



March 31, 2005

Jonathan G. Katz, Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0609

Reference: File Number 4-497

Dear Mr. Katz:

Thank you for the opportunity to share our thoughts on the Sarbanes-Oxley Act of 2002. We believe that input from the many companies that have been involved in compliance will improve the process in the future. Also, the Sarbanes-Oxley Act of 2002 created many new requirements and considerable interpretation. As a result, there is certainly opportunity for improvement.

The Andersons, Inc. is a diversified public company with corporate offices located in Maumee, Ohio that has been in operation since 1947. Our primary businesses are Agriculture (grain storage, handling and merchandising; manufacturing dry and liquid agricultural nutrients and distribution of agricultural inputs) and Rail (railcar leases, management and repair). We also operate 6 large retail stores and manufacture turf and ornamental plant fertilizer and control products for lawn and garden, professional golf and landscaping use as well as corncob based products for use in various industries.

We have over 2,900 employees with operations primarily in Ohio, Michigan, Indiana, Illinois and Alabama, as well as leased railcars throughout North America. Our common shares began trading on the Nasdaq National Market in 1996 and we have issued registered public debt for many years prior to our shares being publicly traded. Our business units require significant working capital resources, but the businesses we operate are typically low-margin industries. Calendar 2004 was our best year ever with net income of \$19.1 million on \$1.3 billion in revenues. Our year-end assets totaled \$573 million. With a market capitalization of just under \$200 million at the end of February, we qualify as an accelerated filer.

We are audited by one of the Big Four public accounting firms and have recently completed our first Section 404 internal control assessment. Since the passage of the Sarbanes-Oxley Act of 2002, we have made several enhancements in governance and disclosure to implement new regulatory requirements and also to demonstrate our support for the spirit of the law. Clearly, the most significant change, however, was the documentation and testing required by Section 404, management's assessment of internal controls. Included in our \$30.1 million of 2004 pretax income are external professional and audit fees of \$1.4 million relating directly to this requirement. Internal time and attention devoted to the project, while not measured, was extremely high and required us to increase staffing in our internal audit department and delay

information technology projects. Furthermore, managers throughout the organization were required to focus on compliance and documentation rather than ways to improve our operations and finance functions and opportunities to grow our business. We agree that, in concept, benefit was gained through the detailed process of assessing our internal control structure; however, we clearly believe that the cost far outweighed the benefit received for both the company and the shareholders.

From this perspective, we offer the following observations and comments:

- We believe that one of the most important deterrents to fraud and financial errors is the tone at the top / company culture. While this tone was evaluated as part of the assessment of internal controls, more weight is given by auditors and by the PCAOB to documentation and evidence of review, because it can more easily be tested. We believe that tone from the top / company culture should be given more significance in the evaluation of internal control by the auditors.
- We believe that by requiring auditors to not only evaluate management's process for assessing internal controls, as required by Section 404, but to also test internal controls independently, the requirements placed on audit firms have been significantly increased by the PCAOB. This has resulted in audit fees of more than double the prior year's fees. For companies like us who are diversified and operate in multiple businesses (of similar size) and on multiple information systems, the requirements are significantly more burdensome and costly. The PCAOB should revisit their interpretation of the requirements for auditors to independently test internal controls. This requirement results in both companies and auditors performing the same level of testing which we believe is excessive.
- The combination of significantly reducing materiality levels along with audit firms limiting their involvement with management prior to final reports (because items discovered in review of drafts or prior to final accounting are considered control deficiencies) has significantly reduced the amount of time for audit firms to complete their audits. Management is hesitant to provide any data before it has been completely and thoroughly reviewed which means that audit firms will not be able to start their year-end audit work as early. When coupled with the Commission's reduction in time to file both annual and interim reports, audit firms will continue to be significantly pressed for time and the quality of financial statement audits could be compromised. We believe that the SEC should revisit the shorter filing requirements for 2005. These shorter requirements may negatively impact the quality of financial reporting.
- With the number of significant accounting pronouncements that have been issued recently and the limited time for analysis and implementation (FIN 46, Statement 123R, etc.) due to shortened time periods prior to effective dates, as well as audit firms becoming less willing to assist clients in analysis / understanding of specific requirements, there is a greater chance of misapplied or misunderstood requirements. This has made it more difficult for companies to review their interpretation of new pronouncements with their auditors, which we believe was not the intent of Sarbanes-Oxley. The PCAOB should revisit their guidance to CPA firms in this area.
- With the required evaluation date on the last day of the fiscal year, audit firms have interpreted their mandate very broadly by requiring not only the interim testing of controls, but also additional update testing up to and through year-end as well as considering any differences found during the year-end audit as deficiencies that need

evaluation. External audit work may be duplicated by requiring management and auditors to test as of an interim date (in order to cover all aspects of internal control) with limited reliance on these controls at year-end. Under the current requirements it is difficult to know when you have completed or finalized your control testing. We believe that a company should be able to rely on the results of the interim testing of controls and not perform update testing. The amount of testing required appears to be excessive.

- We would be remiss if we didn't mention the impact on our employees and the staff of the public accounting firms. The significant increase in the amount of work to document controls so that they can be tested both in this initial year and on an ongoing basis is a significant drain on our resources. With attention focused more on compliance and control, we have now added the risks of missing business or operational issues because we are focused on other things. We have added some staff, but because we operate in historically thinly-margined businesses and compete with many non-public firms that aren't burdened by this additional requirement, we have first asked our financial and other management employees to increase their workloads. Hours worked by our audit firm have increased even more substantially and barring a significant increase in staff (and cost) in future years will continue to remain high. Certainly, this may result in even higher turnover in an industry that already experiences high turnover. As a result, we believe that the cost of compliance with the Sarbanes-Oxley Act of 2002 is significantly greater than the benefit derived by our shareholders. We believe that both the SEC and PCAOB should reevaluate the significant cost experienced by all companies and develop alternatives to make this process less costly and more efficient.

We don't believe that the underlying requirements of the Sarbanes-Oxley Act of 2002 need to be changed. However, we request that the PCAOB readdress its interpretation of the Act's requirements as it relates to audit firms. Because of the tendency of audit firms to protect themselves by transferring risk back to the companies they audit, the exhaustive duties imposed by the PCAOB upon the audit firms has resulted in an environment where audit firms have less competition for audit clients, more ability to increase fees and less ability to exercise judgment in making their audit processes efficient. Also, we believe that because of the risk adverse nature of the audit firms their interpretation of the requirements has gone too far, especially in the areas of documentation and support. In summary, we don't feel that the amount of additional effort has added enough benefit to warrant the increases in external fees and drain on internal resources.

Thank you for the opportunity to comment.

Very truly yours,

Richard R. George  
Vice President, Controller and CIO  
The Andersons, Inc.