2011. 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.

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.

Off-Balance Sheet Transactions

The Company s utilizes leasing arrangements that provide off-balance sheet financing for the Rail business 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 that are not on its balance sheet, the Company holds an option to purchase the equipment at the end of the lease.

Table of Contents

The following table describes the Company s railcar, container and locomotive positions at June 30, 2011:

Method of Control	Financial Statement	Number
Owned-railcars available for sale	On balance sheet current	275
Owned-railcar assets leased to others	On balance sheet noncurrent	13,898
Railcars leased from financial intermediaries	Off balance sheet	6,020
Railcars non-recourse arrangements	Off balance sheet	2,073
Total Railcars		22,266
Owned-containers leased to others	On balance sheet noncurrent	639
Total Containers		639
Locomotive assets leased to others	On balance sheet noncurrent	44
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	76
Total Locomotives		124

In addition, the Company manages 492 railcars for third-party customers or owners for which it receives a fee.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For further information, refer to our Annual Report on Form 10-K for the year ended December 31, 2010. There were no material changes in market risk, specifically commodity and interest rate risk during the six months ended June 30, 2011.

Item 4. Controls and Procedures

The Company is not organized with one Chief Financial Officer. Our Vice President and Controller 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 Certifying Officers have evaluated our disclosure controls and procedures as defined in the rules of the Securities and Exchange Commission, as of June 30, 2011, and have determined that such controls and procedures were effective.

Our Certifying Officers are primarily responsible for the accuracy of the financial information that is reported to the Commission. To meet their responsibility for financial reporting, they have established internal controls and procedures which they believe are adequate to provide reasonable assurance that the Company s assets are protected from loss. These procedures are reviewed by the Company s internal auditors in order to monitor compliance. In addition, our Board of Director s Audit Committee, which is composed entirely of independent directors, meets regularly with each of management and our internal auditors to review accounting, auditing and financial matters.

There were no changes in internal controls over financial reporting or in other factors that have materially affected or could materially affect internal controls over financial reporting, in each case, during the second quarter of 2011.

32

Table of Contents

Part II. Other Information

Item 1. 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 1A. Risk Factors

Our operations are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this Form 10-Q 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 significant factors known to us that could materially adversely affect our business, financial condition or operating results are described in the 2010 10-K (Item 1A). There have been no material changes in the risk factors set forth therein.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In 1996, the Company s Board of Directors began approving the repurchase of shares of common stock for use in employee, officer and director stock purchase and stock compensation plans, which reached 2.8 million authorized shares in 2001. The Company purchased 2.1 million shares under this repurchase program. The original resolution was superseded by the Board in October 2007 with a resolution authorizing the repurchase of 1.0 million shares of common stock. Since the beginning of the current repurchase program, the Company has repurchased 0.1 million shares in the open market. The following table presents the Company s share purchases during the second quarter of 2011.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April		$		
May				
June	3,650	38.42		
Total	3,650	$ 38.42		

Table of Contents

Item 6. Exhibits

(a) Exhibits

No.	Description
12	Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of the President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)
31.2	Certification of the Vice President and Controller under Rule 13(a)-14(a)/15d-14(a)
31.3	Certification of the 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

Table of Contents

Signatures

Pursuant to the requirements 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)
Date: August 5, 2011	By /s/ Michael J. Anderson Michael J. Anderson President and Chief Executive Officer
Date: August 5, 2011	By /s/ Richard R. George Richard R. George Vice President and Controller (Principal Accounting Officer)
Date: August 5, 2011	By/s/ Nicholas C. Conrad Nicholas C. Conrad Vice President, Finance and Treasurer (Principal Financial Officer)

35

Table of Contents

Exhibit Index
The Andersons, Inc.

No.	Description
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31.3	Certification of the 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