AGCO CORP /DE
Form 10-Q
May 07, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
For the quarter ended March 31, 2015
of
AGCO CORPORATION
A Delaware Corporation
IRS Employer Identification No. 58-1960019
SEC File Number 1-12930
4205 River Green Parkway
Duluth, GA 30096
(770) 813-9200

AGCO Corporation (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.
AGCO Corporation has submitted electronically and posted on its corporate website every Interactive Data File for the periods required to be submitted and posted pursuant to Rule 405 of regulation S-T.
As of April 30, 2015, AGCO Corporation had 88,052,091 shares of common stock outstanding. AGCO Corporation is a large accelerated filer.
AGCO Corporation is a well-known seasoned issuer and is not a shell company.

AGCO CORPORATION AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in millions, except share amounts)

	March 31, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$338.9	$363.7
Accounts and notes receivable, net	1,027.1	963.8
Inventories, net	1,840.7	1,750.7
Deferred tax assets	206.1	217.2
Other current assets	257.0	232.5
Total current assets	3,669.8	3,527.9
Property, plant and equipment, net	1,389.5	1,530.4
Investment in affiliates	398.7	424.1
Deferred tax assets	23.9	25.8
Other assets	129.2	141.1
Intangible assets, net	533.3	553.8
Goodwill	1,120.1	1,192.8
Total assets	$7,264.5	$7,395.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$83.1	$94.3
Accounts payable	770.0	670.2
Accrued expenses	1,064.9	1,244.1
Other current liabilities	162.8	208.3
Total current liabilities	2,080.8	2,216.9
Long-term debt, less current portion	1,424.5	997.6
Pensions and postretirement health care benefits	249.9	269.0
Deferred tax liabilities	230.6	238.8
Other noncurrent liabilities	170.9	176.7
Total liabilities	4,156.7	3,899.0
Commitments and contingencies (Note 16)		
Stockholders' Equity:		
AGCO Corporation stockholders' equity:		
Preferred stock; $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding in 2015 and 2014	—	—
Common stock; $0.01 par value, 150,000,000 shares authorized, 88,033,353 and 89,146,093 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	0.9	0.9
Additional paid-in capital	516.6	582.5
Retained earnings	3,791.0	3,771.6
Accumulated other comprehensive loss	(1,250.1)	(906.5)
Total AGCO Corporation stockholders' equity	3,058.4	3,448.5
Noncontrolling interests	49.4	48.4

Total stockholders’ equity	3,107.8	3,496.9
Total liabilities and stockholders’ equity	$7,264.5	$7,395.9

See accompanying notes to condensed consolidated financial statements.

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AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in millions, except per share data)

	Three Months Ended March 31,	
	2015	2014
Net sales	$1,702.6	$2,333.4
Cost of goods sold	1,354.7	1,818.5
Gross profit	347.9	514.9
Selling, general and administrative expenses	211.2	267.0
Engineering expenses	68.8	82.2
Restructuring and other infrequent expenses	10.6	—
Amortization of intangibles	10.5	10.0
Income from operations	46.8	155.7
Interest expense, net	10.2	13.9
Other expense, net	9.8	11.2
Income before income taxes and equity in net earnings of affiliates	26.8	130.6
Income tax provision	10.6	46.4
Income before equity in net earnings of affiliates	16.2	84.2
Equity in net earnings of affiliates	13.7	15.0
Net income	29.9	99.2
Net loss attributable to noncontrolling interests	0.2	0.4
Net income attributable to AGCO Corporation and subsidiaries	$30.1	$99.6
Net income per common share attributable to AGCO Corporation and subsidiaries:		
Basic	$0.34	$1.05
Diluted	$0.34	$1.03
Cash dividends declared and paid per common share	$0.12	$0.11
Weighted average number of common and common equivalent shares outstanding:		
Basic	88.8	95.3
Diluted	89.0	96.6

See accompanying notes to condensed consolidated financial statements.

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AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(unaudited and in millions)

	Three Months Ended March 31,	
	2015	2014
Net income	$29.9	$99.2
Other comprehensive (loss) income, net of reclassification adjustments:		
Foreign currency translation adjustments	(344.2)	38.4
Defined benefit pension plans, net of tax	2.2	1.8
Unrealized (loss) gain on derivatives, net of tax	(1.6)	1.1
Other comprehensive (loss) income, net of reclassification adjustments	(343.6)	41.3
Comprehensive (loss) income	(313.7)	140.5
Comprehensive loss attributable to noncontrolling interests	0.1	0.7
Comprehensive (loss) income attributable to AGCO Corporation and subsidiaries	$(313.6)	$141.2

See accompanying notes to condensed consolidated financial statements.

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AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in millions)

	Three Month Ended March 31, 2015	2014
Cash flows from operating activities:		
Net income	$29.9	$99.2
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	54.1	59.4
Deferred debt issuance cost amortization	0.4	0.7
Amortization of intangibles	10.5	10.0
Stock compensation	2.4	6.4
Equity in net earnings of affiliates, net of cash received	(12.5)	(12.7)
Deferred income tax provision	(2.8)	4.7
Other	(0.1)	0.3
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	(167.9)	(254.0)
Inventories, net	(239.8)	(424.3)
Other current and noncurrent assets	(46.4)	(25.1)
Accounts payable	174.0	70.1
Accrued expenses	(89.9)	(46.5)
Other current and noncurrent liabilities	2.1	0.8
Total adjustments	(315.9)	(610.2)
Net cash used in operating activities	(286.0)	(511.0)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(62.9)	(101.2)
Proceeds from sale of property, plant and equipment	0.4	1.3
Investment in unconsolidated affiliates	(5.2)	—
Net cash used in investing activities	(67.7)	(99.9)
Cash flows from financing activities:		
Proceeds from debt obligations, net	445.8	106.9
Purchases and retirement of common stock	(62.5)	(290.0)
Payment of dividends to stockholders	(10.7)	(10.3)
Payment of minimum tax withholdings on stock compensation	(5.7)	(9.2)
Conversion of convertible senior subordinated notes	—	(49.6)
Net cash provided by (used in) financing activities	366.9	(252.2)
Effects of exchange rate changes on cash and cash equivalents	(38.0)	9.8
Decrease in cash and cash equivalents	(24.8)	(853.3)
Cash and cash equivalents, beginning of period	363.7	1,047.2
Cash and cash equivalents, end of period	$338.9	$193.9

See accompanying notes to condensed consolidated financial statements.

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AGCO CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements of AGCO Corporation and its subsidiaries (the “Company” or “AGCO”) included herein have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly the Company’s financial position, results of operations, comprehensive income and cash flows at the dates and for the periods presented. These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. Results for interim periods are not necessarily indicative of the results for the year.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). ASU 2015-03 amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of a deferred charge. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on the Company’s results of operations and financial condition.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”), which supersedes existing revenue recognition guidance under current U.S. GAAP. ASU 2014-09 outlines a comprehensive, single revenue recognition model that provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. Additional disclosures will also be required to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for reporting periods beginning after December 15, 2016 using either a full retrospective or a modified retrospective approach. Early adoption is not permitted. The Company is currently evaluating the impact of adopting this standard on the Company’s results of operations and financial condition.

2. RESTRUCTURING AND OTHER INFREQUENT EXPENSES

During the second half of 2014 and the first quarter of 2015, the Company announced and initiated several actions to rationalize employee headcount at various manufacturing facilities located in Europe, China, Brazil, Argentina and the United States, as well as various administrative offices located in Europe, Brazil, China and the United States. The aggregate headcount reduction of over 1,600 employees in 2014 and 2015 was initiated in order to reduce costs in response to softening global demand and reduced production volumes. The Company recorded approximately $46.4 million of restructuring and other infrequent expenses during 2014 associated with these rationalizations, of which approximately $44.4 million related to severance and other related costs. During 2014, the Company paid approximately $19.0 million of these costs, and as of December 31, 2014, had a remaining accrued balance of approximately $25.4 million. During the first quarter of 2015, the Company recorded an additional $10.6 million of restructuring and other infrequent expenses and paid an additional $11.8 million of severance and other related costs. The remaining $22.5 million balance of severance and other related costs accrued as of March 31, 2015, inclusive of approximately $1.7 million of negative foreign currency translation impacts, will primarily be paid during 2015 and 2016.

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Notes to Condensed Consolidated Financial Statements - Continued
(unaudited)

3. STOCK COMPENSATION PLANS

The Company recorded stock compensation expense as follows for the three months ended March 31, 2015 and 2014 (in millions):

	Three Months Ended March 31,	
	2015	2014
Cost of goods sold	$0.2	$0.5
Selling, general and administrative expenses	2.2	5.9
Total stock compensation expense	$2.4	$6.4

Stock Incentive Plan

Under the Company's 2006 Long Term Incentive Plan (the "2006 Plan"), up to 10.0 million shares of AGCO common stock may be issued. The 2006 Plan allows the Company, under the direction of the Board of Directors' Compensation Committee, to make grants of performance shares, stock appreciation rights, restricted stock units and restricted stock awards to employees, officers and non-employee directors of the Company.

Employee Plans

The weighted average grant-date fair value of performance awards granted under the 2006 Plan during the three months ended March 31, 2015 and 2014 was $42.46 and $53.93, respectively.

During the three months ended March 31, 2015, the Company granted 717,900 awards related to the three-year performance period commencing in 2015 and ending in 2017, assuming the maximum target level of performance is achieved. The compensation expense associated with all awards granted under the 2006 Plan is amortized ratably over the vesting or performance period based on the Company's projected assessment of the level of performance that will be achieved and earned. Performance award transactions during the three months ended March 31, 2015 were as follows and are presented as if the Company were to achieve its maximum levels of performance under the plan:

Shares awarded but not earned at January 1	2,481,767
Shares awarded	717,900
Shares forfeited or unearned	(4,200)
Shares earned	—
Shares awarded but not earned at March 31	3,195,467

As of March 31, 2015, the total compensation cost related to unearned performance awards not yet recognized, assuming the Company's current projected assessment of the level of performance that will be achieved and earned, was approximately $13.7 million, and the weighted average period over which it is expected to be recognized is approximately three years.

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During the three months ended March 31, 2015, the Company granted 142,150 restricted stock unit ("RSU") awards. These awards entitle the participant to receive one share of the Company's common stock for each RSU granted and vest one-third per year over a three-year requisite service period. Dividends will accrue on all unvested grants until the end of each vesting date within the three-year requisite service period. The compensation expense associated with these awards is being amortized ratably over the requisite service period for the awards that are expected to vest. The weighted average grant-date fair value of the RSUs granted under the 2006 Plan during the three months ended March 31, 2015 was $43.88. RSU transactions during the three months ended March 31, 2015 were as follows:

Shares awarded but not vested at January 1	—
Shares awarded	142,150
Shares forfeited	(800)
Shares vested	—
Shares awarded but not vested at March 31	141,350

As of March 31, 2015, the total compensation cost related to the unvested RSUs not yet recognized was approximately $5.6 million and the weighted average period over which it is expected to be recognized is approximately three years.

During the three months ended March 31, 2015 and 2014, the Company recorded stock compensation expense of approximately $1.3 million in both periods, associated with stock-settled appreciation rights ("SSAR") awards. The Company estimated the fair value of the grants using the Black-Scholes option pricing model. The weighted average grant-date fair value of SSARs granted under the 2006 Plan and the weighted average assumptions under the Black-Scholes option pricing model were as follows for the three months ended March 31, 2015 and 2014:

	Three Month Ended March 31,	
	2015	2014
Weighted average grant-date fair value	$7.41	$13.13
Weighted average assumptions under Black-Scholes option pricing model:		
Expected life of awards (years)	3.0	3.0
Risk-free interest rate	0.9 %	0.9 %
Expected volatility	25.9 %	35.7 %
Expected dividend yield	1.1 %	0.8 %

SSAR transactions during the three months ended March 31, 2015 were as follows:

SSARs outstanding at January 1	1,220,824
SSARs granted	325,200
SSARs exercised	(26,750)
SSARs canceled or forfeited	(83,400)
SSARs outstanding at March 31	1,435,874
SSAR price ranges per share:	
Granted	$ 43.88
Exercised	21.45-33.65
Canceled or forfeited	56.98
Weighted average SSAR exercise prices per share:	
Granted	$ 43.88
Exercised	24.91
Canceled or forfeited	56.98
Outstanding at March 31	48.94

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At March 31, 2015, the weighted average remaining contractual life of SSARs outstanding was approximately five years. As of March 31, 2015, the total compensation cost related to unvested SSARs not yet recognized was approximately $9.6 million and the weighted-average period over which it is expected to be recognized is approximately three years.

The following table sets forth the exercise price range, number of shares, weighted average exercise price and remaining contractual life by groups of similar price as of March 31, 2015:

	SSARs Outstanding			SSARs Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$21.45 – $32.01	34,875	1.0	$22.47	34,875	$22.47
$33.65 – $43.88	445,725	5.5	$41.18	119,800	$33.83
$47.89 – $63.64	955,274	4.6	$53.52	539,552	$52.92
	1,435,874			694,227	$48.10

The total fair value of SSARs vested during the three months ended March 31, 2015 was approximately $3.9 million. There were 741,647 SSARs that were not vested as of March 31, 2015. The total intrinsic value of outstanding and exercisable SSARs as of March 31, 2015 was $3.8 million and $2.5 million, respectively. The total intrinsic value of SSARs exercised during the three months ended March 31, 2015 was approximately $0.7 million. The Company realized an insignificant tax benefit from the exercise of these SSARs.

Director Restricted Stock Grants

The 2006 Plan provides for annual restricted stock grants of the Company’s common stock to all non-employee directors. All restricted stock grants made to the Company’s directors prior to April 24, 2014 were restricted as to transferability for a period of three years. Effective April 24, 2014, the shares granted on that date and all future grants made to the Company’s directors are restricted as to transferability for a period of one year. In the event a director departs from the Company’s Board of Directors, the non-transferability period expires immediately. The plan allows each director to have the option of forfeiting a portion of the shares awarded in lieu of a cash payment contributed to the participant’s tax withholding to satisfy the statutory minimum federal, state and employment taxes that would be payable at the time of grant. The 2015 grant was made on April 23, 2015 and equated to 22,095 shares of common stock, of which 15,711 shares of common stock were issued after shares were withheld for taxes. The Company will record stock compensation expense of approximately $1.1 million during the three months ended June 30, 2015 associated with these grants.

As of March 31, 2015, of the 10.0 million shares reserved for issuance under the 2006 Plan, approximately 2.5 million shares were available for grant, assuming the maximum number of shares are earned related to the performance award grants discussed above.

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4. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of acquired intangible assets during the three months ended March 31, 2015 are summarized as follows (in millions):

	Trademarks and Tradenames	Customer Relationships	Patents and Technology	Land Use Rights	Total
Gross carrying amounts:					
Balance as of December 31, 2014	$123.5	$513.8	$94.0	$9.7	$741.0
Foreign currency translation	(1.9)	(16.4)	(5.4)	—	(23.7)
Balance as of March 31, 2015	$121.6	$497.4	$88.6	$9.7	$717.3

	Trademarks and Tradenames	Customer Relationships	Patents and Technology	Land Use Rights	Total
Accumulated amortization:					
Balance as of December 31, 2014	$36.4	$180.8	$56.1	$2.9	$276.2
Amortization expense	1.6	8.0	0.9	—	10.5
Foreign currency translation	(0.4)	(12.2)	(5.2)	—	(17.8)
Balance as of March 31, 2015	$37.6	$176.6	$51.8	$2.9	$268.9

	Trademarks and Tradenames
Indefinite-lived intangible assets:	
Balance as of December 31, 2014	$89.0
Foreign currency translation	(4.1)
Balance as of March 31, 2015	$84.9

The Company currently amortizes certain acquired intangible assets, primarily on a straight-line basis, over their estimated useful lives, which range from five to 50 years.

Changes in the carrying amount of goodwill during the three months ended March 31, 2015 are summarized as follows (in millions):

	North America	South America	Europe/Africa/ Middle East	Asia/ Pacific	Consolidated
Balance as of December 31, 2014	$513.6	$169.7	$454.6	$54.9	$1,192.8
Foreign currency translation	—	(28.6)	(42.7)	(1.4)	(72.7)
Balance as of March 31, 2015	$513.6	$141.1	$411.9	$53.5	$1,120.1

Goodwill is tested for impairment on an annual basis and more often if indications of impairment exist. The Company conducts its annual impairment analyses as of October 1 each fiscal year.

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Notes to Condensed Consolidated Financial Statements - Continued
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5. INDEBTEDNESS

Indebtedness consisted of the following at March 31, 2015 and December 31, 2014 (in millions):

	March 31, 2015	December 31, 2014
$4^1/_2$% Senior term loan due 2016	$214.8	$242.0
Credit facility, expiring 2019	622.2	404.4
1.056% Senior term loan due 2020	214.8	—
$5^7/8$% Senior notes due 2021	300.0	300.0
Other long-term debt	155.8	145.5
	1,507.6	1,091.9
Less: Current portion of long-term debt	(83.1)	(94.3)
Total indebtedness, less current portion	$1,424.5	$997.6

4 $^1/2$% Senior Term Loan

The Company's €200.0 million (or approximately $214.8 million as of March 31, 2015) 4 $^1/2$% senior term loan with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ("Rabobank") is due May 2, 2016. The Company has the ability to prepay the term loan before its maturity date. Interest is payable on the term loan at $4^1/2$% per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The term loan contains covenants restricting, among other things, the incurrence of indebtedness and the making of certain payments, including dividends, and is subject to acceleration in the event of default. The Company also has to fulfill financial covenants with respect to a total debt to EBITDA ratio and an interest coverage ratio.

Credit Facility

The Company's revolving credit and term loan facility consists of an $800.0 million multi-currency revolving credit facility and a $355.0 million term loan facility. The maturity date of the Company's credit facility is June 28, 2019 and the Company is not required to make quarterly payments towards the term loan facility. Interest accrues on amounts outstanding under the credit facility, at the Company's option, at either (1) LIBOR plus a margin ranging from 1.0% to 2.0% based on the Company's leverage ratio, or (2) the base rate, which is equal to the higher of (i) the administrative agent's base lending rate for the applicable currency, (ii) the federal funds rate plus 0.5%, and (iii) one-month LIBOR for loans denominated in US dollars plus 1.0% plus a margin ranging from 0.0% to 0.5% based on the Company's leverage ratio. The credit facility contains covenants restricting, among other things, the incurrence of indebtedness and the making of certain payments, including dividends, and is subject to acceleration in the event of a default. The Company also has to fulfill financial covenants with respect to a total debt to EBITDA ratio and an interest coverage ratio. As of March 31, 2015, the Company had $622.2 million of outstanding borrowings under the credit facility and availability to borrow approximately $532.8 million. Approximately $267.2 million was outstanding under the multi-currency revolving credit facility and $355.0 million was outstanding under the term loan facility as of March 31, 2015. As of December 31, 2014, the Company had $404.4 million of outstanding borrowings under its credit facility and availability to borrow approximately $750.6 million. Approximately $49.4 million was outstanding under the multi-currency revolving credit facility and $355.0 million was outstanding under the term loan facility as of December 31, 2014.

1.056% Senior Term Loan

In December 2014, the Company entered into a term loan with the European Investment Bank, which provided the Company with the ability to borrow up to €200.0 million. The €200.0 million (or approximately $214.8 million as of

March 31, 2015) of funding was received on January 15, 2015 with a maturity date of January 15, 2020. The Company has the ability to prepay the term loan before its maturity date. Interest is payable on the term loan at 1.056% per annum, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. The term loan contains covenants restricting, among other things, the use of funds for certain research and development projects, the incurrence of indebtedness and the making of certain payments, and is subject to acceleration in the event of default. The Company also has to fulfill financial covenants with respect to a net leverage ratio and an interest coverage ratio.

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5 7/8% Senior Notes

The Company’s $300.0 million of 5 7/8% senior notes due December 1, 2021 constitute senior unsecured and unsubordinated indebtedness. Interest is payable on the notes semi-annually in arrears on June 1 and December 1 of each year. At any time prior to September 1, 2021, the Company may redeem the notes, in whole or in part from time to time, at its option, at a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest, including additional interest, if any, to, but excluding, the redemption date, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption) discounted to the redemption date at the treasury rate plus 0.5%, plus accrued and unpaid interest, including additional interest, if any. Beginning September 1, 2021, the Company may redeem the notes, in whole or in part from time to time, at its option, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, including additional interest, if any.

Standby Letters of Credit and Similar Instruments

The Company has arrangements with various banks to issue standby letters of credit or similar instruments, which guarantee the Company’s obligations for the purchase or sale of certain inventories and for potential claims exposure for insurance coverage. At March 31, 2015 and December 31, 2014, outstanding letters of credit totaled $19.9 million and $18.5 million, respectively.

6. INVENTORIES

Inventories at March 31, 2015 and December 31, 2014 were as follows (in millions):

	March 31, 2015	December 31, 2014
Finished goods	$714.9	$616.6
Repair and replacement parts	543.8	536.4
Work in process	163.1	130.5
Raw materials	418.9	467.2
Inventories, net	$1,840.7	$1,750.7

7. PRODUCT WARRANTY

The warranty reserve activity for the three months ended March 31, 2015 and 2014 consisted of the following (in millions):

	Three Months Ended March 31,	
	2015	2014
Balance at beginning of period	$284.6	$294.9
Accruals for warranties issued during the period	34.0	55.6
Settlements made (in cash or in kind) during the period	(44.9)	(46.1)
Foreign currency translation	(20.8)	0.6
Balance at March 31	$252.9	$305.0

The Company’s agricultural equipment products are generally warranted against defects in material and workmanship for a period of one to four years. The Company accrues for future warranty costs at the time of sale based on historical warranty experience. Approximately $217.0 million and $245.7 million of warranty reserves are included in “Accrued expenses” in the Company’s Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014, respectively. Approximately $35.9 million and $38.9 million of warranty reserves are included in “Other noncurrent liabilities” in the Company’s Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014, respectively.

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Notes to Condensed Consolidated Financial Statements - Continued
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8. NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income attributable to AGCO Corporation and its subsidiaries by the weighted average number of common shares outstanding during each period. Diluted net income per common share assumes the exercise of outstanding SSARs, vesting of performance share awards and vesting of restricted stock units when the effects of such assumptions are dilutive. A reconciliation of net income attributable to AGCO Corporation and its subsidiaries and weighted average common shares outstanding for purposes of calculating basic and diluted net income per share for the three months ended March 31, 2015 and 2014 is as follows (in millions, except per share data):

	Three Months Ended March 31,	
	2015	2014
Basic net income per share:		
Net income attributable to AGCO Corporation and subsidiaries	$30.1	$99.6
Weighted average number of common shares outstanding	88.8	95.3
Basic net income per share attributable to AGCO Corporation and subsidiaries	$0.34	$1.05
Diluted net income per share:		
Net income attributable to AGCO Corporation and subsidiaries	$30.1	$99.6
Weighted average number of common shares outstanding	88.8	95.3
Dilutive SSARs, performance share awards and restricted stock units	0.2	0.4
Weighted average assumed conversion of contingently convertible senior subordinated notes	—	0.9
Weighted average number of common shares and common share equivalents outstanding for purposes of computing diluted net income per share	89.0	96.6
Diluted net income per share attributable to AGCO Corporation and subsidiaries	$0.34	$1.03

SSARs to purchase approximately 1.3 million shares of the Company’s common stock for the three months ended March 31, 2015 and approximately 1.1 million shares of the Company’s common stock for the three months ended March 31, 2014 were outstanding but not included in the calculation of weighted average common and common equivalent shares outstanding because they had an antidilutive impact.

9. INCOME TAXES

At March 31, 2015 and December 31, 2014, the Company had approximately $122.6 million and $130.6 million, respectively, of unrecognized tax benefits, all of which would affect the Company’s effective tax rate if recognized. At March 31, 2015 and December 31, 2014, the Company had approximately $58.4 million and $64.7 million, respectively, of accrued or deferred taxes related to uncertain income tax positions connected with ongoing tax audits in various jurisdictions that it expects to settle or pay in the next 12 months. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. At March 31, 2015 and December 31, 2014, the Company had accrued interest and penalties related to unrecognized tax benefits of $14.6 million and $15.3 million, respectively.
Generally, tax years 2009 through 2014 remain open to examination by taxing authorities in the United States and certain other foreign taxing jurisdictions.

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

All derivatives are recognized on the Company’s Condensed Consolidated Balance Sheets at fair value. On the date the derivative contract is entered into, the Company designates the derivative as either (1) a fair value hedge of a recognized liability, (2) a cash flow hedge of a forecasted transaction, (3) a hedge of a net investment in a foreign operation, or (4) a non-designated derivative instrument.

The Company formally documents all relationships between hedging instruments and hedged items, as well as the risk management objectives and strategy for undertaking various hedge transactions. The Company formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in

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offsetting changes in fair values or cash flow of hedged items. When it is determined that a derivative is no longer highly effective as a hedge, hedge accounting is discontinued on a prospective basis.

Foreign Currency Risk

The Company has significant manufacturing operations in the United States, France, Germany, Finland and Brazil, and it purchases a portion of its tractors, combines and components from third-party foreign suppliers, primarily in various European countries and in Japan. The Company also sells products in over 140 countries throughout the world. The Company's most significant transactional foreign currency exposures are the Euro, Brazilian real and the Canadian dollar in relation to the United States dollar and the Euro in relation to the British pound.

The Company attempts to manage its transactional foreign exchange exposure by hedging foreign currency cash flow forecasts and commitments arising from the anticipated settlement of receivables and payables and from future purchases and sales. Where naturally offsetting currency positions do not occur, the Company hedges certain, but not all, of its exposures through the use of foreign currency contracts. The Company's translation exposure resulting from translating the financial statements of foreign subsidiaries into United States dollars is not hedged. The Company's most significant translation exposures are the Euro, the British pound and the Brazilian real in relation to the United States dollar and the Swiss franc in relation to the Euro. When practical, the translation impact is reduced by financing local operations with local borrowings.

The Company's senior management establishes the Company's foreign currency and interest rate risk management policies. These policies are reviewed periodically by the Audit Committee of the Company's Board of Directors. The policies allow for the use of derivative instruments to hedge exposures to movements in foreign currency and interest rates. The Company's policies prohibit the use of derivative instruments for speculative purposes.

The Company categorizes its assets and liabilities into one of three levels based on the assumptions used in valuing the asset or liability. See Note 14 for a discussion of the fair value hierarchy as per the guidance in Accounting Standards Codification 820, "Fair Value Measurements". The Company's valuation techniques are designed to maximize the use of observable inputs and minimize the use of unobservable inputs.

Cash Flow Hedges

During 2015 and 2014, the Company designated certain foreign currency contracts as cash flow hedges of expected future sales and purchases. The effective portion of the fair value gains or losses on these cash flow hedges were recorded in other comprehensive income (loss) and are subsequently reclassified into cost of goods sold during the period the sales and purchases are recognized. These amounts offset the effect of the changes in foreign currency rates on the related sale and purchase transactions. The amount of the net loss recorded in other comprehensive (loss) income that was reclassified into cost of goods sold during the three months ended March 31, 2015 and 2014 was approximately $0.3 million and $0.1 million, respectively, on an after-tax basis. The outstanding contracts as of March 31, 2015 range in maturity through December 2015.

The following table summarizes the activity in accumulated other comprehensive loss related to the derivatives held by the Company during the three months ended March 31, 2015 (in millions):

	Before-Tax Amount	Income Tax	After-Tax Amount
Accumulated derivative net losses as of December 31, 2014	$(0.2)	$(0.1)	$(0.1)
Net changes in fair value of derivatives	(2.0)	(0.1)	(1.9)

Net losses reclassified from accumulated other comprehensive loss into income	0.3	—	0.3
Accumulated derivative net losses as of March 31, 2015	$(1.9)	$(0.2)	$(1.7)

The Company had outstanding foreign currency contracts with a notional amount of approximately $47.9 million and $23.8 million as of March 31, 2015 and December 31, 2014, respectively, that were entered into to hedge forecasted sale and purchase transactions.

Derivative Transactions Not Designated as Hedging Instruments

During 2015 and 2014, the Company entered into foreign currency contracts to hedge receivables and payables on the Company and its subsidiaries' balance sheets that are denominated in foreign currencies other than the functional currency. These contracts were classified as non-designated derivative instruments.

As of March 31, 2015 and December 31, 2014, the Company had outstanding foreign currency contracts with a notional amount of approximately $1,946.9 million and $1,810.5 million, respectively, that were entered into to hedge receivables and payables that were denominated in foreign currencies other than the functional currency. Changes in the fair value of these contracts are reported in "Other expense, net." For the three months ended March 31, 2015 and 2014, the Company recorded a net loss of approximately $45.7 million and $1.8 million, respectively, within "Other expense, net" related to these contracts. Gains and losses on such contracts are substantially offset by losses and gains on the remeasurement of the underlying asset or liability being hedged.

The table below sets forth the fair value of derivative instruments as of March 31, 2015 (in millions):

	Asset Derivatives as of March 31, 2015		Liability Derivatives as of March 31, 2015	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative instruments designated as hedging instruments:				
Foreign currency contracts	Other current assets	$—	Other current liabilities	$1.8
Derivative instruments not designated as hedging instruments:				
Foreign currency contracts	Other current assets	12.9	Other current liabilities	22.8
Total derivative instruments		$12.9		$24.6

The table below sets forth the fair value of derivative instruments as of December 31, 2014 (in millions):

	Asset Derivatives as of December 31, 2014		Liability Derivatives as of December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative instruments designated as hedging instruments:				
Foreign currency contracts	Other current assets	$—	Other current liabilities	$0.2
Derivative instruments not designated as hedging instruments:				
Foreign currency contracts	Other current assets	11.3	Other current liabilities	20.3
Total derivative instruments		$11.3		$20.5

Counterparty Risk

The Company regularly monitors the counterparty risk and credit ratings of all the counterparties to the derivative instruments. The Company believes that its exposures are appropriately diversified across counterparties and that these counterparties are creditworthy financial institutions. If the Company perceives any risk with a counterparty, then the Company would cease to do business with that counterparty. There have been no negative impacts to the

Company from any non-performance of any counterparties.

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11. CHANGES IN STOCKHOLDERS' EQUITY

The following table sets forth changes in stockholders' equity attributed to AGCO Corporation and its subsidiaries and to noncontrolling interests for the three months ended March 31, 2015 (in millions):

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Stockholders' Equity
Balance, December 31, 2014	$ 0.9	$ 582.5	$3,771.6	$ (906.5)	$ 48.4	$ 3,496.9
Stock compensation	—	2.4	—	—	—	2.4
Issuance of performance award stock	—	(5.5)	—	—	—	(5.5)
SSARs exercised	—	(0.3)	—	—	—	(0.3)
Comprehensive income (loss):						
Net income (loss)	—	—	30.1	—	(0.2)	29.9
Other comprehensive loss, net of reclassification adjustments:						
Foreign currency translation adjustments	—	—	—	(344.2)	0.1	(344.1)
Defined benefit pension plans, net of tax	—	—	—	2.2	—	2.2
Unrealized loss on derivatives, net of tax	—	—	—	(1.6)	—	(1.6)
Payment of dividends to stockholders	—	—	(10.7)	—	—	(10.7)
Purchases and retirement of common stock	—	(62.5)	—	—	—	(62.5)
Changes in noncontrolling interest	—	—	—	—	1.1	1.1
Balance, March 31, 2015	$ 0.9	$ 516.6	$3,791.0	$ (1,250.1)	$ 49.4	$ 3,107.8

Total comprehensive loss attributable to noncontrolling interests for the three months ended March 31, 2015 and to noncontrolling interests and redeemable noncontrolling interest for the three months ended March 31, 2014 was as follows (in millions):

	Three Months Ended March 31,	
	2015	2014
Net loss	$ (0.2)	$ (0.4)
Other comprehensive loss:		
Foreign currency translation adjustments	0.1	(0.3)
Total comprehensive loss	$ (0.1)	$ (0.7)

The following table sets forth changes in accumulated other comprehensive loss by component, net of tax, attributed to AGCO Corporation and its subsidiaries for the three months ended March 31, 2015 (in millions):

	Defined Benefit Pension Plans	Deferred Net (Losses) Gains on Derivatives	Cumulative Translation Adjustment	Total
Accumulated other comprehensive loss, December 31, 2014	$ (253.3)	$ (0.1)	$ (653.1)	$ (906.5)
	—	(1.9)	(344.2)	(346.1)

Other comprehensive loss before reclassifications				
Net losses reclassified from accumulated other comprehensive loss	2.2	0.3	—	2.5
Other comprehensive income (loss), net of reclassification adjustments	2.2	(1.6)	(344.2)	(343.6)
Accumulated other comprehensive loss, March 31, 2015	$(251.1)	$(1.7)	$(997.3)	$(1,250.1)

Notes to Condensed Consolidated Financial Statements - Continued
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The following table sets forth reclassification adjustments out of accumulated other comprehensive loss by component attributed to AGCO Corporation and its subsidiaries for the three months ended March 31, 2015 and 2014 (in millions):

	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item within the Condensed Consolidated Statements of Operations
Details about Accumulated Other Comprehensive Loss Components	Three months ended March 31, 2015 [1]	Three months ended March 31, 2014 [1]	
Net losses on cash flow hedges	$0.3	$0.1	Cost of goods sold
	—	—	Income tax provision
Reclassification net of tax	$0.3	$0.1	
Defined benefit pension plans:			
Amortization of net actuarial loss	$2.8	$2.2	(2)
Amortization of prior service cost	0.1	0.2	(2)
Reclassification before tax	2.9	2.4	
	(0.7)	(0.6)	Income tax provision
Reclassification net of tax	$2.2	$1.8	
Net losses reclassified from accumulated other comprehensive loss	$2.5	$1.9	

(1) Losses included within the Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014.
(2) These accumulated other comprehensive loss components are included in the computation of net periodic pension and postretirement benefit cost. See Note 13 to the Company's Condensed Consolidated Financial Statements.

Share Repurchase Program

In June 2012, the Company's Board of Directors approved a share repurchase program under which the Company can repurchase up to $50.0 million of its common stock. This share repurchase program does not have an expiration date. In December 2013, the Company's Board of Directors approved an additional share repurchase program under which the Company can repurchase up to $500.0 million of its common stock through an expiration date of June 2015. In December 2014, the Board of Directors approved a third share repurchase program under which the Company can repurchase up to $500.0 million of shares of its common stock through December 2016.

During the three months ended March 31, 2015, the Company entered into an accelerated share repurchase ("ASR")agreement with a financial institution to repurchase an aggregate of $62.5 million of shares of the Company's common stock. The Company received approximately 1,290,733 shares during the three months ended March 31, 2015 related to the ASR agreement. All shares received under the ASR agreement were retired upon receipt, and the excess of the purchase price over par value per share was recorded to "Additional paid-in capital" within the Company's Condensed Consolidated Balance Sheets.

Of the $1,050.0 million in approved share repurchase programs, the remaining amount authorized to be repurchased is approximately $469.2 million.

12. ACCOUNTS RECEIVABLE SALES AGREEMENTS

As of March 31, 2015 and December 31, 2014, the Company had accounts receivable sales agreements that permit the sale, on an ongoing basis, of a majority of its wholesale receivables in North America and Europe to its 49% owned U.S., Canadian and European finance joint ventures. As of March 31, 2015 and December 31, 2014, the cash received from receivables sold under the U.S., Canadian and European accounts receivable sales agreements was approximately $1.1 billion and $1.2 billion, respectively.

Under the terms of the accounts receivable agreements in North America and Europe, the Company pays an annual servicing fee related to the servicing of the receivables sold. The Company also pays the respective AGCO Finance entities a subsidized interest payment with respect to the sales agreements, calculated based upon LIBOR plus a margin on any non-interest bearing accounts receivable outstanding and sold under the sales agreements. These fees were reflected within losses on the sales of receivables included within "Other expense, net" in the Company's Condensed Consolidated Statements of Operations. The Company does not service the receivables after the sale occurs and does not maintain any direct retained interest in the receivables. The Company reviewed its accounting for the accounts receivable sales agreements and determined that these facilities should be accounted for as off-balance sheet transactions.

Losses on sales of receivables associated with the accounts receivable financing facilities discussed above, reflected within "Other expense, net" in the Company's Condensed Consolidated Statements of Operations, were approximately $5.0 million and $7.5 million during the three months ended March 31, 2015 and 2014, respectively.

The Company's finance joint ventures in Brazil and Australia also provide wholesale financing to the Company's dealers. The receivables associated with these arrangements are without recourse to the Company. The Company does not service the receivables after the sale occurs and does not maintain any direct retained interest in the receivables. As of March 31, 2015 and December 31, 2014, these finance joint ventures had approximately $26.7 million and $43.3 million, respectively, of outstanding accounts receivable associated with these arrangements. The Company reviewed its accounting for these arrangements and determined that these arrangements should be accounted for as off-balance sheet transactions.

In addition, the Company sells certain trade receivables under factoring arrangements to other financial institutions around the world. The Company reviewed the sale of such receivables and determined that these arrangements should be accounted for as off-balance sheet transactions.

13. EMPLOYEE BENEFIT PLANS

Net periodic pension and postretirement benefit cost for the Company's defined pension and postretirement benefit plans for the three months ended March 31, 2015 and 2014 are set forth below (in millions):

	Three Months Ended March 31,	
Pension benefits	2015	2014
Service cost	$4.7	$4.3
Interest cost	7.8	9.4
Expected return on plan assets	(11.1)	(11.2)
Amortization of net actuarial loss	2.8	2.2
Amortization of prior service cost	0.1	0.2
Net periodic pension cost	$4.3	$4.9

	Three Months Ended March 31,	
Postretirement benefits	2015	2014
Service cost	$—	$0.1
Interest cost	0.4	0.4
Net periodic postretirement benefit cost	$0.4	$0.5

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The following table summarizes the activity in accumulated other comprehensive loss related to the Company's defined pension and postretirement benefit plans during the three months ended March 31, 2015 (in millions):

	Before-Tax Amount	Income Tax	After-Tax Amount
Accumulated other comprehensive loss as of December 31, 2014	$(341.5)	$(88.2)	$(253.3)
Amortization of net actuarial loss	2.8	0.7	2.1
Amortization of prior service cost	0.1	—	0.1
Accumulated other comprehensive loss as of March 31, 2015	$(338.6)	$(87.5)	$(251.1)

During the three months ended March 31, 2015, approximately $8.5 million of contributions had been made to the Company's defined pension benefit plans. The Company currently estimates its minimum contributions for 2015 to its defined pension benefit plans will aggregate approximately $35.2 million.
During the three months ended March 31, 2015, the Company made approximately $0.5 million of contributions to its postretirement health care and life insurance benefit plans. The Company currently estimates that it will make approximately $1.5 million of contributions to its postretirement health care and life insurance benefit plans during 2015.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company categorizes its assets and liabilities into one of three levels based on the assumptions used in valuing the asset or liability. Estimates of fair value for financial assets and liabilities are based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

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

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Model-derived valuations in which one or more significant inputs are unobservable.

The Company enters into foreign currency contracts that primarily are forward and options contracts (Note 10). The fair value of foreign currency forward contracts is based on a valuation model that discounts cash flows resulting from the differential between the contract price and the market-based forward rate. The fair value of foreign currency option contracts is based on a valuation model that utilizes spot and forward exchange rates, interest rates and currency pair volatility.

Foreign currency contracts measured at fair value on a recurring basis as of March 31, 2015 and December 31, 2014 are summarized below (in millions):

	As of March 31, 2015			
	Level 1	Level 2	Level 3	Total
Derivative assets	$—	$12.9	$—	$12.9
Derivative liabilities	$—	$24.6	$—	$24.6

	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Derivative assets	$—	$11.3	$—	$11.3
Derivative liabilities	$—	$20.5	$—	$20.5

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The carrying amounts of long-term debt under the Company’s 4/2% senior term loan, credit facility and 1.056% senior term loan (Note 5) approximate fair value based on the borrowing rates currently available to the Company for loans with similar terms and average maturities. At March 31, 2015 and December 31, 2014, the estimated fair values of the Company’s 5 7/8% senior notes (Note 5), based on the listed market values, was $343.5 million and $337.6 million, respectively, compared to the carrying values of both of $300.0 million.

15. SEGMENT REPORTING

The Company’s four reportable segments distribute a full range of agricultural equipment and related replacement parts. The Company evaluates segment performance primarily based on income from operations. Sales for each segment are based on the location of the third-party customer. The Company’s selling, general and administrative expenses and engineering expenses are charged to each segment based on the region and division where the expenses are incurred. As a result, the components of income from operations for one segment may not be comparable to another segment. Segment results for the three months ended March 31, 2015 and 2014 and assets as of March 31, 2015 and December 31, 2014 based on the Company’s reportable segments are as follows (in millions):

Three Month Ended March 31,	North America	South America	Europe/Africa/ Middle East	Asia/ Pacific	Consolidated
2015					
Net sales	$472.5	$249.0	$908.1	$73.0	$1,702.6
Income (loss) from operations	17.5	13.1	80.5	(12.0)	99.1
Depreciation	15.3	6.0	29.8	3.0	54.1
Capital expenditures	17.0	6.9	29.9	9.1	62.9
2014					
Net sales	$647.5	$353.6	$1,235.9	$96.4	$2,333.4
Income (loss) from operations	55.5	27.9	120.9	(1.3)	203.0
Depreciation	15.0	6.2	34.9	3.3	59.4
Capital expenditures	25.2	6.3	60.7	9.0	101.2
Assets					
As of March 31, 2015	$1,106.3	$647.5	$2,010.8	$368.4	$4,133.0
As of December 31, 2014	$1,026.9	$719.8	$2,036.0	$353.8	$4,136.5

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A reconciliation from the segment information to the consolidated balances for income from operations and total assets is set forth below (in millions):

	Three Months Ended March 31,	
	2015	2014
Segment income from operations	$99.1	$203.0
Corporate expenses	(29.0)	(31.4)
Stock compensation expense	(2.2)	(5.9)
Restructuring and other infrequent expenses	(10.6)	—
Amortization of intangibles	(10.5)	(10.0)
Consolidated income from operations	$46.8	$155.7

	March 31, 2015	December 31, 2014
Segment assets	$4,133.0	$4,136.5
Cash and cash equivalents	338.9	363.7
Receivables from affiliates	124.3	108.4
Investments in affiliates	398.7	424.1
Deferred tax assets, other current and noncurrent assets	616.2	616.6
Intangible assets, net	533.3	553.8
Goodwill	1,120.1	1,192.8
Consolidated total assets	$7,264.5	$7,395.9

16. COMMITMENTS AND CONTINGENCIES

Off-Balance Sheet Arrangements

Guarantees

The Company maintains a remarketing agreement with its U.S. finance joint venture, whereby the Company is obligated to repurchase repossessed inventory at market values. The Company has an agreement with its U.S. finance joint venture which limits the Company’s purchase obligations under this arrangement to $6.0 million in the aggregate per calendar year. The Company believes that any losses that might be incurred on the resale of this equipment will not materially impact the Company’s financial position or results of operations, due to the fair value of the underlying equipment.

At March 31, 2015, the Company guaranteed indebtedness owed to third parties of approximately $89.5 million, primarily related to dealer and end-user financing of equipment. Such guarantees generally obligate the Company to repay outstanding finance obligations owed to financial institutions if dealers or end users default on such loans through 2020. The Company believes the credit risk associated with these guarantees is not material to its financial position or results of operations. Losses under such guarantees have historically been insignificant. In addition, the Company generally would expect to be able to recover a significant portion of the amounts paid under such guarantees from the sale of the underlying financed farm equipment, as the fair value of such equipment is expected to be sufficient to offset a substantial portion of the amounts paid.

Other

The Company sells a majority of its wholesale receivables in North America and Europe to its 49% owned U.S., Canadian and European finance joint ventures. The Company also sells certain accounts receivable under factoring arrangements to financial institutions around the world. The Company reviewed the sale of such receivables and determined that these facilities should be accounted for as off-balance sheet transactions.

Legal Claims and Other Matters

On June 27, 2008, the Republic of Iraq filed a civil action in federal court in the Southern District of New York, Case No. 08 CIV 59617, naming as defendants one of the Company's French subsidiaries and two of its other foreign subsidiaries that participated in the United Nations Oil for Food Program (the "Program"). Ninety-one other entities or companies also were named as defendants in the civil action due to their participation in the Program. The complaint purports to assert claims against each of the defendants seeking damages in an unspecified amount. On February 6, 2013, the federal court dismissed the complaint with prejudice. The federal appeals court affirmed that decision. The plaintiff has petitioned the U.S. Supreme Court for a Writ of Certiorari. Although the Company's subsidiaries intend to vigorously defend against this action, it is not possible at this time to predict the outcome of this action or its impact, if any, on the Company, although if the outcome was adverse, the Company could be required to pay damages.

On October 30, 2012, a third-party complaint was filed in federal court in the Southern District of Texas, Case No. 09 CIV 03884, naming as defendants one of the Company's French subsidiaries and two of its other foreign subsidiaries. Sixty other entities or companies also were named as third-party defendants. The complaint asserts claims against the defendants, certain of which are also third-party plaintiffs, seeking unspecified damages arising from their participation in the Program. The third-party plaintiffs seek contribution from the third-party defendants. On February 12, 2014, the federal court dismissed the third-party complaint with prejudice. The third-party plaintiffs have not appealed this dismissal, but have until after the resolution of the underlying case to do so. Although the Company's subsidiaries intend to vigorously defend against this action, it is not possible at this time to predict the outcome of the action or its impact, if any, on the Company, although if the outcome was adverse, the Company could be required to pay damages.

In August 2008, as part of routine audits, the Brazilian taxing authorities disallowed deductions relating to the amortization of certain goodwill recognized in connection with a reorganization of the Company's Brazilian operations and the related transfer of certain assets to the Company's Brazilian subsidiaries. The amount of the tax disallowance through March 31, 2015, not including interest and penalties, was approximately 131.5 million Brazilian reais (or approximately $41.1 million). The amount ultimately in dispute will be greater because of interest and penalties. The Company has been advised by its legal and tax advisors that its position with respect to the deductions is allowable under the tax laws of Brazil. The Company is contesting the disallowance and believes that it is not likely that the assessment, interest or penalties will be required to be paid. However, the ultimate outcome will not be determined until the Brazilian tax appeal process is complete, which could take several years.

The Company is a party to various other legal claims and actions incidental to its business. The Company believes that none of these claims or actions, either individually or in the aggregate, is material to its business or financial statements as a whole, including its results of operations and financial condition.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Our operations are subject to the cyclical nature of the agricultural industry. Sales of our equipment have been and are expected to continue to be affected by changes in net cash farm income, farm land values, weather conditions, the demand for agricultural commodities, commodity prices and general economic conditions. We record sales when we sell equipment and replacement parts to our independent dealers, distributors and other customers. To the extent possible, we attempt to sell products to our dealers and distributors on a level basis throughout the year to reduce the effect of seasonal demands on manufacturing operations and to minimize our investment in inventories. However, retail sales by dealers to farmers are highly seasonal and are a function of the timing of the planting and harvesting seasons. As a result, our net sales have historically been the lowest in the first quarter and have increased in subsequent quarters.

RESULTS OF OPERATIONS

For the three months ended March 31, 2015, we generated net income of $30.1 million, or $0.34 per share, compared to net income of $99.6 million, or $1.03 per share, for the same period in 2014.

Net sales during the three months ended March 31, 2015 were $1,702.6 million, which were approximately 27.0% lower than the three months ended March 31, 2014 due to softer global market conditions and the negative impact of foreign currency translation.

Income from operations for the three months ended March 31, 2015 was $46.8 million compared to $155.7 million for the same period in 2014. The decrease in income from operations for the three months was primarily a result of lower sales and production levels, a weaker product mix and currency translation impacts. Headcount and cost reduction initiatives initiated in the second half of 2014 and the first quarter of 2015 have helped to mitigate the negative impacts to operating income.

Regionally, income from operations in our Europe/Africa/Middle East (“EAME”) region decreased in the three months ended March 31, 2015 compared to the same period in 2014. The negative impact of reduced net sales and production levels were partially offset by higher margins on new products and cost reduction actions. A decline in net sales and production volumes coupled with a weaker product mix negatively impacted income from operations in both the North American and South American regions during the three months ended March 31, 2015 compared to the same period in 2014. Income from operations in our Asia/Pacific region decreased in the three months ended March 31, 2015 compared to the same period in 2014 due to lower net sales and increased expenses associated with our new factory in China.

Industry Market Conditions

Elevated global grain inventories and preliminary forecasts for strong crop production in 2015 continue to pressure prices for all major agricultural commodities. With prospects for lower farm income impacting farmer sentiment, industry demand continued to soften in all major agricultural equipment markets during the first three months of 2015 compared to the first three months of 2014.

In North America, industry unit retail sales of utility and high horsepower tractors for the first three months of 2015 decreased by approximately 10% compared to the first three months of 2014. Industry unit retail sales of combines for the first three months of 2015 decreased by approximately 44% compared to the first three months of 2014. Retail sales were significantly lower for high horsepower tractors and combines, partially offset by more stable sales in hay and forage equipment due to healthy conditions in the livestock sector.

In Western Europe, industry unit retail sales of tractors for the first three months of 2015 decreased by approximately 12% compared to the first three months of 2014. Industry unit retail sales of combines for the first three months of 2015 decreased by approximately 13% compared to the first three months of 2014. Lower prices for dairy producers and row crop farmers negatively impacted market demand across Western Europe with declines most pronounced in France, the United Kingdom, Germany and Finland.

South American industry unit retail sales of tractors in the first three months of 2015 decreased approximately 12% compared to the same period in 2014. Industry unit retail sales of combines for the first three months of 2015 decreased by approximately 35% compared to the first three months of 2014. The decline was most pronounced in Brazil. In Brazil, weakness in the general economy, less favorable government subsidized financing programs and lower demand in the sugarcane sector negatively impacted retail sales.

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STATEMENTS OF OPERATIONS

Net sales for the three months ended March 31, 2015 were $1,702.6 million compared to $2,333.4 million for the same period in 2014. Foreign currency translation negatively impacted net sales by approximately $272.8 million, or (11.7)%, in the three months ended March 31, 2015.

The following table sets forth, for the three months ended March 31, 2015, the impact to net sales of currency translation by geographical segment (in millions, except percentages):

	Three Month Ended March 31,		Change		Change Due to Currency Translation	
	2015	2014	$	%	$	%
North America	$472.5	$647.5	$(175.0)	(27.0)%	$(11.0)	(1.7)%
South America	249.0	353.6	(104.6)	(29.6)%	(53.7)	(15.2)%
Europe/Africa/Middle East	908.1	1,235.9	(327.8)	(26.5)%	(198.9)	(16.1)%
Asia/Pacific	73.0	96.4	(23.4)	(24.3)%	(9.2)	(9.5)%
	$1,702.6	$2,333.4	$(630.8)	(27.0)%	$(272.8)	(11.7)%

Regionally, net sales in North America decreased during the three months ended March 31, 2015 compared to the same period in 2014. Decreases in net sales of high horsepower tractors, implements and combines were partially offset by net sales growth in grain storage and protein production equipment as well as sprayers. In the EAME region, net sales decreased during the three months ended March 31, 2015 compared to the same period in 2014. The largest net sales declines were in Germany, Scandinavia and Russia. Net sales in South America decreased during the three months ended March 31, 2015 compared to the same period in 2014 primarily due to lower tractor and combine sales in Brazil, which were partially offset by increased grain storage equipment sales. In the Asia/Pacific region, net sales decreased during the three months ended March 31, 2015 compared to the same period in 2014. The decrease in net sales during the three months ended March 31, 2015 was primarily driven by declines in Asia which were partially offset by growth in the Australia and New Zealand markets. We estimate the worldwide average price increase was approximately 1.0% during the three months ended March 31, 2015 compared to the prior year period. Consolidated net sales of tractors and combines, which comprised approximately 60% of our net sales in the three months ended March 31, 2015, decreased approximately 31% in the three months ended March 31, 2015 compared to the same period in 2014. Unit sales of tractors and combines decreased approximately 11% during the three months ended March 31, 2015 compared to the same period in 2014. The difference between the unit sales decrease and the decrease in net sales was primarily the result of foreign currency translation, pricing and sales mix changes.

The following table sets forth, for the periods indicated, the percentage relationship to net sales of certain items in our Condensed Consolidated Statements of Operations (in millions, except percentages):

	Three Months Ended March 31,			
	2015		2014	
	$	% of Net Sales	$	% of Net Sales[(1)]
Gross profit	$347.9	20.4%	$514.9	22.1%
Selling, general and administrative expenses	211.2	12.4%	267.0	11.4%
Engineering expenses	68.8	4.0%	82.2	3.5%
Restructuring and other infrequent expenses	10.6	0.6%	—	—%
Amortization of intangibles	10.5	0.6%	10.0	0.4%
Income from operations	$46.8	2.8%	$155.7	6.7%

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(1) Rounding may impact summation of amounts.

Gross profit as a percentage of net sales decreased for the three months ended March 31, 2015 compared to the same period in 2014. The impact of lower net sales and production levels as well as a weaker product mix were partially offset by benefits from headcount and other cost reduction actions. Production hours decreased approximately 21% during the three months ended March 31, 2015 compared to the same period in 2014. We recorded approximately $0.2 million of stock compensation expense within cost of goods sold during the three months ended March 31, 2015 compared to $0.5 million for the comparable period in 2014, as is more fully explained below and in Note 3 to our Condensed Consolidated Financial Statements.

Selling, general and administrative (“SG&A”) expenses declined in dollars but increased as a percentage of net sales for the three months ended March 31, 2015 compared to the same period in 2014. Engineering expenses increased slightly as a percentage of net sales during the three months ended March 31, 2015 compared to the same period in 2014 due to lower net sales. We recorded approximately $2.2 million of stock compensation expense within SG&A expenses during the three months ended March 31, 2015 compared to $5.9 million for the comparable period in 2014, as is more fully explained in Note 3 to our Condensed Consolidated Financial Statements.

The restructuring and other infrequent expenses of $10.6 million recorded during the three months ended March 31, 2015 were primarily related to severance and other related costs associated with the rationalization of certain European manufacturing operations as well as various administrative offices located in Europe and the United States.

Interest expense, net was $10.2 million for the three months ended March 31, 2015 compared to $13.9 million for the comparable period in 2014. The decrease was primarily due to higher interest income and lower interest rates on outstanding indebtedness.

Other expense, net was $9.8 million for the three months ended March 31, 2015 compared to $11.2 million during the same period in 2014. Losses on sales of receivables, primarily related to our accounts receivable sales agreements with our finance joint ventures in North America and Europe, were $5.0 million for the three months ended March 31, 2015 compared to $7.5 million for the comparable period in 2014.

We recorded an income tax provision of $10.6 million for the three months ended March 31, 2015 compared to $46.4 million for the comparable period in 2014. Our effective tax rate was slightly higher during the three months ended March 31, 2015 compared to the same period in 2014.

Equity in net earnings of affiliates, which is primarily comprised of income from our finance joint ventures, was $13.7 million for the three months ended March 31, 2015 compared to $15.0 million for the comparable period in 2014. Refer to “Finance Joint Ventures” for further information regarding our finance joint ventures and their results of operations.

FINANCE JOINT VENTURES

Our AGCO Finance joint ventures provide retail financing to end customers and wholesale financing to our dealers in the United States, Canada, Brazil, Europe, Argentina and Australia. The joint ventures are owned 49% by AGCO and 51% by a wholly-owned subsidiary of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (“Rabobank”), a financial institution based in the Netherlands. The majority of the assets of the finance joint ventures represent finance receivables. The majority of the liabilities represent notes payable and accrued interest. Under the various joint venture agreements, Rabobank or its affiliates provide financing to the joint ventures, primarily through lines of credit. We do not guarantee the debt obligations of the joint ventures. As of March 31, 2015, our capital investment in the finance joint ventures, which is included in “Investment in affiliates” on our Condensed Consolidated Balance Sheets, was $365.7 million compared to $389.0 million as of December 31, 2014. The total finance portfolio in our finance joint ventures was approximately $8.2 billion and $8.9 billion as of March 31, 2015 and December 31, 2014, respectively. The total finance portfolio as of March 31, 2015 included approximately $6.8 billion of retail receivables and $1.4 billion of wholesale receivables from AGCO dealers. The total finance portfolio as of December 31, 2014 included approximately $7.4 billion of retail receivables and $1.5 billion of wholesale receivables from AGCO dealers. The wholesale receivables either were sold directly to AGCO Finance without recourse from our operating companies or AGCO Finance provided the financing directly to the dealers. For the three months ended March 31, 2015, our share in the earnings of the finance joint ventures, included in “Equity in net earnings of affiliates” on our Condensed Consolidated Statements of Operations, was $12.9 million compared to $13.6 million for the same period in 2014.

The total finance portfolio in our finance joint venture in Brazil was approximately $1.2 billion and $1.5 billion as of March 31, 2015 and December 31, 2014, respectively. As a result of weak market conditions in Brazil in 2005 and 2006, a substantial portion of this portfolio had been included in a payment deferral program directed by the Brazilian government relating to retail contracts entered into during 2004, where scheduled payments were rescheduled several times between 2005 and 2008. The impact of the deferral program resulted in higher delinquencies and lower collateral coverage for the portfolio. While the joint venture currently considers its reserves for loan losses adequate, it continually monitors its reserves considering

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borrower payment history, the value of the underlying equipment financed and further payment deferral programs implemented by the Brazilian government. To date, our finance joint ventures in markets outside of Brazil have not experienced any significant changes in the credit quality of their finance portfolios. However, there can be no assurance that the portfolio credit quality will not deteriorate, and, given the size of the portfolio relative to the joint ventures' levels of equity, a significant adverse change in the joint ventures' performance would have a material impact on the joint ventures and on our operating results.

LIQUIDITY AND CAPITAL RESOURCES

Our financing requirements are subject to variations due to seasonal changes in inventory and receivable levels. Internally generated funds are supplemented when necessary from external sources, primarily our credit facility and accounts receivable sales agreement facilities.

We believe that the following facilities, together with available cash and internally generated funds, will be sufficient to support our working capital, capital expenditures and debt service requirements for the foreseeable future:

- Our €200.0 million (or approximately $214.8 million as of March 31, 2015) $4^{1}/2$% senior term loan, which matures in 2016 (see further discussion below).
- Our revolving credit and term loan facility, consisting of an $800.0 million multi-currency revolving credit facility and a $355.0 million term loan facility, which expires in June 2019. As of March 31, 2015, $267.2 million was outstanding under the multi-currency revolving credit facility and $355.0 million was outstanding under the term loan facility (see further discussion below).
- Our €200.0 million (or approximately $214.8 million as of March 31, 2015) 1.056% senior term loan, which matures in 2020 (see further discussion below).
- Our $300.0 million of $5^{7}/8$% senior notes, which mature in 2021 (see further discussion below).
- Our accounts receivable sales agreements with our finance joint ventures in the United States, Canada and Europe. As of March 31, 2015, approximately $1.1 billion of cash had been received under these agreements (see further discussion below).

In addition, although we are in complete compliance with the financial covenants contained in these facilities and currently expect to continue to maintain such compliance, should we ever encounter difficulties, our historical relationship with our lenders has been strong and we anticipate their continued long-term support of our business.

Current Facilities

Our €200.0 million $4^{1}/2$% senior term loan with Rabobank is due May 2, 2016. We have the ability to prepay the term loan before its maturity date. Interest is payable on the term loan at $4^{1}/2$% per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The term loan contains covenants restricting, among other things, the incurrence of indebtedness and the making of certain payments, including dividends, and is subject to acceleration in the event of default. We also must fulfill financial covenants with respect to a total debt to EBITDA ratio and an interest coverage ratio.

Our revolving credit facility and term loan facility consists of an $800.0 million multi-currency revolving credit facility and a $355.0 million term loan facility. The maturity date of our credit facility is June 28, 2019. We are not required to make quarterly payments towards the term loan facility. Interest accrues on amounts outstanding under the credit facility, at our option, at either (1) LIBOR plus a margin ranging from 1.0% to 2.0% based on our leverage ratio, or (2) the base rate, which is equal to the higher of (i) the administrative agent's base lending rate for the applicable currency, (ii) the federal funds rate plus 0.5%, and (iii) one-month LIBOR for loans denominated in US dollars plus 1.0% plus a margin ranging from 0.0% to 0.5% based on our leverage ratio. The credit facility contains covenants restricting, among other things, the incurrence of indebtedness and the making of certain payments, including dividends, and is subject to acceleration in the event of a default. We also must fulfill financial covenants with respect to a total debt to EBITDA ratio and an interest coverage ratio. As of March 31, 2015, we had $622.2 million of outstanding borrowings under the credit facility and availability to borrow approximately $532.8 million. Approximately $267.2 million was outstanding under the multi-currency revolving credit facility and $355.0 million was outstanding under the term loan facility as of March 31, 2015. As of December 31, 2014, we had $404.4 million of outstanding borrowings under our credit facility and availability to borrow approximately $750.6 million. Approximately $49.4 million was outstanding under the multi-currency revolving credit facility and $355.0 million was outstanding under the term loan facility as of December 31, 2014.

In December 2014, we entered into a term loan with the European Investment Bank, which provided us with the ability to borrow up to €200.0 million. The €200.0 million (or approximately $214.8 million as of March 31, 2015) of funding was received on January 15, 2015 with a maturity date of January 15, 2020. We have the ability to prepay the term loan before its maturity date. Interest is payable on the term loan at 1.056% per annum, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. The term loan contains covenants restricting, among other things, the use of funds for certain research and development projects, the incurrence of indebtedness and the making of certain payments, and is subject to acceleration in the event of default. We also have to fulfill financial covenants with respect to a net leverage ratio and an interest coverage ratio.

Our $300.0 million of $5^{7}/8$% senior notes due December 1, 2021 constitute senior unsecured and unsubordinated indebtedness. Interest is payable on the notes semi-annually in arrears on June 1 and December 1 of each year. At any time prior to September 1, 2021, we may redeem the notes, in whole or in part from time to time, at our option, at a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest, including additional interest, if any, to but excluding, the redemption date, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption) discounted to the redemption date at the treasury rate plus 0.5%, plus accrued and unpaid interest, including additional interest, if any. Beginning September 1, 2021, we may redeem the notes, in whole or in part from time to time, at our option, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, including additional interest, if any.

Our accounts receivable sales agreements in North America and Europe permit the sale, on an ongoing basis, of a majority of our receivables to our 49% owned U.S., Canadian and European finance joint ventures. The sales of all receivables are without recourse to us. We do not service the receivables after the sale occurs, and we do not maintain any direct retained interest in the receivables. These agreements are accounted for as off-balance sheet transactions and have the effect of reducing accounts receivable and short-term liabilities by the same amount. As of March 31, 2015 and December 31, 2014, the cash received from receivables sold under the U.S., Canadian and European accounts receivable sales agreements was approximately $1.1 billion and $1.2 billion, respectively.

Our finance joint ventures in Brazil and Australia also provide wholesale financing to our dealers. The receivables associated with these arrangements also are without recourse to us. As of March 31, 2015 and December 31, 2014, these finance joint ventures had approximately $26.7 million and $43.3 million, respectively, of outstanding accounts receivable associated with these arrangements. These arrangements are accounted for as off-balance sheet transactions. In addition, we sell certain trade receivables under factoring arrangements to other financial institutions around the world. These arrangements are also accounted for as off-balance sheet transactions.

Cash Flows

Cash flows used in operating activities were approximately $286.0 million and $511.0 million for the first three months of 2015 and 2014, respectively. Our working capital requirements are seasonal, with investments in working capital typically building in the first half of the year and then reducing in the second half of the year. We had $1,589.0 million in working capital at March 31, 2015, as compared with $1,311.0 million at December 31, 2014 and $1,610.6 million at March 31, 2014. Accounts receivable and inventories, combined, at March 31, 2015 were $153.3 million higher and $785.9 million lower than at December 31, 2014 and March 31, 2014, respectively. The decrease in accounts receivable and inventories as of March 31, 2015 as compared to March 31, 2014 was primarily a result of production cuts initiated in the second half of 2014 and the first quarter of 2015 as well as the impact of foreign currency translation.

Capital expenditures for the first three months of 2015 were $62.9 million compared to $101.2 million for the first three months of 2014. We anticipate that capital expenditures for the full year of 2015 will be approximately $300.0 million and primarily will be used to support the development and enhancement of new and existing products, upgrade our system capabilities and improve our factory productivity.

Our debt to capitalization ratio, which is total indebtedness divided by the sum of total indebtedness and stockholders' equity, was 32.7% and 23.8% at March 31, 2015 and December 31, 2014, respectively.

Share Repurchase Program

In June 2012, our Board of Directors approved a share repurchase program under which we can repurchase up to $50.0 million of our common stock. This share repurchase program does not have an expiration date. In December 2013, our Board of

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Directors approved an additional share repurchase program under which we can repurchase up to $500.0 million of our common stock through an expiration date of June 2015. In December 2014, our Board of Directors approved a third share repurchase program under which we can repurchase up to $500.0 million of shares of our common stock through December 2016.

During the three months ended March 31, 2015, we entered into an accelerated share repurchase ("ASR") agreement with a financial institution to repurchase an aggregate of $62.5 million of shares of our common stock. We received approximately 1,290,733 shares during the three months ended March 31, 2015 related to the ASR agreement. All shares received under the ASR agreement were retired upon receipt, and the excess of the purchase price over par value per share was recorded to "Additional paid-in capital" within our Condensed Consolidated Balance Sheets.

Of the $1,050.0 million in approved share repurchase programs, the remaining amount authorized to be repurchased is approximately $469.2 million.

COMMITMENTS, OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENCIES

We are party to a number of commitments and other financial arrangements, which may include "off-balance sheet" arrangements. At March 31, 2015, we guaranteed indebtedness owed to third parties of approximately $89.5 million, primarily related to dealer and end-user financing of equipment. We also sell a majority of our wholesale receivables in North America and Europe to our 49% owned U.S., Canadian and European finance joint ventures. In addition, at March 31, 2015, we had outstanding designated and non-designated foreign exchange contracts with a gross notional amount of approximately $1,994.8 million. Refer to "Liquidity and Capital Resources" and "Item 3. Quantitative and Qualitative Disclosures about Market Risk-Foreign Currency Risk Management," as well as to Notes 10, 12 and 16 of our Condensed Consolidated Financial Statements, for further discussion of these matters.

Contingencies

In June 2008, the Republic of Iraq filed a civil action against three of our foreign subsidiaries that participated in the United Nations Oil for Food Program (the "Program"). On February 6, 2013, the federal court dismissed the complaint with prejudice. The federal appeals court affirmed that decision. The plaintiff has petitioned the U.S. Supreme Court for a Writ of Certiorari. Further, a third-party complaint was filed on October 30, 2012 involving a federal court action naming as defendants three of our foreign subsidiaries that participated in the Program. On February 12, 2014, the federal court dismissed the complaint with prejudice. The third-party plaintiffs have not appealed this dismissal, but have until after the resolution of the underlying case to do so.

As part of routine audits, the Brazilian taxing authorities disallowed deductions relating to the amortization of certain goodwill recognized in connection with a reorganization of our Brazilian operations and the related transfer of certain assets to our Brazilian subsidiaries.

Refer to Note 16 of our Condensed Consolidated Financial Statements for further discussion of these matters.

OUTLOOK

The continuation of lower commodity prices and reduced farm income is expected to result in a further decline in worldwide industry demand during 2015 compared to 2014 across all major global agricultural markets. Our net sales in 2015 are expected to be lower compared to 2014, reflecting the impact of softer market conditions and unfavorable foreign currency translation. Gross and operating margins are expected to be below 2014 levels due to the negative impact of lower sales and production volumes along with a weaker sales mix. Benefits from our restructuring actions and other cost reduction initiatives are expected to partially offset the volume-related impacts.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates estimates, including those related to reserves, intangible assets, income taxes, pension and other postretirement benefit obligations, derivative financial instruments and contingencies. Management bases these

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estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. A description of critical accounting policies and related judgments and estimates that affect the preparation of our Condensed Consolidated Financial Statements is set forth in our Annual Report on Form 10-K for the year ended December 31, 2014.

FORWARD-LOOKING STATEMENTS

Certain statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report on Form 10-Q are forward-looking, including certain statements set forth under the headings "Liquidity and Capital Resources" and "Outlook." Forward-looking statements reflect assumptions, expectations, projections, intentions or beliefs about future events. These statements, which may relate to such matters as earnings, net sales, margins, industry demand, market conditions, commodity prices, farm incomes, foreign currency translation, general economic outlook, availability of financing, product development, system capabilities and factory productivity, production and sales volumes, benefits from cost reduction initiatives, compliance with loan covenants, capital expenditures and working capital and debt service requirements are "forward-looking statements" within the meaning of the federal securities laws. These statements do not relate strictly to historical or current facts, and you can identify certain of these statements, but not necessarily all, by the use of the words "anticipate," "assumed," "indicate," "estimate," "believe," "predict," "forecast," "rely," "expect," "continue," "grow" and other words of similar meaning. Althoug believe that the expectations and assumptions reflected in these statements are reasonable in view of the information currently available to us, there can be no assurance that these expectations will prove to be correct.

These forward-looking statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in or implied by the forward-looking statements. Adverse changes in any of the following factors could cause actual results to differ materially from the forward-looking statements:

- general economic and capital market conditions;
- availability of credit to our retail customers;
- the worldwide demand for agricultural products;
- grain stock levels and the levels of new and used field inventories;
- cost of steel and other raw materials;
- energy costs;
- performance and collectability of the accounts receivable originated or owned by AGCO or AGCO Finance;
- government policies and subsidies;
- weather conditions;
- interest and foreign currency exchange rates;
- pricing and product actions taken by competitors;
- commodity prices, acreage planted and crop yields;
- farm income, land values, debt levels and access to credit;
- pervasive livestock diseases;
- production disruptions;
- production levels and capacity constraints at our facilities, including those resulting from plant expansions and systems upgrades;
- integration of recent and future acquisitions;
- our expansion plans in emerging markets;
- supply constraints;
- our cost reduction and control initiatives;

- our research and development efforts;

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Management’s Discussion and Analysis of Financial Condition and Results of Operations
(continued)

- dealer and distributor actions;
- regulations affecting privacy and data protection;
- technological difficulties; and
- political and economic uncertainty in various areas of the world.

Any forward-looking statement should be considered in light of such important factors. For additional factors and additional information regarding these factors, please see “Risk Factors” in our Form 10-K for the year ended December 31, 2014.

New factors that could cause actual results to differ materially from those described above emerge from time to time, and it is not possible for us to predict all of such factors or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and we disclaim any obligation to update the information contained in such statement to reflect subsequent developments or information except as required by law.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN CURRENCY RISK MANAGEMENT

We have significant manufacturing operations in the United States, France, Germany, Finland and Brazil, and we purchase a portion of our tractors, combines and components from third-party foreign suppliers, primarily in various European countries and in Japan. We also sell products in over 140 countries throughout the world. The majority of our net sales outside the United States are denominated in the currency of the customer location, with the exception of sales in the Middle East, Africa, Asia and parts of South America where net sales are primarily denominated in British pounds, Euros or United States dollars (See “Segment Reporting” in Note 15 to our Consolidated Financial Statements for the year ended December 31, 2014 for sales by customer location). Our most significant transactional foreign currency exposures are the Euro, the Brazilian real and the Canadian dollar in relation to the United States dollar and the Euro in relation to the British pound. Fluctuations in the value of foreign currencies create exposures, which can adversely affect our results of operations.

We attempt to manage our transactional foreign currency exposure by hedging foreign currency cash flow forecasts and commitments arising from the anticipated settlement of receivables and payables and from future purchases and sales. Where naturally offsetting currency positions do not occur, we hedge certain, but not all, of our exposures through the use of foreign currency contracts. Our translation exposure resulting from translating the financial statements of foreign subsidiaries into United States dollars is not hedged. Our most significant translation exposures are the Euro, the British pound and the Brazilian real in relation to the United States dollar. When practical, this translation impact is reduced by financing local operations with local borrowings. Our hedging policy prohibits use of foreign currency contracts for speculative trading purposes.

All derivatives are recognized on our Condensed Consolidated Balance Sheets at fair value. On the date a derivative contract is entered into, we designate the derivative as either (1) a fair value hedge of a recognized liability, (2) a cash flow hedge of a forecasted transaction, (3) a hedge of a net investment in a foreign operation, or (4) a non-designated derivative instrument. We currently engage in derivatives that are cash flow hedges of forecasted transactions as well as non-designated derivative instruments. Changes in the fair value of non-designated derivative contracts are reported in current earnings. During 2015 and 2014, we designated certain foreign currency contracts as cash flow hedges of forecasted sales and purchases. The effective portion of the fair value gains or losses on these cash flow hedges are recorded in other comprehensive income (loss) and are subsequently reclassified into cost of goods sold during the period the sales and purchases are recognized. These amounts offset the effect of the changes in foreign currency rates on the related sale and purchase transactions. The amount of the net loss recorded in other comprehensive (loss) income that was reclassified into cost of goods sold during the three months ended March 31, 2015 and 2014 was approximately $0.3 million and $0.1 million, respectively, on an after-tax basis. The outstanding contracts as of March 31, 2015 range in maturity through December 2015.

Assuming a 10% change relative to the currency of the hedge contract, this could negatively impact the fair value of the foreign currency instruments by approximately $30.6 million as of March 31, 2015. Using the same sensitivity analysis as of March 31, 2014, the fair value of such instruments would have decreased by approximately $13.7 million. Due to the fact that these instruments are primarily entered into for hedging purposes, the gains or losses on the contracts would largely be offset by losses and gains on the underlying firm commitment or forecasted transaction.

Interest Rates

We manage interest rate risk through the use of fixed rate debt and may in the future utilize interest rate swap contracts. We have fixed rate debt from our senior notes and senior term loan. Our floating rate exposure is related to our credit facility and our accounts receivable sales facilities, which are tied to changes in U.S. and European LIBOR rates. Assuming a 10% increase in interest rates, “Interest expense, net” and “Other expense, net” for the three months ended March 31, 2015 would have increased, collectively, by approximately $0.7 million.

We had no interest rate swap contracts outstanding during the three months ended March 31, 2015.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2015, have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company’s management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that the Company’s disclosure controls or the Company’s internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. We will conduct periodic evaluations of our internal controls to enhance, where necessary, our procedures and controls.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation described above that occurred during the three months ended March 31, 2015 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are a party to various other legal claims and actions incidental to our business. These items are more fully discussed in Note 16 to our Condensed Consolidated Financial Statements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The table below sets forth information with respect to purchases of our common stock made by or on behalf of us during the three months ended March 31, 2015:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)[1][2]
January 1, 2015 through January 31, 2015 [2]	—	$—	—	$531.7
February 1, 2015 through February 28, 2015	878,867	$49.78	878,867	$469.2
March 1, 2015 through March 31, 2015	411,866	$48.42	411,866	$469.2
Total	1,290,733	$48.42	1,290,733	$469.2

[1] In June 2012, our Board of Directors approved a share repurchase program under which we can repurchase up to $50.0 million of our common stock. This share repurchase program does not have an expiration date. In December 2013, our Board of Directors approved an additional share repurchase program under which we can repurchase up to $500.0 million of our common stock through an expiration date of June 2015. In December 2014, our Board of Directors approved a third share repurchase program under which we can repurchase an additional $500.0 million shares of our common stock through December 2016.

[2] In February 2015, we entered into an accelerated share repurchase ("ASR") agreement with a third-party financial institution to repurchase $62.5 million of our common stock. The ASR agreement resulted in the initial delivery of 878,867 shares of our common stock, representing approximately 70% of the shares expected to be repurchased in connection with the transaction. In March 2015, the remaining 411,866 shares under the ASR agreement were delivered. As reflected in the table above, the average price paid per share for the ASR agreement was the volume-weighted average stock price of our common stock over the term of the ASR agreement. Refer to Note 11 of our Condensed Consolidated Financial Statements for a further discussion of this matter.

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ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit	The filings referenced for incorporation by reference are AGCO Corporation
31.1	Certification of Martin Richenhagen	Filed herewith
31.2	Certification of Andrew H. Beck	Filed herewith
32.1	Certification of Martin Richenhagen and Andrew H. Beck	Furnished herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith

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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.

AGCO CORPORATION
Registrant

Date: May 7, 2015

/s/ Andrew H. Beck
Andrew H. Beck
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

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NT-SIZE:
10pt"> $9.60-$14.00 91,600 3.21 $9.69 89,300 $9.69 $16.00-$30.00 23,000 2.33 $19.91 23,000 $19.91
Totals
955,800 $6.27 738,300 $6.92

The Company’s Stock Option Plans are administered by the Compensation/Administration Committee, currently comprised of two independent members of the Company’s Board of Directors. Company stock options are issued to employees at an exercise price not less than the fair market value, as determined under the option plan, on the date of grant and must be granted within 10 years from the effective date of the Plan, with the term of the option not exceeding 10 years. Options granted to employees under the Stock Option Plans, which are terminated prior to exercise, are considered to be available for grant to subsequent employees. Total issued stock options for any plan may exceed those authorized due to termination of prior non-exercised grants. Under the Employee Incentive Stock Option Plans, incentive and non-qualified stock options may be granted, with the incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended. Unless otherwise established by the Committee, the standard vesting schedule for the incentive stock options issued currently is 10% vested immediately upon grant, 15% vested after twelve months from date of grant, 25% after two years from the date of grant, 25% after three years, and 25% after four years. All of the options have been or will be registered on Form S-8 filings. See Notes 1 and 2 for a discussion of the applicable accounting treatment of stock-based compensation for fiscal years 2010 and 2009.

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ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alanco Stock Option Summary (1)
as of June 30, 2010

Plan	Authorized	Issued	Exercised	Cancelled	Outstanding	Balance to Issue	Exercise Price Range (5)
Misc (2)	N/A	183,500	68,700	84,600	21,500	0	$6.00 - $20.00
1998 (3)	37,500	82,100	9,600	60,500	7,100	0	$6.00 - $16.00
1998 (4) D&O	37,500	37,500	21,100	14,700	0	0	0
1999 (3)	75,000	203,800	26,200	144,000	30,100	0	$4.00 - $10.00
1999 (4) D&O	25,000	32,200	0	7,500	20,200	0	$4.00 - $30.00
2000 (3)	50,000	102,100	16,500	59,200	21,800	11,700	$6.00 - $14.00
2000 (4) D&O	25,000	24,500	6,000	0	15,600	3,400	$6.00 - $7.36
2002 (3)	75,000	89,000	0	22,100	53,200	21,800	$6.00 - $18.00
2002 (4) D&O	25,000	25,000	2,000	1,000	17,600	5,400	$8.00
2004 (3)	100,000	128,500	0	34,800	76,400	23,600	$6.00-$9.20
2004 (4) D&O	50,000	49,500	0	0	40,000	10,000	$6.00-$9.20
2005 (3)	150,000	204,300	0	29,100	149,000	1,000	$2.80-$8.00
2005 (4) D&O	50,000	50,000	0	0	40,000	10,000	$6.00
2006 (3)	375,000	437,500	0	42,900	370,200	4,800	$2.80 - $9.60
2006 (4) D&O	125,000	100,000	0	0	93,100	31,900	$4.00 - $9.60
Totals	1,200,000	1,749,500	150,100	500,400	955,800	123,600	

(1) Only includes plans with options currently outstanding or having a balance available to issue.
(2) Options issued to officers and other employees outside of any plan as an inducement at time of employment
(3) Employee Incentive Stock Option Plan.

(4) Directors and Officers Stock Option Plan.
(5) Range of exercise prices for outstanding options only.

13. RETIREMENT PLAN

The Company provides a 401(k) retirement plan for its employees. Employees are eligible to participate in the plan on the first of the month following 90 days of continuous employment. Employee salary deferral rates are not restricted by the Company, however, IRS limits and limitations imposed by discrimination tests may affect the allowed salary deferral rate. The Company matches 25% of the amount deferred by employees, matching up to 4% of an employee's annual compensation. The Company's matching contributions totaled $17,500 and $20,800 for the years ended June 30, 2010 and 2009, respectively.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. RESULTS OF OPERATIONS

The following table is a summary of the results of operations and other financial information by major segment:

	Wireless Asset Management	DISCONTINUED OPERATIONS RFID Technology	Data Storage	Total
Fiscal year 2010				
Sales	$ 14,632,400	$ 829,400	$ 974,100	$ 1,803,500
Cost of Goods Sold	8,664,400	756,300	653,100	1,409,400
Gross Profit	5,968,000	73,100	321,000	394,100
Gross Margin	40.8 %	8.8 %	33.0 %	21.9 %
Selling, General & Administrative	5,779,500	1,574,900	388,600	1,963,500
Corporate Expense	946,300	-	-	-
Impairment charge	-	4,500,000	373,700	4,873,700
Stock based compensation expense	400,300	35,700	3,600	39,300
Depreciation and Amortization	534,900	68,000	18,200	86,200
Total Selling, General & Administrative	7,661,000	6,178,600	784,100	6,962,700
Operating Income (Loss)	$ (1,693,000)	$ (6,105,500)	$ (463,100)	$ (6,568,600)
Capital Expenditures	$ 16,800	$ 16,100	$ 4,300	$ 20,400
Fiscal year 2009				
Sales	$ 13,633,600	$ 5,468,400	$ 2,157,100	$ 7,625,500
Cost of Goods Sold	9,686,100	3,540,200	1,571,600	5,111,800
Gross Profit	3,947,500	1,928,200	585,500	2,513,700
Gross Margin	29.0 %	35.3 %	27.1 %	33.0 %
Selling, General & Administrative	5,171,700	1,545,600	947,400	2,493,000
Corporate Expense	915,800	-	-	-
Stock based compensation expense	1,412,400	58,900	9,300	68,200
Depreciation and Amortization	500,400	84,400	20,200	104,600
	8,000,300	1,688,900	976,900	2,665,800
	$ (4,052,800)	$ 239,300	$ (391,400)	$ (152,100)

Operating Income (Loss)				
Capital Expenditures	$ 226,800	$ 68,000	$ 18,200	$ 86,200

15. SELECTED CONSOLIDATED QUARTERLY FINANCIAL DATA (unaudited)

The following table sets forth certain unaudited selected consolidated financial information for each of the four quarters in fiscal 2010 and 2009. In management's opinion, this unaudited consolidated quarterly selected information has been prepared on the same basis as the audited consolidated financial statements and includes all necessary adjustments, consisting only of normal recurring adjustments that management considers necessary for a fair presentation when read
in conjunction with the consolidated financial statements and notes thereto. The Company believes these comparisons of consolidated quarterly selected financial data are not necessarily indicative of future performance.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Quarterly earnings per share may not total to the fiscal year earnings per share due to the weighted average number of shares outstanding at the end of each period reported.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2010				
Net Sales	$ 2,976,900	$ 3,627,200	$ 3,825,800	$ 4,202,500
Cost of sales	1,587,700	2,159,300	2,188,400	2,729,000
Gross profit	1,389,200	1,467,900	1,637,400	1,473,500
Loss from Continuing Operations	(562,600)	(586,700)	(510,800)	(898,700)
Loss from Discontinued Operations	(502,800)	(603,600)	(510,000)	(4,952,200)
Net loss*	(1,065,400)	(1,190,300)	(1,020,800)	(5,850,900)
Loss per share - basic & diluted	$ (0.26)	$ (0.28)	$ (0.24)	$ (1.29)
Weighted Average Shares	4,074,000	4,241,400	4,331,800	4,536,300
2009				
Net Sales	$ 3,312,700	$ 3,389,600	$ 3,758,000	$ 3,173,300
Cost of sales	2,508,200	2,447,200	2,784,100	1,946,600
Gross profit	804,500	942,400	973,900	1,226,700
Loss from Continuing Operations	(1,328,300)	(1,053,200)	(950,800)	(1,964,100)
Loss from Discontinued Operations	96,600	(197,500)	(56,900)	5,700
Net loss*	(1,231,700)	(1,250,700)	(1,007,700)	(1,958,400)
Loss per share - basic & diluted	$ (0.31)	$ (0.31)	$ (0.25)	$ (0.49)
Weighted Average Shares	3,931,800	3,978,000	3,991,500	4,031,500

*Attributable to Common Shareholders

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2010 the Company completed several material stock transactions including (a) the issuance of 112,500 shares of the Company's Class A Common Stock in a private transaction to an accredited investor, receiving $160,500, or $1.43 per share, net of expense of $7,500; (b) the sale of 271,700 shares of Class A Common Stock and 95,100 three-year warrants to purchase Class A Common Stock to a group of three accredited investors for $460,000, or $1.69 per share, net of $40,000 of expense, and (c) the issuance of 129,700 shares of Class A Common Stock in exchange for approximately 51,900 shares of the Company's Series D Preferred Convertible Stock valued at $518,900, for a conversion price for the common stock of $4.00 per share.

The Company announced on July 22, 2010 that its wholly owned subsidiary StarTrak Systems, a leading provider of wireless monitoring and management data services for the refrigerated transportation industry, and Qualcomm Incorporated, (NASDAQ: QCOM), a leading provider of integrated wireless systems and services to transportation, logistics and services fleet companies, will offer StarTrak's ReeferTrak Systems for refrigerated transport to Qualcomm customers.

The Company announced on August 18, 2010, in line with its strategic divestiture program, the sale of its wholly owned subsidiary, Alanco/TSI PRISM, Inc. located in Scottsdale, AZ. The assets and business of TSI PRISM, a provider of RFID inmate tracking technology to the corrections market, was purchased by Black Creek Integrated Systems Corp., a private company located in Irondale, Alabama. The transaction, which closed on August 17, 2010, consisted of $2 million in cash, and a potential earn-out valued in the range of $500,000 to $1,000,000. $1.8 million of the $2 million received was applied as a payment to the $5.7 million line of credit Agreement and the remaining $200,000 was applied to Notes payable - ComVest Capital. Since the transaction is considered a sale by the Company of a "material portion of its assets", the credit line under the agreement was reduced to $4.7 million. The divestiture program significantly improved Alanco's financial position by reducing secured debt and eliminating the large operating losses associated with the divested businesses, which reported significant losses during the fiscal year ended June 30, 2010.

On September 30, 2010, the company made a request for an advance under the Line of Credit Agreement, within the established credit limit. (See additional discussion of the Line of Credit Agreement in footnote 7. - Line of Credit and Notes Payable.) In a letter dated October 2, 2010, the Company was informed that the Trust administrators "believed there is a material impairment of the prospect of repayment of the indebtedness when due on January 1, 2011, which constitutes a default under section 7.d of the Restated Loan Agreement. Therefore, we hereby exercise our right under section 8.1 b of the Restated Loan Agreement to cease advancing money to Alanco and its subsidiaries." Currently the Agreement has not been terminated and as such no acceleration of the balance was declared. The Company is not in agreement with Trust's conclusions or actions under the Agreement; however the Company is committed to resolve the issue and either retire the balance or extend the due date of the loan.

On October 4, 2010, the Company received a letter of resignation from Don Anderson as a member of the Company's Board of Directors, effective immediately. Mr. Anderson is the owner of approximately 8.6% of the Company's Class A Common Stock, member of the Company's Board of directors and Trustee of the Anderson Trust; provider of the Company's Line of Credit arrangement discussed above. A copy of the resignation, with attachments, submitted with the resignation letter are attached as Exhibit __ to this form 10-k.

In his resignation letter, Mr. Anderson states that the company's auditors have taken a "position" in regards to the additional borrowing capacity available under The Anderson Family Trust Line of Credit. The independent public accountants have taken no such position. In fact, the independent auditors have stated that "at no time were we engaged to render a separate opinion as to the borrowing capacity available under The Anderson Line of Credit and we have had no communications with Mr. Anderson in regards to this matter."

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On August 23, 2010, the Company announced strategic initiatives to support the Company's refocus on its StarTrak wireless asset management business, following its August 18, 2010 asset divestiture program completion, including:

A. A Reverse Stock Split to Regain NASDAQ Listing compliance: The Company believes that continued NASDAQ Listing is crucial to maximize long term market valuation and trading liquidity of the Company's common stock. Therefore, Alanco will implement a shareholders-approved reverse stock split to maintain compliance with the NASDAQ minimum $1.00 per share price listing requirement.
B. A Corporate Name Change: The Company plans to execute a corporate name change, subject to shareholder approval, to reflect the refocused business and recognition of the StarTrak brand as the leading wireless asset management solution for the refrigeration transportation market.
C. Corporate Consolidation: Alanco plans to consolidate its corporate headquarters into the StarTrak's offices in Morris Plains, New Jersey, targeted for calendar year end, to improve efficiency, communications and operational support.
D. Evaluation of Strategic Alternatives: The Company will solicit investment banker advice to evaluate strategic alternatives available to enhance shareholder value. The Company anticipates that a range of options will be developed as a result of this process for review with its board of directors and advisors. Although the Company is committed to maximizing shareholder value, there can be no assurance of any particular outcome or course of action.
E. Corporate Succession Issues: Robert R. Kauffman, Alanco Chairman announced that "As the Company transitions from a holding company structure, we are implementing a management succession plan to select an outstanding candidate to eventually assume my CEO responsibilities and guide the new Company's exciting future growth plan."

The Company's Board of Directors elected to effect a 1 for 8 reverse stock split effective August 27, 2010. The Company had previously received authority from its shareholders to effect a reverse split at a ratio within a specified range, if and as determined by the Board of Directors, in order to maintain its NASDAQ listing. As a result of the reverse stock split, each eight shares of the Company's Class A common stock outstanding at the time of the reverse split were automatically reclassified and changed into one share of common stock, and the total number of common shares outstanding were reduced from approximately 41.7 million shares to 5.2 million shares post-split. The reverse stock split resulted in a similar adjustment to the Company's outstanding stock options and securities reserved for issuance under its current incentive plans. No fractional shares were issued in connection with the reverse stock split and, upon surrender of their stock certificates, shareholders will receive cash in lieu of the fractional shares to which they would otherwise be entitled. As a result, on September 15, 2010 the Company announced that it had regained NASDAQ listing compliance.

On September 16, 2010, the Board of directors approved the immediate repricing of all of the outstanding stock options (approximately 956,000) held by current Officers, Directors and employees to $1.50, a 7.9% premium to the closing market price on September 15, 2010 of $1.39. The stock based compensation value created by the repricing, as determined under the Black Scholes method, will result in a non cash expense in future periods, not to exceed the vesting periods of the stock options.

ITEM 9A (T). CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company carried out, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended). Based on their evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that, as of June 30, 2010, the Company's disclosure controls and procedures were not effective because of the material weaknesses identified as of such date discussed below. Notwithstanding, the existence of the material weaknesses described below, management has concluded that the consolidated financial statements in this Form 10-K fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods and dates presented.

(b) MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

With the participation of the Company's Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2010, based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will occur and not be detected by management before the financial statements are published. In its assessment of the effectiveness in internal control over financial reporting as of June 30, 2010, the Company determined that there were control deficiencies that constituted material weakness, as described below.

- As more fully discussed in Note 10 – Related Party Transactions, a director of the Company, who is also President of a wholly owned subsidiary (StarTrak), has informed the Company that he owns 60% of the outstanding membership interests of August Matrix, LLC, a New Jersey limited liability company formed in 2008 to represent a StarTrak vendor, ST Wireless. ST Wireless, is a company organized and operating under the laws of India that has provided software engineering services to StarTrak for a number of years. StarTrak remitted all payments for ST Wireless services to August Matrix starting in August 2008 through September 2009. This relationship has not been appropriately disclosed, as required, in the Company's prior filings.

- We have not assessed our control environment or entity-level controls. Due to time and staff constraints, we did not perform an assessment of our control environment or entity-level controls in accordance with COSO standards.

- We have not tested the operating effectiveness of our controls over financial reporting. During our reviewprocesswe created and implemented new controls and procedures. However due to timeand staff constraints, we didnot test our controls over financial reporting in accordance with COSO standards. Since we have not completely tested our controls, we have determined that our controls over financial reporting were ineffective.

- The Company did not maintain a sufficient complement of personnel with the appropriate level ofknowledge,experience, and training to analyze, review, and monitor the accounting of inventory adjustments that are significantor non-routine with regard to the flow of inventory material through the warehouse. As a result, the Company did not prepare adequate contemporaneous documentation that would provide a sufficient basis for an effective evaluation and review of the accounting for inventory adjustments that are significant or non-routine. This material weakness resulted in errors in the preliminary June 30, 2009 consolidated financial statements and more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Due to these material weaknesses, management concluded that our internal control over financial reporting was not effective as of June 30, 2010.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Managements report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

The Company is in the process of developing and implementing a remediation plan to address the material weaknesses as described above.

The Company has taken the following actions to improve internal control over financial reporting:

- The Audit Committee of the Board of Directors has recommended that the Board of Directors adopt a formal policy requiring each director and executive officer of the Company to annually complete a Director's and Officers' Questionnaire designed to update biographical information, disclose economic relationships with related parties, verify individual stock ownership (including beneficial ownership) and disclose other pertinent information that may require disclosure in Company filings. Failure to comply with the policy would result in appropriate action by the Board of Directors.

- The Company is currently installing a new Environmental Resource Planning ("ERP") system at its remaining operating subsidiary, StarTrak Systems, which should significantly improve both internal control environment and entity controls.

• During the remaining period through the year ending June 30, 2011, we intend to devoteresources, to properlyassess, and remedy if needed, our control environment and entity-level controls.

• During the remaining period through the year ending June 30, 2011, we will enhance our risk assessment, internalcontrol design and documentation and develop a plan for testing inaccordance with COSO standards.

• In July 2008, the senior accounting position at one of the Company's subsidiaries was upgraded with the addition ofexperienced accounting personnel. The Company plans to continue to enhance the staffing and competency levelwithin the department with training and periodic reviews.

In addition, the following are specific remedial actions to be taken for matters related to inventory transactions including significant and non-routine adjustments.

• The Company requires that all significant or non-routine inventory adjustments be thoroughly researched, analyzed,and documented by qualified warehouse personnel, and to provide for complete review of the resulting transaction bythe Warehouse Supervisor prior to recording the transactions. In addition, all major transactions will require the additional review and approval of the Materials Manager.

• The Company requires all significant credit memos be thoroughly documented by accounting personnel and approved by StarTrak management.

In light of the aforementioned material weaknesses, management conducted a thorough review of all significant or non-routine adjustments for the year ended June 30, 2010. As a result of this review, management believes that there are no material inaccuracies or omissions of material fact and, to the best of its knowledge, believes that the consolidated financial statements for the year ended June 30, 2010 fairly present in all material respects the financial condition and results of operations for the Company in conformity with U.S. generally accepted accounting principles.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Officers and Directors

The officers and directors of the Company are:

Name	Age	Position	Year First Director
Harold S. Carpenter	76	Director	1995
James T. Hecker	53	Director	1997
Robert R. Kauffman	70	Director/C.O.B./C.E.O.	1998
Thomas C. LaVoy	50	Director	1998
John A. Carlson	63	Director/E.V.P./C.F.O.	1999
Donald E. Anderson	76	Director	2002
Timothy P. Slifkin	55	Director/C.E.O. - StarTrak	2006

Robert R. Kauffman: Mr. Kauffman was appointed as Chief Executive Officer and Chairman of the Board effective July 1, 1998. Mr. Kauffman was formerly President and Chief Executive Officer of NASDAQ-listed Photocomm, Inc., from 1988 until 1997 (since renamed Kyocera Solar, Inc.). Photocomm was the nation's largest publicly owned manufacturer and marketer of wireless solar electric power systems with annual revenues in excess of $35 million. Prior to Photocomm, Mr. Kauffman was a senior executive of the Atlantic Richfield Company (ARCO) whose varied responsibilities included Senior Vice President of ARCO Solar, Inc., President of ARCO Plastics Company and Vice President of ARCO Chemical Company. Mr. Kauffman earned an M.B.A. in Finance at the Wharton School of the University of Pennsylvania, and holds a B.S. in Chemical Engineering from Lafayette College, Easton, Pennsylvania.

John A. Carlson: Mr. Carlson, Executive Vice President and Chief Financial Officer of Alanco Technologies, Inc., joined the Company in September 1998 as Senior Vice President/Chief Financial Officer. Mr. Carlson started his career with Price Waterhouse & Co. in Chicago, Illinois. He has over twenty-five years of public and private financial and operational management experience, including over twelve years as Chief Financial Officer of a Fortune 1000 printing and publishing company. Mr. Carlson earned his Bachelor of Science degree in Business Administration at the University of South Dakota, and is a Certified Public Accountant.

Donald E. Anderson: Donald E. Anderson is President and owner of Programmed Land, Inc., a Minnesota and Scottsdale, Arizona, based company. Programmed Land is a diversified holding company engaged in real estate, including ownership, development, marketing and management of properties. He is also majority owner of a company involved in the automotive industry. From 1988 until 1997, Mr. Anderson was Chairman of the Board of NASDAQ-listed Photocomm, Inc., a company involved in the solar electric business. Since 1983, Mr. Anderson has also been President of Pine Summit Bible Camp, a non-profit organization that operates a year-round youth camp in Prescott, Arizona. Mr. Anderson has a B.A. degree in accounting.

Harold S. Carpenter: Mr. Carpenter is the former President of Superiorgas Co., Des Moines, Iowa, which is engaged in the business of trading and brokering bulk refined petroleum products with gross sales of approximately $500 million per year. He is also the General Partner of Superiorgas L.P., an investment company affiliated with Superiorgas Co. Mr. Carpenter founded these companies in 1984 and 1980, respectively. Mr. Carpenter is also the President of Carpenter Investment Company, Des Moines, Iowa, which is a real estate investment company holding properties primarily in central Iowa. From 1970 until 1994, Mr. Carpenter was the Chairman of the George A. Rolfes Company of Boone, Iowa, which manufactured air pollution control equipment. Mr. Carpenter graduated from the University of Iowa in 1958 with a Bachelor of Science and Commerce degree.

James T. Hecker: Mr. Hecker is both an Attorney and a Certified Public Accountant. Since 1987 Mr. Hecker has been Vice President, Treasurer and General Counsel of Rhino Capital Incorporated, Evergreen, Colorado, a private capital management company which manages a $60 million portfolio. He also served, since 1992, as a trustee of an $11 million charitable trust. From 1984 to 1987, Mr. Hecker was the Controller of Northern Pump Company, Minneapolis, Minnesota, a multi-state operating oil and gas company with more than 300 properties, with responsibility of all accounting and reporting functions. Prior to that, from 1981 to 1984, Mr. Hecker was Audit Supervisor of Total Petroleum, Inc., Denver, responsible for all phases of internal audit and development of audit and systems controls. Mr. Hecker received a J.D. degree from the University of Denver in 1992, and a B.B.A. degree in Accounting and International Finance from the University of Wisconsin in 1979. He is a member in good standing of the Colorado and the American Bar Associations, the Colorado Society of CPAs, and the American Institute of CPAs.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Thomas C. LaVoy: Thomas C. LaVoy has served as Chief Financial Officer of SuperShuttle International, Inc., since July 1997 and as Secretary since March 1998. From September 1987 to February 1997, Mr. LaVoy served as Chief Financial Officer of NASDAQ-listed Photocomm, Inc. Mr. LaVoy was a Certified Public Accountant with the firm of KPMG Peat Marwick from 1980 to 1983. Mr. LaVoy has a Bachelor of Science degree in Accounting from St. Cloud University, Minnesota, and is a Certified Public Accountant.

Timothy P. Slifkin: Timothy P. Slifkin, President and Chief Executive Officer of the Company's subsidiary, StarTrak Systems, LLC, is directly responsible for development of StarTrak's wireless product line and for leading the North American rail industry's acceptance of the technology for damage prevention, refrigeration transport, and asset management applications. Mr. Slifkin has been developing remote monitoring systems since founding Elexor Associates in 1986, and in developing and deploying wireless systems (satellite and terrestrial) since 1992. He has several patents issued or pending on related technology. Prior to founding StarTrak, Mr. Slifkin was employed with Hewlett Packard, Johannson Microwave, American Microsystems, and Jet Propulsion Laboratories. Mr. Slifkin holds a Bachelors Degree in Engineering.

Non-Director Significant Employees

The following table provides information regarding key officers for the Company's primary subsidiaries. Mr. Oester's employment with Alanco/TSI PRISM, Inc. terminated effective March 31, 2010.

Name	Age	Position	Year Appointed to Position
Greg M. Oester	62	President - Alanco/TSI PRISM, Inc.	2002
Thomas A. Robinson	49	Executive Vice President - StarTrak Systems, LLC	2006

Greg M. Oester: Mr. Oester started his employment as President of Alanco/TSI PRISM, Inc. (formerly Technology Systems International, Inc.) in 2000. He practiced international business law for 12 years and founded a firm in Los Angeles, CA. He co-founded North American Enterprises, Inc. in 1989 and engaged in sales & marketing of European specialty products in the U.S.A. Mr. Oester conducted seminars on foreign investment in the U.S.A. throughout Asia. He was admitted to practice before the U.S. Customs Court, the Court of International Trade and numerous State and Federal venues. Mr. Oester holds Bachelor of Arts degrees in Political Science and Economics from the University of Arizona and also a Juris Doctor Degree from the University of Laverne. Mr. Oester's employment with Alanco/TSI PRISM, Inc. terminated effective March 31, 2010.

Thomas A. Robinson: Mr. Robinson, Executive Vice President of StarTrak Systems, LLC, has been responsible for major program deliveries at StarTrak since 1999. He is intimately involved in the systems development, network completion, customer commitments, and deployments for all major products of StarTrak. Prior to joining StarTrak, Mr. Robinson was employed by Varlen Corporation (acquired by Amsted Industries in 1999) where he was responsible for mergers and acquisitions. Prior to Varlen, he was a Program Manager at Hughes Aircraft. Mr. Robinson holds Bachelors and Masters Degrees in Engineering from Case Western Reserve University and an MBA from Wharton.

Audit/Corporate Governance Committee

The Audit/Corporate Governance Committee of the Board of Directors is currently comprised of three independent directors, and operates under a written charter adopted by the Board. The Audit/Corporate Governance Committee Charter was included as Exhibit A in the Company's Definitive Proxy Statement filed with the SEC on October 18, 2004. The members of the Audit/Corporate Governance Committee are Harold S. Carpenter, a CEO with over 30 years senior management experience, James T. Hecker, an attorney and CPA, and Thomas C. LaVoy, a CPA. All three individuals are experienced in reading and understanding financial statements, and, in fact, are deemed to be financial experts as defined by audit committee requirements.

The Audit/Corporate Governance Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor engaged for the purpose of preparing an audit report or performing other audit, review or attest services for the Company. The auditor reports directly to the Audit/Corporate Governance Committee. The Audit/Corporate Governance Committee has established "whistleblower" procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Authority to engage independent counsel and other advisors has been given to the Audit/Corporate Governance Committee as it determines is necessary to carry out its duties. The Company provides appropriate funding for the Audit/Corporate Governance Committee to compensate the outside auditors and any lawyers and advisors it employs and to fund ordinary administrative expenses of the Audit/Corporate Governance Committee that are necessary in carrying out its duties.

The Audit/Corporate Governance Committee provides general oversight of the Company's financial reporting and disclosure practices, system of internal controls, and the Company's processes for monitoring compliance by the Company with Company policies. The Audit/Corporate Governance Committee reviews with the Company's independent registered public accounting firm the scope of the audit for the year, the results of the audit when completed, and the independent registered public accounting firm's fee for services performed. The Audit/Corporate Governance Committee also recommends independent registered public accounting firm to the Board of Directors and reviews with management various matters related to its internal accounting controls. During the last fiscal year, there were three meetings of the Audit/Corporate Governance Committee.

Management is responsible for the Company's internal controls and the financial reporting process. The independent independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and issuing a report thereon. The Audit/Corporate Governance Committee is responsible for overseeing and monitoring the quality of the Company's accounting and auditing practices.

The members of the Audit/Corporate Governance Committee are not professionally engaged in the practice of auditing or accounting and may not be experts in the fields of accounting or auditing, or in determining auditor independence. Members of the Audit/Corporate Governance Committee rely, without independent verification, on the information provided to them and on the representations made by management and the independent registered public accounting firm. Accordingly, the Audit/Corporate Governance Committee's oversight does not provide an independent basis to determine that management has maintained procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit/Corporate Governance Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with standards of the Public Company Accounting Oversight Board, that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America or that the Company's independent registered public accounting firm is in fact "independent."

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

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Officers and Directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Officers, Directors and greater than 10% shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of such forms furnished to the Company, or written representations that no Form 5's were required, the Company believes that as of the date of filing of this Form 10-K, all Section 16(a) filing requirements applicable to its officers, Directors and greater than 10% beneficial owners were satisfied.

Code of Ethics

The Company has adopted a Corporate Code of Business Conduct and Ethics, which was included as Exhibit 99.2 in the Company's Form 10-Q filed with the SEC on November 15, 2004. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

The Code of Business Conduct and Ethics is presented on the Company's web page under the subheading "Corporate Governance." Shareholders may receive a copy of the Company's adopted Code of Conduct, without charge, via e-mail request to alanco@alanco.com, by calling the Company at 480-607-1010, Ext. 857, or by writing to the Company to the attention of the Company's Corporate Secretary at 15575 N. 83rd Way, Suite 3, Scottsdale, Arizona 85260.

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ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the compensation paid or accrued by the Company for the services rendered during the fiscal years ended June 30, 2010, 2009 and 2008 to the Company's Chief Executive Officer, Chief Financial Officer, President of the Company's subsidiary, Alanco/TSI PRISM, Inc. (ATSI), President of the Company's subsidiary, StarTrak Systems, LLC (STS), and Executive Vice President of the Company's subsidiary, StarTrak Systems, LLC, whose salaries and bonus exceeded $100,000 during the last fiscal year (collectively, the "Named Executive Officers"). No stock appreciation rights ("SARs") have been granted by the Company to any of the Named Executive Officers during the last three fiscal years.

		Annual Compensation			Long-Term Compensation Securities (# shares)
Name and Principal Position		Annual Salary	Bonus	Other (1) Annual Comp $	Underlying Options Granted in FY
Robert R. Kauffman, C.E.O.					
FY 2010		$ 185,229	None	$ 17,400	25,000
FY 2009		233,750	None	17,400	31,250
FY 2008		247,500	None	17,400	25,000
John A. Carlson, C.F.O.					
FY 2010		165,104	None	10,051	15,625
FY 2009		208,250	None	10,483	15,000
FY 2008		220,500	None	10,405	12,500
Greg M. Oester, President, ATSI					
FY 2010		72,328	None	None	6,250
FY 2009		135,831	None	None	6,250
FY 2008		139,050	None	None	6,250
Timothy P. Slifkin, President, STS					
FY 2010		140,000	None	1,400	6,250
FY 2009		151,667	None	1,517	3,125
FY 2008	(2)	333,332	None	3,081	12,500
Thomas A. Robinson, Exec V.P., STS					
FY 2010		140,000	None	1,400	6,250
FY 2009		151,667	None	1,517	3,125
FY 2008	(3)	343,333	None	3,104	12,500

(1) Represents supplemental executive benefit reimbursement for the year and Company matching for Alanco's 401(K) Profit Sharing Plan.

(2) Includes $156,665 compensation accrued in prior years but paid during fiscal 2008.

(3) Includes $166,666 compensation accrued in prior years but paid during fiscal 2008.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Option Grants in Last Fiscal Year

The following table sets forth each grant of stock options made during the fiscal year ended June 30, 2010, to each of the Named Executive Officers and/or Directors and to all other employees as a group. No stock appreciation rights ("SARs") have been granted by the Company.

INDIVIDUAL GRANTS

Name	Number of Securities Underlying Options Granted	% of Total Options Granted	Exercise Price ($/Sh)	Grant Date	Expiration Date
Robert Kauffman	25,000	8.27%	$4.00	7/13/2009	7/13/2014
John Carlson	15,625	5.17%	$4.00	7/13/2009	7/13/2014
Harold Carpenter	9,375	3.10%	$4.00	7/13/2009	7/13/2014
Donald Anderson	9,375	3.10%	$4.00	7/13/2009	7/13/2014
Thomas LaVoy	9,375	3.10%	$4.00	7/13/2009	7/13/2014
James Hecker	9,375	3.10%	$4.00	7/13/2009	7/13/2014
Timothy Slifkin	6,250	2.07%	$4.00	7/13/2009	7/13/2014
Greg Oester	6,250	2.07%	$4.00	7/13/2009	7/13/2014
Tom Robinson	6,250	2.07%	$4.00	7/13/2009	7/13/2014
Other Employees	205,625	67.98%	$2.80 to $4.00	7/13/09 to 4/20/10	7/13/14 to 4/14/15
Total	302,500	100.00%			

All options are granted at a price not less than “grant-date market.” During the fiscal year ended June 30, 2010, 102,413 previously granted stock options expired or were cancelled.

Aggregated Options and Warrants - Exercised in Last Fiscal Year and Values at Fiscal Year End

The following table sets forth the number of exercised and unexercised options and warrants held by each of the Named Executive Officers and/or Directors at June 30, 2010, and the value of the unexercised, in-the-money options at June 30, 2010.

Name	Shares Acquired On Exercise During 2010 Fiscal Year	Value Realized ($) (1)	Unexercised Options & Warrants at Fiscal Year End (Shares) (2)	Value of Unexercised In-The-Money Options & Warrants at FYE ($) (3)
Robert Kauffman	0	$0	193,250	$0
John Carlson	0	0	94,375	0
Harold Carpenter	0	0	61,925	0
James Hecker	0	0	39,800	0
Thomas LaVoy	0	0	39,550	0
Donald Anderson	0	0	191,430	0
Timothy Slifkin	0	0	46,250	0
Thomas Robinson	0	0	50,000	0

(1) Calculated as the difference between closing price on the date exercised and the exercise price, multiplied by the number of options exercised.
(2) Represents the number of securities underlying unexercised options and warrants that were exercisable at 2010 Fiscal Year End.
(3) Calculated as the difference between the closing price of the Company's Common Stock on June 30, 2010, and the exercise price for those options exercisable on June 30, 2010, with an exercise price less than the closing price, multiplied by the number of applicable options.

Option Grants Subsequent to Fiscal Year End

No employee stock options were granted subsequent to 2010 fiscal year end. See Subsequent event footnote for discussion of options repriced subsequent to fiscal year end June 30, 2010.

Employment Agreements and Executive Compensation

The Executive Officers are at-will employees without employment agreements.

Compensation of Directors

During fiscal year 2010, non-employee Directors were compensated for their services in cash ($750 per meeting per day up to a maximum of $1,500 per meeting) and through the grant of options to acquire shares of Class A Common Stock as provided by the 1996, 1998, 1999, 2000, 2002, 2004, 2005, and 2006 Directors and Officers Stock Option Plans (the "D&O Plans") which are described below. All Directors are entitled to receive reimbursement for all out-of-pocket expenses incurred for attendance at Board of Directors meetings.

The 1996 Directors and Officers Stock Option Plan was approved by the Board of Directors on September 9, 1996. Shareholders approved the 1998, 1999, 2000, 2002, 2004, 2005, and 2006 Directors and Officers Stock Option Plans on November 6, 1998, November 5, 1999, November 10, 2000, November 22, 2002, November 19, 2004, January 20, 2006, and January 30, 2007, respectively. The purpose of the 1996, 1998, 1999, 2000, 2002, 2004, 2005, and 2006 D&O Plans is to advance the business and development of the Company and its shareholders by affording to the Directors and Officers of the Company the opportunity to acquire a proprietary interest in the Company by the grant of Options to acquire shares of the Company's common stock. All Directors and Executive Officers of the Company are eligible to participate in the 1996, 1998, 1999, 2000, 2002, 2004, 2005, and 2006 Plans. Newly appointed Directors receive options to purchase shares of common stock at fair market value. Upon each subsequent anniversary of the election to the Board of Directors, each non-employee Director may receive an additional option to purchase shares of common stock at fair market value.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information with respect to each shareholder known by Alanco to be the beneficial owner of more than 5% of the outstanding Alanco common stock or voting rights as of September 24, 2010. Information regarding the stock ownership of Robert R. Kauffman, Alanco Chairman and Chief Executive Officer, Donald E. Anderson, Alanco Director, and Timothy P. Slifkin, StarTrak Chief Executive Officer, is also shown in the table in the following section, Current Directors and Executive Officers. Data provided in the table reflects adjustments in ownership due to the 1 for 8 reverse split effected on August 28, 2010. Exercisable stock options owned by the individuals listed below have an exercise price of $1.50 per share. This option price modification was the result of an action by the Board of Directors in September 2010 whereby the Board unanimously voted to modify the price of most outstanding stock options to $1.50 in order to reinstate the incentive such options are intended to give to the option holders.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Five Percent Owners Post 8/27/10 Reverse Split

	Class A Common Shares Owned	Class A Common Shares Owned Percent of Class (7)	Series B D or E Preferred Shares Owned (8)	Preferred Shares Owned Percent of Class (9)	Total Voting Rights	Total Voting Rights Owned Percent of Class	Exercisable Stock Options and Warrants and Loan Conversion Rights	Total Stock Owned & Options, Warrants, and Loan Conversion Rights	Total Stock, Options & Warrants Percent of Voting Rights (10)
ORBCOMM Inc. (1)	15,060	0.29%	500,000	68.03%	765,060	11.61%	0	765,060	11.61%
Donald E. Anderson (2)	448,752	8.62%	0	0.00%	448,752	6.81%	291,430	740,182	10.76%
Robert R. Kauffman (3)	232,914	4.47%	15,000	2.04%	255,414	3.88%	193,250	448,664	6.62%
Timothy P. Slifkin (4)	286,835	5.51%	13,402	16.27%	320,340	4.86%	47,813	368,153	5.55%
The Rhino Fund LLLP (5)	181,613	3.49%	50,000	60.68%	306,613	4.65%	42,584	349,197	5.27%
ComVest Capital LLC (6)	295,282	5.67%	0	0.00%	295,282	4.48%	137,950	433,232	6.44%

(1) Per Schedule SC 13D filed with the SEC on April 15, 2010, ORBCOMM Inc. is the owner of 500,000 shares of the Company's Series E Convertible Preferred Stock with voting rights of 750,000 shares. Subsequent to the SC 13D filing, ORBCOMM was issued an additional 15,060 shares of Class A Common Stock. The address for ORBCOMM Inc. is 2115 Linwood Avenue, Suite 100, Fort Lee, NJ 07024.

(2) The number of shares, options and warrants owned includes: The Anderson Family Trust, owner of 246,314 shares of Alanco Class A Common Stock, 83,750 exercisable warrants; and rights to 100,000 shares of Class A Common Stock upon election to convert the Line of Credit provided to Alanco Technologies, Inc.; Programmed Land, Inc., owner of 202,063 shares of Alanco Class A Common Stock and 64,605 exercisable warrants; all of which Mr. Anderson claims beneficial ownership; and 375 shares of Alanco Class A Common Stock and 43,075 exercisable options owned by Mr. Anderson. Mr. Anderson's address is 11804 North Sundown Drive, Scottsdale, Arizona 85260.

(3) In addition to the shares shown above, Robert R. Kauffman, Alanco Chairman and Chief Executive Officer, also beneficially owns 455,000 shares of TSIN stock, representing an ownership position of less than 2% of the outstanding TSIN shares. If TSIN distributes the shares of Alanco common stock owned by TSIN to TSIN shareholders on a proportionate basis, Mr. Kauffman may acquire additional shares of Alanco common stock, thereby slightly increasing his percentage of Alanco common shares owned. Mr. Kauffman owns 15,000 shares of Series E Convertible Preferred Stock which represent 2.04% of the total Series E Convertible Preferred shares outstanding. The address for Mr. Kauffman is: c/o Alanco Technologies, Inc., 15575 North 83rd Way, Suite 3, Scottsdale, Arizona 85260.

(4) In addition to the stock options shown above, Timothy P. Slifkin, President of StarTrak Systems, LLC, has 10,939 options with a vesting schedule ranging from October 5, 2010 to July 13, 2013. The 13,402 shares of Series D Convertible Preferred Stock beneficially owned by Mr. Slifkin represent 16.27% of the total Series D Convertible Preferred shares outstanding. The address for Mr. Slifkin is: c/o StarTrak Systems, LLC, 408 The American Road, Morris Plains, NJ 07950.

(5) The 50,000 shares of Series D Convertible Preferred Stock owned by The Rhino Fund, LLLP, managed by Rhino Capital, Inc., a private capital management company, represent 60.68% of the total Series D Convertible Preferred shares outstanding. The address for Rhino Capital, Inc. is 32065 Castle Court, Suite 100, Evergreen, CO 80439.

(6) Per Schedule SC 13G filed with the SEC on June 15, 2010, ComVest Capital LLC is the owner of 2,353,333 shares of the Company’s Class A Common Stock (adjusted for the August 27, 2010 one for eight reverse split to 294,166 shares). Subsequent to the SC 13G filing, ComVest was issued an additional 1,116 shares of Class A Common Stock. ComVest also has 33,750 exercisable warrants and loan conversion rights to 104,200 shares of Class A Common Stock. The address for ComVest Capital LLC is City Place Tower, 525 Okeechobee Blvd, Suite 1050, West Palm Beach, FL 33401.

(7) The percentages for Class A Common Stock shown are calculated based upon 5,208,290 shares of Class A Common Stock outstanding on September 24, 2010. The percentages for Total Voting Rights are calculated based upon 6,589,022 voting rights on September 24, 2010.

(8) Preferred Shares are either Series D Convertible Preferred Stock, each share of which has twenty votes in matters submitted to shareholders for a vote, or Series E Convertible Preferred Stock, each share of which has twelve notes in matters submitted to shareholders for a vote. As of September 24, 2010, there are 82,393 shares of Series D Convertible Preferred Stock outstanding and 735,000 shares of Series E Convertible Preferred Stock outstanding. The 5% owners do not own any shares of the Series B Convertible Preferred Stock.

(9) In calculating the percentage of ownership, option and warrant shares are deemed to be outstanding for the purpose of computing the percentage of voting rights shares owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of voting rights shares owned by any other stockholders.

(10) In calculating the percentage of ownership, option and warrant shares are deemed to be outstanding for the purpose of computing the percentage of voting right shares owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of voting right shares owned by any other stockholders.

Security Ownership of Management

The following table sets forth the number of exercisable stock options and the number of shares of the Company's Common Stock and Preferred Stock beneficially owned as of September 24, 2010, by individual directors and executive officers and by all directors and executive officers of the Company as a group.

The number of shares beneficially owned by each director or executive officer is determined under rules of the Securities and Exchange Commission, and the information is not necessarily indicative of the beneficial ownership for any other purpose. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) with respect to the shares set forth in the following table. Data provided in the table reflects adjustments in ownership due to the 1 for 8 reverse split effected on August 28, 2010. Exercisable stock options owned by the individuals listed below have an exercise price of $1.50 per share. This option price modification was the result of an action by the Board of Directors in September 2010 whereby the Board unanimously voted to modify the price of most outstanding stock options to $1.50 in order to reinstate the incentive such options are intended to give to the option holders.

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Securities of the Registrant Beneficially Owned Post 8/27/2010 Reverse Split(1)

Name of Beneficial Owner (2)	Class A Common Stock Shares Owned	Shares Owned Percent of Class (7)	Series D or E Preferred Stock Shares Owned	Shares Owned Percent of Class (7)	Total Voting Rights Owned	Total Voting Rights Percent of Class (7)	Stock Options & Warrants and Loan Conversion Rights Exercisable @ 9/24/10 + 60 days (8)	Total Stock Owned + Options & Warrants and Loan Conversion Rights	Total Stock, Options & Warrants Percent of Class (9)
Robert R. Kauffman (3) Director/COB/CEO	232,914	4.47%	15,000	2.04%	255,414	3.88%	193,250	448,664	6.62%
John A. Carlson Director/EVP/CFO	37,917	0.73%	0	0.00%	37,917	0.58%	106,875	144,792	2.16%
Harold S. Carpenter Director	329	0.01%	0(5)	0.00%	329	0.00%	64,925	65,254	0.98%
James T. Hecker Director	12,187	0.23%	0(6)	0.00%	12,187	0.18%	39,800	51,987	0.78%
Timothy P. Slifkin Director/CEO - StarTrak	286,835	5.51%	13,402	16.27%	320,340	4.86%	50,313	370,653	5.58%
Thomas C. LaVoy Director	16,783	0.32%	10,378	12.60%	42,728	0.65%	38,550	81,278	1.23%
Donald E. Anderson (4) Director	448,752	8.62%	0	0.00%	448,752	6.81%	291,430	740,182	10.76%
Greg M. Oester President - ATSI	3,795	0.07%	0	0.00%	3,795	0.06%	0	3,795	0.06%
Thomas A. Robinson EVP - StarTrak	188,822	3.63%	8,613	10.45%	210,354	3.19%	54,063	264,417	3.98%
Officers and Directors as a Group (8 individuals)	1,228,334	23.58%	47,393	5.80%	1,331,816	20.21%	839,206	2,171,022	29.23%

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(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission ("SEC") and generally indicates voting or investment power with respect to securities. In accordance with SEC rules, shares that may be acquired upon conversion or exercise of stock options, warrants or convertible securities which are currently exercisable or which become exercisable within 60 days are deemed beneficially owned. Except as indicated by footnote, and subject to community property laws where applicable, the persons or entities named in the table above have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned.

(2) COB is Chairman of the Board; CEO is Chief Executive Officer; EVP is Executive Vice President; CFO is Chief Financial Officer.

(3) In addition to the shares shown above, Robert R. Kauffman, Alanco Chairman and Chief Executive Officer, also beneficially owns 455,000 shares of TSIN stock, representing an ownership position of less than 2% of the outstanding TSIN shares. If TSIN distributes the shares of Alanco common stock owned by TSIN to TSIN shareholders on a proportionate basis, Mr. Kauffman may acquire additional shares of Alanco common stock, thereby slightly increasing his percentage of Alanco common shares owned.

(4) The number of shares, options and warrants owned includes: The Anderson Family Trust, owner of 246,314 shares of Alanco Class A Common Stock, 83,750 exercisable warrants; and rights to 100,000 shares of Class A Common Stock upon election to convert the Line of Credit provided to Alanco Technologies, Inc.; Programmed Land, Inc., owner of 202,063 shares of Alanco Class A Common Stock and 64,605 exercisable warrants; all of which Mr. Anderson claims beneficial ownership; and 375 shares of Alanco Class A Common Stock and 43,075 exercisable options owned by Mr. Anderson.

(5) Excludes 91,056 shares of Class A Common Stock and 19,875 warrants to purchase Class A Common Stock owned by Heartland Systems Co., a company for which Mr. Carpenter serves as an officer. Mr. Carpenter disclaims beneficial ownership of such shares.

(6) Excludes 181,613 shares of Class A Common Stock, 50,000 shares of Series D Convertible Preferred Stock and 42,584 warrants to purchase Class A Common Stock owned by Rhino Fund LLLP. The fund is controlled by Rhino Capital Incorporated, for which Mr. Hecker serves as Treasurer and General Counsel. Mr. Hecker disclaims beneficial ownership of such shares.

(7) The percentages for Class A Common Stock shown are calculated based upon 5,208,290 shares of Class A Common Stock outstanding on September 24, 2010. The percentages for Series D Convertible Preferred Stock are calculated based upon 82,393 shares of Series D Convertible Preferred Stock outstanding on September 24, 2010, each share of which has 1.5 votes in matters submitted to shareholders for a vote. The percentages for Series E Convertible Preferred Stock are calculated based upon 735,000 shares of Series E Convertible Preferred Stock outstanding on September 24, 2010, each share of which has 1.5 votes in matters submitted to shareholders for a vote. The percentages for Total Voting Rights are calculated based upon 6,589,022 voting rights as of September 24, 2010.

(8) Represents unexercised stock options and warrants issued to named executive officers and directors. All options and warrants listed that were issued to the executive officers and directors were exercisable at September 24, 2010, or will be exercisable within 60 days following September 24, 2010. Timothy Slifkin also holds the following options: 4,688 options exercisable in fiscal year 2012, 2,188 options exercisable in fiscal year 2013 and 1,563 options exercisable in fiscal year 2014. Thomas Robinson also holds the following options: 4,688 options

exercisable in fiscal year 2012, 2,188 options exercisable in fiscal year 2013 and 1,563 options exercisable in fiscal year 2014.

(9) The number and percentages shown include the voting rights shares actually owned as of September 24, 2010 and the shares of common stock that the identified person or group had a right to acquire within 60 days after September 24, 2010. The percentages shown are calculated based upon 6,589,022 voting rights as of September 24, 2010. In calculating the percentage of ownership, option and warrant shares are deemed to be outstanding for the purpose of computing the percentage of shares owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of shares owned by any other stockholders.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Management

Mr. Steve Oman, a former member of the Board of Directors, received compensation in the amount of approximately $139,100 and $107,600 for legal services to the Company for the fiscal years ended June 30, 2010 and 2009, respectively.

Mr. Donald Anderson, a member of the Board of Directors and trustee and beneficial owner of the Anderson Family Trust, was paid interest in fiscal year 2010 in the amount of approximately $457,900 under the Line of Credit Agreement and the Note payable – vendor and $277,100 under the Line of Credit Agreement and Note payable – vendor in fiscal year 2009.

See Note 7 and 10 to the consolidated financials for additional related party transactions and discussion.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed by Semple, Marchal & Cooper, LLP, for professional services rendered for the audit of the Company's annual financial statements and review of the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, for the fiscal years ended June 30, 2010 and 2009 were approximately $153,700 and $200,000, respectively.

Audit Related Fees

In each of the last two fiscal years, there were no fees billed for assurance related services rendered by the registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported under the "Audit Fees" paragraph above.

Tax Fees

Semple, Marchal & Cooper, LLP prepared the Company's tax returns for state and federal purposes. Tax return preparation fees for the fiscal years ended June 30, 2010 and 2009, were approximately $15,500 and $15,000, respectively.

All Other Fees

Other than the services described above under "Audit Fees", during the fiscal year ended June 30, 2010, Semple, Marchal & Cooper, LLP also provided services related to filing a Form S-3 and related amendments with the Securities and Exchange Commission and billed related fees of approximately $1,600. No such services were provided during the fiscal year ended June 30, 2009.

Audit Committee Pre-Approval Policies and Procedures

The 2010 and 2009 audit services provided by Semple, Marchal & Cooper, LLP were approved by our Audit/Corporate Governance Committee. The Audit/Corporate Governance Committee implemented pre-approval policies and procedures related to the provision of audit and non-audit services. Under these procedures, the Audit/Corporate Governance Committee pre-approves both the type of services to be provided by our independent accountants and the estimated fees related to these services. During the approval process, the Audit/Corporate Governance Committee considers the impact of the types of services and related fees on the independence of the auditor. These services and fees must be deemed compatible with the maintenance of the auditor’s independence, in compliance with the SEC rules and regulations. Throughout the year, the Audit/Corporate Governance Committee and, if necessary, the Board of Directors, reviews revisions to the estimates of audit and non-audit fees initially approved.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A. Exhibits

3(i) Articles of Incorporation of Alanco Technologies, Inc (1)
3(ii) Bylaws of Alanco Technologies, Inc (2)
3(iii) Amendment to Articles of Incorporation or Bylaws of Alanco Technologies, Inc (28)
4.1 Series A Preferred Convertible Stock Description (3)
4.2 Series B Preferred Convertible Stock Description (4)
4.3 Series D Preferred Stock Description (5)
4.4 Series D Preferred Stock Description Amendment (6)
4.5 Series E Preferred Stock Description Amendment (28)
10.1 1996 Directors and Officers Stock Option Plan and Kauffman and Carlson Stock Option Agreements (7)
10.2 1998 Incentive Stock Option Plan and Directors and Officers Stock Option Plan (8)
10.3 1999 Incentive Stock Option Plan and Directors and Officers Stock Option Plan (9)
10.4 2000 Incentive Stock Option Plan and Directors and Officers Stock Option Plan (10)
10.5 2002 Incentive Stock Option Plan and Directors and Officers Stock Option Plan (11)
10.6 2004 Incentive Stock Option Plan and Directors and Officers Stock Option Plan (12)
10.7 2005 Incentive Stock Option Plan and Directors and Officers Stock Option Plan (13)
10.8 2006 Incentive Stock Option Plan and Directors and Officers Stock Option Plan (14)
10.9 Nasdaq Delisting Notification (15)
10.10 Amendment 3 to Line of Credit Agreement (16)
10.11 Amendment 4 to Line of Credit Agreement (17)
10.12 Amendment 5 to Line of Credit Agreement (18)
10.13 Amendment 6 to Line of Credit Agreement (19)
10.14 Amended and Restated Loan and Security Agreement (20)
10.15 First Amendment to Restated Loan and Security Agreement (21)
10.16 Second Amendment to Restated Loan and Security Agreement (6)
10.17 TSIN Settlement Agreement and Mutual Release (22)
10.18 ComVest Loan Agreement (23)
10.19 Amendment No. 2 to ComVest Loan Agreement (24)
10.20 Amendment No. 3 to ComVest Loan Agreement (25)
10.21 Amendment No. 5 to ComVest Loan Agreement (6)
14.1 Corporate Code of Business Conduct and Ethics (26)

21. Active Subsidiaries of the Registrant

Name	State of Incorporation
Excel/Meridian Data, Inc.	Arizona
Fry Guy Inc.	Nevada
Alanco/TSI PRISM, Inc. (formerly Technology Systems International, Inc.)	Arizona
StarTrak Systems, LLC	Delaware

23.2 Consent of Independent Registered Public Accounting Firm
31.1 Certification of Robert R. Kauffman, Chairman and Chief Executive Officer of Alanco Technologies, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2

Certification of John A. Carlson, Executive Vice President and Chief Financial Officer of Alanco Technologies, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer and Chief Financial Officer of Alanco Technologies, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.1 Audit/Corporate Governance Committee Charter (27)

99.2 Letter of Donald Anderson Resignation

99.3 Letter of Loan Agreement Advance Request

99.4 Letter of Loan Agreement Advance Response

99.5 Fourth Amendment to Restated Loan and Security Agreement

Footnotes:

(1)Incorporated by reference to Form 10KSB filed September 27, 2001
(2)Incorporated by reference to Form 8-K filed September 27, 2002
(3)Incorporated by reference to Form S-3/A filed November 21, 2004
(4)Incorporated by reference to Form DEFM14A filed April 22, 2002
(5)Incorporated by reference to Form 8-K filed June 16, 1008
(6)Incorporated by reference to Form 8-K filed August 28, 2008
(7)Incorporated by reference to Form S-8 filed October 22, 1998
(8)Incorporated by reference to Form S-8 filed November 30, 1998
(9)Incorporated by reference to Form S-8 filed November 29, 1999

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

(10)Incorporated by reference to Form S-8 filed December 14, 2000
(11)Incorporated by reference to Form S-8 filed January 22, 2003
(12)Incorporated by reference to Form S-8 filed February 17, 2005
(13)Incorporated by reference to Form S-8 filed February 2, 2006
(14)Incorporated by reference to Form S-8 filed March 21, 2007
(15)Incorporated by reference to Form 8-K filed September 18, 2009
(16)Incorporated by reference to Form 8-K filed March 28, 2005
(17)Incorporated by reference to Form 8-K filed July 6, 2005
(18)Incorporated by reference to Form 8-K filed July 14, 2006
(19)Incorporated by reference to Form 8-K filed June 28, 2007
(20)Incorporated by reference to Form 8-K filed December 27, 2007
(21)Incorporated by reference to Form 8-K filed February 29, 2008
(22)Incorporated by reference to Form 8-K filed September 21, 2007
(23)Incorporated by reference to Form 8-K filed October 3, 2006
(24)Incorporated by reference to Form 8-K filed July 27, 2007
(25)Incorporated by reference to Form 8-K filed January 2, 2008
(26)Incorporated by reference to Form 10QSB filed November 15, 2004
(27)Incorporated by reference to Form 14A filed October 18, 2004
(28)Incorporated by reference to Form 8-K filed September 18, 2009

B. Schedules NONE

Exhibits or schedules other than those mentioned above are omitted because the conditions requiring their filing do not exist or because the required information is given in the financial statements, including the notes thereto.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

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 thereunder duly authorized.

ALANCO TECHNOLOGIES, INC.
(Registrant)

/s/ John A. Carlson

John A. Carlson
Chief Financial Officer

Date: October 5, 2010

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

EXHIBIT 31.1

Certification of
Chairman and Chief Executive Officer
of Alanco Technologies, Inc.

I, Robert R. Kauffman, certify that:

1. I have reviewed this annual report on Form 10-K of Alanco Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the period presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: October 5, 2010

/s/ Robert R. Kauffman

Robert R. Kauffman
Chairman and Chief Executive Officer

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

EXHIBIT 31.2

Certification of
Vice President and Chief Financial Officer
of Alanco Technologies, Inc.

I, John A. Carlson, certify that:

1. I have reviewed this annual report on Form 10-K of Alanco Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the period presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: October 5, 2010

/s/ John A. Carlson

____

John A. Carlson
Vice President and Chief Financial Officer

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

EXHIBIT 32.1

Certification of
Chief Executive Officer and Chief Financial Officer
of Alanco Technologies, Inc.

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies this annual report of Form 10-K (the “Report”) for the period ended June 30, 2008 of Alanco Technologies, Inc. (the “Issuer”).

Each of the undersigned, who are the Chief Executive Officer and Chief Financial Officer, respectively, of Alanco Technologies, Inc., hereby certify that, to the best of each such officer’s knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: October 5, 2010

/s/ Robert R. Kauffman

Robert R. Kauffman
Chief Executive Officer

/s/ John A. Carlson

John A. Carlson
Chief Financial Officer

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Small business issuer caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: October 5, 2010 /s/ Robert R. Kauffman

Robert R. Kauffman, CEO,
Chairman of the Board

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

KNOWN ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert R. Kauffman and John A. Carlson, and each of them, his true and lawful attorney-in-fact and agents, with full power of substitution and resubstitution for him or in his name, place and stead, in any and all capacities, to sign any and all amendments to this Form 10-K Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

SIGNATURE TITLE
DATE

/s/Robert R. Kauffman Director &
October 5, 2010
Robert R. Kauffman Chief Executive Officer

/s/James T. Hecker Director
October 5, 2010
James T. Hecker

/s/Harold S. Carpenter Director
October 5, 2010
Harold S. Carpenter

/s/Thomas C. LaVoy Director
October 5, 2010
Thomas C. LaVoy

/s/Donald E.
Anderson Director October 5,
2010
Donald E. Anderson

/s/John A. Carlson Director
& October 5, 2010
John A. Carlson Chief Financial Officer

/s/Timothy P.Slifkin Director
October 5, 2010
Timothy P. Slifkin

By /s/ Robert R. Kauffman
Chairman and Chief Executive Officer

Transfer Agent
Computershare Trust Company, Inc.
350 Indiana Street, Suite 800
Golden, CO 80401
303-262-0600
Fax: 303-262-0700