

AMERICAN VANGUARD CORP

Form 10-Q

November 04, 2011

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED September 30, 2011

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number 001-13795

AMERICAN VANGUARD CORPORATION

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Delaware
(State or other jurisdiction of

95-2588080
(I.R.S. Employer

Incorporation or organization)

Identification Number)

4695 MacArthur Court, Newport Beach, California
(Address of principal executive offices)

92660
(Zip Code)

(949) 260-1200

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$.10 Par Value 27,681,310 shares as of October 28, 2011.

Table of Contents

AMERICAN VANGUARD CORPORATION

INDEX

| | Page Number |
|---|--------------------|
| PART I FINANCIAL INFORMATION | |
| Item 1. Financial Statements (unaudited) | |
| <u>Consolidated Statements of Operations for the three months and nine months ended September 30, 2011 and 2010</u> | 3 |
| <u>Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010</u> | 4 |
| <u>Consolidated Statement of Stockholders' Equity and Comprehensive Income for the three months ended March 31, 2011, June 30, 2011, and September 30, 2011</u> | 5 |
| <u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010</u> | 6 |
| <u>Notes to Consolidated Financial Statements</u> | 7 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 14 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 21 |
| Item 4. <u>Controls and Procedures</u> | 21 |
| <u>PART II OTHER INFORMATION</u> | 23 |
| Item 1. <u>Legal Proceedings</u> | 23 |
| Item 6. <u>Exhibits</u> | 25 |
| <u>SIGNATURES</u> | 26 |

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(Unaudited)**

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|--|-------------|---|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net sales | \$ 73,840 | \$ 68,256 | \$ 221,610 | \$ 167,140 |
| Cost of sales | 43,089 | 42,880 | 130,593 | 103,607 |
| Gross profit | 30,751 | 25,376 | 91,017 | 63,533 |
| Operating expenses | 22,583 | 18,865 | 62,979 | 49,577 |
| Operating income | 8,168 | 6,511 | 28,038 | 13,956 |
| Interest expense | 899 | 877 | 2,684 | 2,683 |
| Interest capitalized | (18) | (49) | (92) | (98) |
| Extinguishment of debt | | | 546 | |
| Income before income tax | 7,287 | 5,683 | 24,900 | 11,371 |
| Income tax expense | 2,669 | 2,072 | 9,263 | 4,290 |
| Net income | \$ 4,618 | \$ 3,611 | \$ 15,637 | \$ 7,081 |
| Earnings per common share basic | \$.17 | \$.13 | \$.57 | \$.26 |
| Earnings per common share assuming dilution | \$.16 | \$.13 | \$.56 | \$.26 |
| Weighted average shares outstanding basic | 27,575 | 27,398 | 27,551 | 27,362 |
| Weighted average shares outstanding assuming dilution | 27,993 | 27,663 | 27,842 | 27,643 |

See notes to consolidated financial statements.

Table of Contents**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

| | Sep 30, 2011 (Unaudited) | Dec. 31, 2010 (Note) |
|--|--------------------------------|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 3,832 | \$ 1,158 |
| Receivables: | | |
| Trade, net of allowance for doubtful accounts of \$423 and \$475, respectively | 96,785 | 33,833 |
| Other | 206 | 263 |
| | 96,991 | 34,096 |
| Inventories | 80,819 | 74,054 |
| Prepaid expenses | 2,668 | 2,591 |
| Income taxes receivable | | 6,715 |
| Total current assets | 184,310 | 118,614 |
| Property, plant and equipment, net | 39,378 | 40,541 |
| Intangible assets | 117,407 | 115,249 |
| Other assets | 4,565 | 5,775 |
| | \$ 345,660 | \$ 280,179 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Current installments of long-term debt | \$ 14,533 | \$ 8,429 |
| Current installments of other liabilities | 1,705 | |
| Accounts payable | 23,451 | 13,961 |
| Deferred revenue | 11 | 5,568 |
| Accrued program costs | 43,822 | 16,976 |
| Accrued expenses and other payables | 7,934 | 4,634 |
| Income taxes payable | 2,431 | |
| Total current liabilities | 93,887 | 49,568 |
| Long-term debt, excluding current installments | 53,906 | 53,710 |
| Other liabilities, excluding current installments | 7,578 | 3 |
| Deferred income taxes | 10,461 | 10,461 |
| Total liabilities | 165,832 | 113,742 |
| Commitments and contingent liabilities | | |
| Stockholders equity: | | |
| Preferred stock, \$.10 par value per share; authorized 400,000 shares; none issued | | |
| Common stock, \$.10 par value per share; authorized 40,000,000 shares; issued 29,841,156 shares at September 30, 2011 and 29,735,928 shares at December 31, 2010 | 2,984 | 2,974 |
| Additional paid-in capital | 45,453 | 43,403 |
| Accumulated other comprehensive loss | (2,549) | (448) |
| Retained earnings | 137,093 | 123,661 |

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| | | |
|---|------------|------------|
| | 182,981 | 169,590 |
| Less treasury stock, at cost, 2,260,996 shares at September 30, 2011 and at December 31, 2010 | (3,153) | (3,153) |
| Total stockholders' equity | 179,828 | 166,437 |
| | \$ 345,660 | \$ 280,179 |

Note: The balance sheet at December 31, 2010 has been derived from the audited financial statements at that date.

See notes to consolidated financial statements

Table of Contents

AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME

(In thousands, except per share data)

For The Three Months Ended March 31, 2011, June 30, 2011, and September 30, 2011

(Unaudited)

| | Common stock Shares | Common stock Amount | Additional paid-in capital | Retained earnings | Accumulated Other Comprehensive Income | Comprehensive Income | Treasury stock Shares | Treasury stock Amount | Total |
|---|---------------------------|---------------------------|----------------------------------|----------------------|---|-------------------------|-----------------------------|-----------------------------|-------------------|
| Balance, December 31, 2010 | 29,735,928 | \$ 2,974 | \$ 43,403 | \$ 123,661 | \$ (448) | | 2,260,996 | \$ (3,153) | \$ 166,437 |
| Stocks issued under ESPP | 29,192 | 3 | 231 | | | | | | 234 |
| Cash Dividends on common stock (\$0.03 per share) | | | | (848) | | | | | (848) |
| Foreign currency Translation adjustment, net | | | | | 237 | 237 | | | 237 |
| Stock base compensation expense | | | 523 | | | | | | 523 |
| Changes in fair value of interest swap | | | | | (246) | (246) | | | (246) |
| Stock options exercised and termination of restricted stock units | 38,007 | 3 | 313 | | | | | | 316 |
| Net Income | | | | 5,012 | | 5,012 | | | 5,012 |
| Total comprehensive income | | | | | | \$ 5,003 | | | |
| Balance, March 31, 2011 | 29,803,127 | 2,980 | 44,470 | 127,825 | (457) | | 2,260,996 | (3,153) | 171,665 |
| Cash Dividends adjustment on common stock | | | | 22 | | | | | 22 |
| Foreign currency Translation adjustment, net | | | | | 197 | 197 | | | 197 |
| Stock base compensation | | | 508 | | | | | | 508 |
| Changes in fair value of interest swap | | | | | (700) | (700) | | | (700) |
| Stock grants and termination of restricted stock units | 24,747 | 3 | (3) | | | | | | |
| Net Income | | | | 6,007 | | 6,007 | | | 6,007 |

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| | | | | | | | | | |
|---|-------------------|-----------------|------------------|-------------------|-------------------|----------|------------------|-------------------|-------------------|
| Total comprehensive income | | | | | | \$ 5,504 | | | |
| Balance, June 30, 2011 | 29,827,874 | 2,983 | 44,975 | 133,854 | (960) | | 2,260,996 | (3,153) | 177,699 |
| Stocks issued under ESPP | 25,741 | 3 | 228 | | | | | | 231 |
| Cash Dividends on common stock (\$0.05 per share) | | | | (1,379) | | | | | (1,379) |
| Foreign currency Translation adjustment, net | | | | | (988) | (988) | | | (988) |
| Stock base compensation | | | 455 | | | | | | 455 |
| Changes in fair value of interest swap | | | | | (601) | (601) | | | (601) |
| Stock options exercised and termination of restricted stock units | (12,459) | (2) | (205) | | | | | | (207) |
| Net Income | | | | 4,618 | | 4,618 | | | 4,618 |
| Total comprehensive income | | | | | | \$ 3,029 | | | |
| Balance, September 30, 2011 | 29,841,156 | \$ 2,984 | \$ 45,453 | \$ 137,093 | \$ (2,549) | | 2,260,996 | \$ (3,153) | \$ 179,828 |

See notes to consolidated financial statements

Table of Contents**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****For The Nine Months Ended September 30, 2011 and 2010****(Unaudited)**

| | 2011 | 2010 |
|---|-----------------|-----------------|
| Increase (decrease) in cash | | |
| Cash flows from operating activities: | | |
| Net income | \$ 15,637 | \$ 7,081 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of fixed and intangible assets | 10,366 | 8,208 |
| Amortization of other long term assets | 2,018 | 2,418 |
| Amortization of discounted liabilities | 636 | |
| Stock-based compensation | 1,486 | 832 |
| Changes in assets and liabilities associated with operations: | | |
| Increase in net receivables | (62,895) | (22,853) |
| Increase in inventories | (6,765) | (6,443) |
| Increase in prepaid expenses and other assets | (885) | (691) |
| Decrease in income tax receivable/payable, net | 9,146 | |
| Increase in accounts payable | 7,942 | 14,559 |
| Decrease in deferred revenue | (5,557) | |
| Increase in other liabilities | 30,976 | 5,796 |
| Net cash provided by operating activities | 2,105 | 8,907 |
| Cash flows from investing activities: | | |
| Capital expenditures | (4,466) | (6,256) |
| Intangible expenditures | | (3,000) |
| Net cash used in investing activities | (4,466) | (9,256) |
| Cash flows from financing activities: | | |
| Net (repayments) borrowings under line of credit agreement | (7,300) | 7,200 |
| Principal payments on long-term debt | (6,829) | (6,522) |
| Borrowings on long-term debt | 20,063 | |
| Proceeds from the issuance of common stock (sale of stock under ESPP and exercise of stock options) | 574 | 486 |
| Payment of cash dividends | (826) | (271) |
| Net cash provided by financing activities | 5,682 | 893 |
| Net increase in cash | 3,321 | 544 |
| Cash and cash equivalents at beginning of year | 1,158 | 383 |
| Effect of exchange rate changes on cash | (647) | 117 |
| Cash and cash equivalents as of September 30 | \$ 3,832 | \$ 1,044 |

Supplemental schedule on non-cash investing activities:

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During the nine months ended September 30, 2011 the Company recorded final purchase accounting entries related to the product line acquisitions completed in the final quarter of 2010. As a result, the Company recorded \$6,802 as additions to intangible assets and related liability. There was no cash impact on this transaction during this period.

See notes to consolidated financial statements

Table of Contents**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(In thousands, except per share data)****(Unaudited)**

1. The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation, have been included. Operating results for the nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

2. Property, plant and equipment at September 30, 2011 and December 31, 2010 consists of the following:

| | September 30, 2011 | December 31, 2010 |
|--|-------------------------------|------------------------------|
| Land | \$ 2,458 | \$ 2,458 |
| Buildings and improvements | 9,347 | 8,131 |
| Machinery and equipment | 82,654 | 77,140 |
| Office furniture, fixtures and equipment | 7,238 | 6,710 |
| Automotive equipment | 282 | 284 |
| Construction in progress | 2,684 | 5,474 |
| | 104,663 | 100,197 |
| Less accumulated depreciation | (65,285) | (59,656) |
| | \$ 39,378 | \$ 40,541 |

3. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. The components of inventories consist of the following:

| | September 30, 2011 | December 31, 2010 |
|-------------------|-------------------------------|------------------------------|
| Finished products | \$ 73,608 | \$ 67,316 |
| Raw materials | 7,211 | 6,738 |
| | \$ 80,819 | \$ 74,054 |

4. Based on similar economic and operational characteristics, the Company's business is aggregated into one reportable segment. Selective enterprise information is as follows:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|------------|--|-------------|---|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net sales: | | | | |

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| | | | | |
|--------------|-----------|-----------|------------|------------|
| Insecticides | \$ 21,617 | \$ 17,075 | \$ 96,117 | \$ 64,359 |
| Herbicides | 27,233 | 28,198 | 61,247 | 56,248 |
| Other | 14,777 | 17,140 | 38,760 | 25,596 |
| | 63,627 | 62,413 | 196,124 | 146,203 |
| Non-crop | 10,213 | 5,843 | 25,486 | 20,937 |
| | \$ 73,840 | \$ 68,256 | \$ 221,610 | \$ 167,140 |

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|------------|------------------------------------|-----------|-----------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net Sales: | | | | |
| Domestic | \$ 58,691 | \$ 56,659 | \$ 181,944 | \$ 136,024 |
| Export | 15,149 | 11,597 | 39,666 | 31,116 |
| | \$ 73,840 | \$ 68,256 | \$ 221,610 | \$ 167,140 |

Table of Contents

5. On September 8, 2011, the Company announced that the Board of Directors declared a cash dividend of \$.05 per share. The dividend was distributed on October 14, 2011, to shareholders of record at the close of business on September 29, 2011. Cash dividends paid on October 14, 2011 totaled approximately \$1,379.

On March 10, 2011, the Board of Directors declared a cash dividend of \$0.03 per share. The dividend was distributed on April 15, 2011 to stockholders of record at the close of business on April 1, 2011. Cash dividends paid in April 2011 amounted to \$826.

On September 14, 2010, the Company announced that the Board of Directors declared a cash dividend of \$0.02 per share. The dividend was distributed on October 14, 2010, to stockholders of record at the close of business on September 24, 2010 totaled approximately \$548.

On March 4, 2010, the Board of Directors declared a cash dividend of \$0.01 per share. The dividend was distributed on April 16, 2010 to stockholders of record at the close of business on April 2, 2010. Cash dividends paid on April 16, 2010 totaled \$271.

6. Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 260 *Earnings Per Share (EPS)* requires dual presentation of basic EPS and diluted EPS on the face of all income statements. Basic EPS is computed as net income divided by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects potential dilution that could occur if securities or other contracts, which, for the Company, consists of options to purchase shares of the Company's common stock, are exercised.

The components of basic and diluted earnings per share were as follows:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--------------------------------------|------------------------------------|----------|-----------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Numerator: | | | | |
| Net income | \$ 4,618 | \$ 3,611 | \$ 15,637 | \$ 7,081 |
| Denominator: | | | | |
| Weighted averages shares outstanding | 27,575 | 27,398 | 27,551 | 27,362 |
| Assumed exercise of stock options | 418 | 265 | 291 | 281 |
| | 27,993 | 27,663 | 27,842 | 27,643 |

7. Substantially all of the Company's assets are pledged as collateral with its banks.

The Company has various different loans in place that together constitute the short-term and long-term loan balances shown in the balance sheet at September 30, 2011 and December 31, 2010. These are summarized in the following table:

| Indebtedness \$000 s | September 30, 2011 | | | December 31, 2010 | | |
|--|--------------------|------------------|------------------|-------------------|-----------------|------------------|
| | Long-term | Short-term | Total | Long-term | Short-term | Total |
| Term loan | \$ 48,000 | \$ 8,000 | \$ 56,000 | \$ 32,000 | \$ 8,000 | \$ 40,000 |
| Real estate | | | | 1,937 | 4 | 1,941 |
| Working capital revolver | | | | 7,300 | | 7,300 |
| Notes payable on product acquisitions and asset purchase | 5,906 | 6,533 | 12,439 | 12,473 | 425 | 12,898 |
| Total indebtedness | \$ 53,906 | \$ 14,533 | \$ 68,439 | \$ 53,710 | \$ 8,429 | \$ 62,139 |

Table of Contents

On January 10, 2011, the Company entered into a new \$137,000 senior secured credit facility with a syndicate of banks led by Bank of the West. The facility consists of a revolving commitment of \$75,000, and an initial term commitment of \$62,000. Both the revolving line of credit and the term loan mature on January 10, 2016. The facility replaces the Company's previous \$135,000 facility, which the Company has retired through borrowing from the new facility. As part of concluding this new credit agreement, the real estate loan was repaid in full. Finally, the Company took a one-time non-cash charge in the amount of \$546 related to extinguishment of the term loan.

On March 31, 2011, as required under the terms of the amended and restated credit agreement, the Company entered into a fixed interest rate swap covering 75% or \$45,000 of term loan debt. The termination date for the interest rate swap is December 14, 2014. The interest rate swap has been designated and qualifies as a cash flow hedge. The effective portion of the gains or losses on the interest rate swap will be reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings.

As of December 31, 2010, the Company had one perfectly effective interest rate swap contract outstanding that was settled in 2011. As noted above, at September 30, 2011, the Company has in place one perfectly effective interest rate swap contract. The fair value of the swap outstanding at September 30, 2011 was a loss of \$1,564. At December 31, 2010, the fair value was a loss \$17. These amounts are presented in accrued expenses and other liabilities.

The Company has four key covenants to its senior, secured credit facility with its banking syndicate. The covenants are as follows: (1) the Company must maintain its borrowings below a certain consolidated funded debt ratio, (2) the Company has a limitation on its annual spending on the acquisition of fixed asset capital additions, (3) the Company must maintain a certain consolidated fixed charge coverage ratio, and (4) the Company must maintain a certain modified current ratio which compares the on hand value of receivables plus inventory with the level of its working capital revolver debt. As of September 30, 2011 the Company met all covenants in that credit facility.

At September 30, 2011, based on its performance against the most restrictive covenants listed above, the Company had the capacity to increase its borrowings by up to \$75,000 under the credit facility agreement.

During September 2011, the Company entered into a Euro exchange straight forward contract in the amount of 4,500 for a Euro liability that is to be settled in January 2013. This transaction is being accounted for in accordance with the guidance under U.S. Accounting Standards Codification No. 815, Derivatives and Hedging, as a non-designated hedge. The change in the fair value is being recorded in the Balance Sheet and the offset is being recorded in earnings.

8. Reclassification certain items may have been reclassified (if appropriate), in the prior period consolidated financial statements to conform to the most recent financial statements presented.

9. Total comprehensive income includes, in addition to net income, changes in equity that are excluded from the consolidated statements of operations and are recorded directly into a separate section of stockholders' equity on the consolidated balance sheets.

Comprehensive income and its components consist of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Net income | \$ 4,618 | \$ 3,611 | \$ 15,637 | \$ 7,081 |
| Change in fair value of interest rate swaps | (601) | 243 | (1,547) | 787 |
| Unrealized loss on currency forward cover contracts | | | | (140) |
| Foreign currency translation adjustment | (988) | (62) | (554) | 117 |
| Comprehensive income | \$ 3,029 | \$ 3,792 | \$ 13,536 | \$ 7,845 |

10. Stock Based Compensation Expense The Company accounts for stock-based awards to employees and directors in accordance with FASB ASC 718, *Share-Based Payment*, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including shares of common stock granted for services, employee stock options, and employee stock purchases related to the Employee Stock Purchase Plan (employee stock purchases) based on estimated fair values.

Table of Contents

Stock Options During the nine months ended September 30, 2011, the Company granted employees options to acquire 20,000 shares of common stock at an average exercise price of \$12.28 per share. The options were valued at \$132 and vest over a three year service period.

Option activity within each plan is as follows:

| | Incentive Stock Option Plans | Non-Statutory Stock Options Plans | Weighted Average Price Per Share | Exercisable Weighted Average Price Per Share |
|---|------------------------------------|---|--|--|
| Balance outstanding, December 31, 2010 | 1,487,331 | | \$ 7.65 | \$ 7.77 |
| Options exercised | (40,000) | | 8.10 | |
| Balance outstanding, March 31, 2011 | 1,447,331 | | \$ 7.63 | \$ 7.77 |
| Options granted | 10,000 | | 11.32 | |
| Options expired | (15,272) | | 9.52 | |
| Balance outstanding, June 30, 2011 | 1,442,059 | | \$ 7.64 | \$ 7.73 |
| Options granted | 10,000 | | 13.24 | |
| Options exercised | (8,000) | | 11.30 | |
| Options expired | (39,834) | | 14.37 | |
| Balance outstanding, September 30, 2011 | 1,404,225 | | \$ 7.47 | \$ 7.29 |

During the nine months ended September 30, 2010, the Company amended an option to extend the expiration date for a terminated employee to purchase 72,000 shares of common stock. The award would have expired 3 months after termination. The Company extended the expiration date to one year and recognized an award-based compensation expense of \$8 for the modification. There were options to acquire 30,000 shares that were forfeited during the nine months ended September 30, 2010, which had an average exercise price of \$4.93. The options were vested when terminated.

Information relating to stock options at September 30, 2011 summarized by exercise price is as follows:

| Exercise Price Per Share | Outstanding Weighted Average Remaining | | | Exercisable Weighted Average | |
|------------------------------|--|---------------|----------------|------------------------------|----------------|
| | Shares | Life (Months) | Exercise Price | Shares | Exercise Price |
| Incentive Stock Option Plan: | | | | | |
| \$3.67 \$4.93 | 450,000 | 15 | \$ 3.67 | 450,000 | \$ 3.67 |
| \$7.00 \$8.10 | 716,000 | 110 | \$ 7.50 | | |
| \$11.30 \$14.74 | 238,225 | 22 | \$ 14.54 | 218,225 | \$ 14.64 |
| | 1,404,225 | | \$ 7.47 | 668,225 | \$ 7.29 |

The weighted average exercise prices for options granted and exercisable and the weighted average remaining contractual life for options outstanding as of September 30, 2011 was as follows:

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| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Months) | Intrinsic Value (thousands) |
|-----------------------------------|------------------------|--|---|-----------------------------------|
| <i>As of September 30, 2011:</i> | | | | |
| Incentive Stock Option Plans: | | | | |
| Outstanding | 1,404,225 | \$ 7.47 | 65 | \$ 5,990 |
| Expected to Vest | 1,364,768 | \$ 7.46 | 63 | \$ 5,850 |
| Exercisable | 668,225 | \$ 7.29 | 15 | \$ 3,369 |
| Non-statutory Stock Option Plans: | | | | |
| Options Outstanding | | | | |
| Expected to Vest | | | | |
| Options Exercisable | | | | |

Stock Options During the nine months ended September 30, 2011 and 2010, the Company recognized stock-based compensation expense related to stock options, excluding expense associated with modifications, related to stock options of \$678 and \$20, respectively.

Table of Contents

As of September 30, 2011, the Company had approximately \$2,100 of unamortized stock-based compensation expenses related to unvested stock options outstanding. This amount will be recognized over the weighted-average period of 2.2 years. This projected expense will change if any stock options are granted or cancelled prior to the respective reporting periods or if there are any changes required to be made for estimated forfeitures.

Restricted Shares A status summary of nonvested shares as of and for the nine months ended September 30, 2011 is presented below:

| | Number of Shares | Weighted Average Grant-Date Fair Value |
|---|---------------------|---|
| Nonvested shares at December 31, 2010 | 202,096 | \$ 11.77 |
| Granted | | |
| Vested | | |
| Forfeited | (1,993) | \$ 12.21 |
| Nonvested shares at March 31, 2011 | 200,103 | \$ 11.77 |
| Granted | | |
| Vested | | |
| Forfeited | (1,893) | \$ 12.21 |
| Nonvested shares at June 30, 2011 | 198,210 | \$ 11.76 |
| Granted | 4,000 | \$ 12.16 |
| Vested | (103,400) | \$ 12.19 |
| Forfeited | (650) | \$ 12.19 |
| Nonvested shares at September 30, 2011 | 98,160 | \$ 11.33 |

During the nine months ended September 30, 2010, the Company granted a total of 5,000 of common stock. The shares will cliff vest after three years of service. The shares granted in 2010 were fair valued at \$8.32 per share (or \$42 in total). The fair value was determined by using the publicly traded share price as of the date of grant. The Company is recognizing as expense the value of restricted shares over the required service period of three years. There were 22,008 restricted shares of common stock that were forfeited during the nine months ended September 30, 2010, which had an average grant-date value of \$12.21 per share. Forfeited shares were not vested when terminated. During the nine months ended September 30, 2010, there were 40,783 restricted shares that vested, which had an average grant-date value of \$13.01 per share and an average vest-date value of \$7.62 per share.

During the nine months ended September 30, 2011 and 2010, the Company recognized stock-based compensation expense related to restricted shares of \$949, including related cash costs and \$813, respectively.

As of September 30, 2011, the Company had approximately \$238 of unamortized stock-based compensation expenses related to unvested restricted shares. This amount will be recognized over the weighted-average period of 1.2 years, whereby \$141 will be recognized over the next 0.4 years and the balance will be recognized over the next 2.4 years. This projected expense will change if any restricted shares are granted or cancelled prior to the respective reporting periods or if there are any changes required to be made for estimated forfeitures.

11. Legal Proceedings Summarized below are litigation matters in which there has been material activity or developments since the filing of the Company's Form 10-Q for the period ended June 30, 2011.

A. PCNB Matters

On or about April 6, 2010, the Pest Management Regulatory Agency (PMRA) notified the Company of its intention to cancel the Canadian registration for the compound Pentrochloronitrobenzine (PCNB) in that country, citing as a reason the Company's failure to provide certain manufacturing data to the agency in a timely fashion. The Company subsequently provided the agency with the required data, and PMRA extended its notice to permit continued registration through at least the end of the calendar year. Further, in June 2010, PMRA issued a re-evaluation of PCNB and concluded that turf uses should be cancelled as of the end of calendar year 2010. In August 2010, the Company filed a notice of objection to the re-evaluation and sought a hearing on the matter at which to present technical data in support of that use. PMRA failed to respond to the notice of objection and did not set a hearing. As of December 31, 2010, the turf use for PCNB was discontinued in

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Canada. The Company has challenged this action on the ground that, among other things, PMRA abused its discretion in failing to set a hearing on the Company's objection. In late February 2011, PMRA responded to the Company's request for relief against cancellation and indicated that it was unwilling to reverse the cancellation informally. Accordingly, the Company intends to take formal action to have the registration reinstated. There is approximately \$1,300 worth of PCNB inventory in the Canadian distribution channel for which the Company has not been

Table of Contents

paid. In light of PMRA's current position, it is possible that some or all of that material may be returned. Further, it is unclear to what extent the goods can be repackaged and resold. These questions may be dependent in part upon the outcome of the Company's negotiations with United States Environmental protection agency (USEPA) as per the following section. The Company believes that a loss is probable within the range of \$500 to \$1,000 and has set up a loss contingency of \$500. We will revisit this reserve as negotiations with PMRA and USEPA develop further.

In August 2010, the USEPA issued a Stop Sale, Use and Removal Order (SSURO) relating to the Company's USEPA-registered PCNB product line. The Company sells PCNB primarily for use on turf with the bulk of sales occurring in September and October. In issuing the SSURO, the USEPA alleged that the Company's product did not comply with the confidential statement of formula (CSF) due to the presence of trace impurities that are not listed on the CSF. The SSURO was issued by the agency without either i) a specific finding of risk, ii) providing the Company an opportunity to present a technical case, or iii) any forewarning. Despite its efforts, the Company was unable to obtain informal resolution of the matter with the agency and in an effort to protect its business, filed an action against USEPA with the United States District Court for the District of Columbia in late August in which it sought emergency and permanent injunctive relief. On September 2, 2010, that court denied the Company's motion for emergency relief, finding in effect that while it was concerned about unfairness in USEPA's actions, the agency was empowered to take those actions. On August 17, 2011, the Chief Judge of the US District Court for the District of Columbia granted the Company's motion for summary judgment and vacated the SSURO on the grounds that the signatory at USEPA lacked the authority to issue such an order in the first instance. Following the court's ruling, the Company has been working with USEPA to obtain approval of its amended CSF and to amend and consolidate PCNB labels with the aim of re-entering the market in the near future.

At September 30, 2011, the Company held inventories in the amount of \$19,400, up from \$18,500 as of June 30, 2011, (arising from continued manufacture of the product at a reduced rate) and associated intangible assets of \$5,062 relating to this product line. Given the progress made to date on the amended CSF and label revisions, the Company cannot conclude that a loss is probable and has not set up a loss contingency. However, if these registrations were cancelled, the Company would be required to adjust the carrying value of the aforementioned assets.

B. DBCP Cases

A number of suits have been filed against AMVAC, alleging injury from exposure to the agricultural chemical 1,2-dibromo-3-chloropropane (DBCP). DBCP was manufactured by several chemical companies, including Dow Chemical Company, Shell Oil Company and AMVAC and was approved by the USEPA to control nematodes. DBCP was also applied on banana farms in Latin America. The USEPA suspended registrations of DBCP in October 1979, except for use on pineapples in Hawaii. The USEPA suspension was partially based on 1977 studies by other manufacturers that indicated a link between male sterility and exposure to DBCP among their factory production workers producing the product. There are approximately 100 lawsuits, foreign and domestic, filed by former banana workers in which AMVAC has been named as a party. Fourteen of these suits have been filed in the United States (with prayers for unspecified damages) and the remainder have been filed in Nicaragua. All of these actions are in various stages and allege injury from exposure to DBCP, including claims for sterility.

State Matter in Delaware

On or about July 21, 2011, an action captioned *Blanco v. Amvac Chemical Corporation et al* was filed with the Superior Court of the State of Delaware in and for New Castle County (No. N11C-07-149 JOH) on behalf of an individual plaintiff residing in Costa Rica against several defendants, including, among others, Amvac, The Dow Chemical Company, Occidental Chemical Corporation, and Dole Food Company. In the action, plaintiff claims personal injury (sterility) arising from the alleged exposure to DBCP between 1979 and 1980 while working as a contract laborer in a banana plantation in Costa Rica. Defendant Dow has filed a motion to dismiss the action as being barred under the applicable statute of limitations, as this same plaintiff filed the same action in 1995. Amvac and other defendants are joining in the motion to dismiss, the hearing for which has been set for January 20, 2012 The Company believes that the case has no merit. Amvac intends to defend the matter vigorously, and the Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency therefor.

State Matter in California

On August 8, 2011, an action captioned *Macasa v. The Dole Food Company, Inc. et al.*, was filed with the Superior Court for the State of California for the County of Los Angeles (No. BC 467134) on behalf of 2,444 individual plaintiffs from the Philippines against several defendants, including, among others, The Dole Food Company, Del Monte Foods, Inc., Shell Chemical Company, the Dow Chemical Company and Amvac Chemical Corporation. Plaintiffs, all of whom worked on banana plantations in the Philippines, have alleged physical injury (namely, sterility) arising from alleged exposure to DBCP for an indeterminate period of time commencing in the late 1970's. There are preliminary indications that many if not most of the claimants have filed similar actions in the Philippines. At this stage, no discovery has been done, it is unknown how many (if any) of the plaintiffs may have been exposed to Amvac's product, what injuries may have been sustained and whether any statutes of limitations may bar recovery. Amvac intends to defend this matter vigorously. The Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency therefor.

Table of Contents

12. Recently Issued Accounting Guidance In June 2011, Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) No. 2011-05, *Presentation of Comprehensive Income*, to amend FASB Codification Topic 220, *Comprehensive Income*. The objective of this update is to (1) eliminate the option to present components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity, (2) require presentation of each component of net income and each component of OCI (and their respective totals) either in a single continuous statement or in two separate (but consecutive) statements, and (3) require presentation of reclassification adjustments on the face of the statement. The amendments made by ASU No. 2011-05 should be applied retrospectively and become effective for fiscal years (and interim periods within such years) *beginning* after December 15, 2011, with early adoption permitted. The Company will adopt this update when applicable.

In May 2011, the FASB issued an update to Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. and international standards. The guidance does not purport to change the scope of transactions in which fair value measurement is required to be applied. This update explains how to measure fair value. It does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments set forth in FASB ASU No. 2011-04 are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011, for public companies. The Company adopted this update and there was no material impact.

In December 2010, FASB issued ASU 2010-29, Business Combinations (Topic 805), *Disclosure of Supplementary Pro Forma Information for Business Combination* . The objective of this update is to address the different interpretation of the pro forma disclosure requirements of revenue and earnings for a business combination. The update specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company will adopt this standard to account for business combination when applicable.

13. Acquisition During the nine month period ended September 30, 2011, the Company recorded final purchase accounting entries related to the product line acquisitions completed during the final quarter of 2010. As a result, the Company recorded \$6,802 as additions to intangible assets and related liability. These amounts relate to estimated earn out payments over the next five years. Allocation of the 2010 acquisitions was \$25,764 to product rights, \$12,626 to trademarks and \$1,091 to customer lists.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
(Numbers in thousands)**FORWARD-LOOKING STATEMENTS/RISK FACTORS:**

The Company, from time-to-time, may discuss forward-looking statements including assumptions concerning the Company's operations, future results and prospects. These forward-looking statements are based on current expectations and are subject to a number of risks, uncertainties and other factors. In connection with the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary statements identifying important factors which, among other things, could cause the actual results and events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions contained in the entire Report. Such factors include, but are not limited to: product demand and market acceptance risks; the effect of economic conditions; weather conditions; changes in regulatory policy; the impact of competitive products and pricing; changes in foreign exchange rates; product development and commercialization difficulties; capacity and supply constraints or difficulties; availability of capital resources; general business regulations, including taxes and other risks as detailed from time-to-time in the Company's reports and filings filed with the U.S. Securities and Exchange Commission (the "SEC"). It is not possible to foresee or identify all such factors. For more detailed information, refer to Item 1A., Risk factors and Item 7A., Quantitative and Qualitative Disclosures about Market Risk, in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

RESULTS OF OPERATIONS**Quarter Ended September 30, 2011**

| | 2011 | 2010 | Change | % Change |
|---------------|-----------|-----------|----------|----------|
| Net sales: | | | | |
| Insecticides | \$ 21,617 | \$ 17,075 | \$ 4,542 | 26.6% |
| Herbicides | 27,233 | 28,198 | (965) | (3.4)% |
| Other | 14,777 | 17,140 | (2,363) | (13.8)% |
| Total Crop | 63,627 | 62,413 | 1,214 | 1.9% |
| Non-crop | 10,213 | 5,843 | 4,370 | 74.8% |
| | \$ 73,840 | \$ 68,256 | \$ 5,584 | 8.2% |
| Gross profit: | | | | |
| Crop | \$ 25,483 | \$ 23,119 | \$ 2,364 | 10.2% |
| Non-crop | 5,268 | 2,257 | 3,011 | 133.4% |
| | \$ 30,751 | \$ 25,376 | \$ 5,375 | 21.2% |

Overall financial performance, including net sales and net income for the quarter ended September 30, 2011, was improved as compared to the same period in 2010. Our net sales for the period were up approximately 8% to \$73,840, compared to \$68,256 for the third quarter of 2010. Net sales for our crop business were up by approximately 2%, while net sales for non-crop products were up by about 75%. Strong sales performance in the third quarter of 2011 as compared to the same period of the prior year resulted primarily from the crop product lines Mocap and Nema-cur that were acquired in the final quarter of 2010 and generated an additional 7% of sales. These products are also the main drivers of our continued strong international sales which grew 31% in the quarter. A more detailed discussion of general market conditions and sales performance by category of products appears below.

Net sales of our insecticides as a group were up about 27% (\$21,617 as compared to \$17,075) during the third quarter of 2011. Within this segment, net sales of our granular soil insecticides as a group were up approximately 73% over that of the comparable quarter. Leading this increase were net sales of Thimet which rose by nearly 26% primarily in sugarcane applications. Our newly acquired product lines, Mocap (US domestic and export) and Nema-cur (export only), accounted for approximately 40% of total soil insecticide sales; these products are used on a wide variety of crops. Corn soil insecticide sales were not material in the third quarter and activity in the distribution channels for 2012 planting season will begin in the fourth quarter of 2011. We continued to see strong net sales of Counter, up 54% compared to third quarter of 2010, due to strong demand for use on bananas in Latin America.

Table of Contents

Net sales of other insecticides were down by 20% in the quarter. Net sales of our generic product lines (acephate, bifenthrin and permethrin), were down about 46% as compared to the second quarter of 2010, as we focus on maintaining pricing levels that ensure improved overall gross profit margins on these products. Net sales of our cotton insecticide Bidrin decreased approximately 42% from the same quarter of the prior year as drought conditions resulted in a significant reduction in harvestable acres.

Within the group of herbicides/fungicides/fumigants, net sales for the third quarter of 2011 decreased by approximately 3% to \$27,233 from \$28,198 in the comparable period of 2010. Net sales of our herbicide products were up by about 32% quarter-over-quarter, due largely to a 14% increase in sales of our Dacthal herbicide. Impact, our post-emergent corn herbicide also posted improved sales in the quarter, as we experience increased demand for this product in light of increasing weed resistance to certain trait seeds; we note that sales activity of this product tends to occur primarily during the other three quarters of the year. Our soil fumigants also posted a solid net sales increase, up about 8% quarter-over-quarter; however margins were down slightly due to increased raw material costs. Offsetting the improved sales performance in this category was our PCNB fungicide products, which experienced a 94% drop in net sales versus the comparable quarter in 2010. This drop arose from the fact that the SSURO that had been issued by the USEPA with respect to our domestic PCNB products (see Item 1 – Legal Proceedings) was pending part of the third quarter and following the lifting of that SSURO, the Company has been negotiating with USEPA to amend and consolidate its PCNB labels. Consequently, the Company was unable to sell any product domestically in this year's entire third quarter; whereas, the Company was able to make such sales over the first several weeks of the third quarter of 2010.

Within the group of other products, which includes plant growth regulators, molluscicides and tolling activity, we recorded net sales of \$14,777 for the quarter, down from \$17,140 recorded in the second quarter of 2010. This 14% decline was driven mainly by reduced sales of our cotton defoliant Folex. As previously cited in the Company's Form 10-Q for the period ended June 30, 2011, during the 2010 season, we were not able to obtain raw materials for Folex in time for any sales in the second quarter of 2010 and instead recorded substantial sales when the finished product was available during the third quarter of that year. Conversely, in 2011 we obtained the supply of this material much earlier and were able to respond to the normal demand cycle and therefore sold a large quantity of Folex in the second quarter of 2011 and somewhat less in the third. However, despite the severe drought west of the Mississippi in 2011 that reduced by 4 million acres the amount of cotton harvested in the U.S., cool temperatures in the eastern cotton belt prompted a higher usage rate of Folex as a harvest defoliant and resulted in a solid third quarter sales performance.

Our non-crop sales ended the third quarter of 2011 up approximately 75% at \$10,213 as compared to \$5,843 for the same period of the prior year and constituted just under 14% of total sales for the period. A major driver for this increase arose primarily from strong demand for Naled / Dibrom as a result of significant demand for mosquito control in the eastern section of the Gulf Coast states due to wet and warm weather during the late summer, thereby offsetting the significant decline in PCNB sales as described above.

Gross margins for the quarter were up to 42% from 37% for the comparable period. This improvement was in part the result of a product mix that included strong sales of our higher margin products, reduced sales of products that are exposed to more generic pressure and a much improved manufacturing performance.

It should be noted that when making comparisons with other companies' financial statements, the Company reports distribution costs in operating expenses and not as part of cost of sales.

Operating expenses increased by \$3,718 to \$22,583 for the three months ended September 30, 2011 as compared to the same period in 2010. The differences in operating expenses by department are as follows:

| | 2011 | 2010 | Change | \$ Change |
|--|-----------|-----------|----------|-----------|
| Selling | \$ 5,780 | \$ 6,046 | \$ (266) | (4.4)% |
| General and administrative | 5,349 | 4,220 | 1,129 | 26.8% |
| Research, product development and regulatory | 4,875 | 3,294 | 1,581 | 48.0% |
| Freight, delivery and warehousing | 6,579 | 5,305 | 1,274 | 24.0% |
| | \$ 22,583 | \$ 18,865 | \$ 3,718 | 19.7% |

Selling expenses decreased slightly by \$266 to end at \$5,780 for the three months ended September 30, 2011, as compared to the same period of 2010, despite the fact that sales were up 8%. The main driver for the decrease in selling expenses is from the slightly

reduced spending on advertising in the quarter as compared to the same period of the prior year.

Table of Contents

General and administrative expenses increased by \$1,129 to end at \$5,349 for the three months ended September 30, 2011 as compared to the same period of 2010. The three main drivers of this increase were an increase in amortization expense that resulted from the acquisitions made in December 2010, an increase in stock based compensation expense relating to grants issued in December 2010, and an increase in incentive compensation expense from the increase in overall financial performance.

Research, product development costs and regulatory expenses increased by \$1,581 to \$4,875 for the three months ended September 30, 2011, as compared to the same period of 2010. The main driver for these cost increases are planned costs associated with international registrations on new products and newly acquired product lines. Furthermore, our contributions to task force activities (also planned) increased. Finally, we have increased our teams supporting regulatory affairs and product development.

Freight, delivery and warehousing costs for the three months ended September 30, 2011 were \$6,579 or 9% of sales as compared to \$5,305 or 8% of sales for the same period in 2010. The performance is driven by higher volume and specific mix in the quarter as compared to the same period of 2010.

Interest costs net of capitalized interest were \$881 in the three months ended September 30, 2011 as compared to \$828 in the same period of 2010. Interest costs are summarized in the following table:

Average Indebtedness and Interest expense

| | Average Debt | Q3 2011 Interest Expense | Interest Rate | Average Debt | Q3 2010 Interest Expense | Interest Rate |
|------------------------------------|--------------|--------------------------|---------------|--------------|--------------------------|---------------|
| Term Loan | \$ 57,978 | \$ 517 | 3.6% | \$ 43,933 | \$ 625 | 5.6% |
| Real Estate | | | | 1,982 | 29 | 5.8% |
| Working Capital Revolver | | (11) | 0% | 10,174 | 112 | 3.9% |
| Average | 57,978 | 506 | 3.5% | 56,089 | 766 | 5.3% |
| Other notes payable | 12,741 | 377 | 11.8% | 870 | | |
| Interest Income | | | | | | |
| Capitalized Interest | | (34) | | | (49) | |
| Amortization of deferred loan fees | | 32 | | | 111 | |
| Adjusted Average indebtedness | \$ 70,719 | \$ 881 | 5.0% | \$ 56,959 | \$ 828 | 5.8% |

The Company's average overall debt for the three months ended September 30, 2011 was \$70,719 as compared to \$56,959 for the three months ended September 30, 2010. During the quarter we did not utilize revolver debt financing mainly as a result of continued focus on inventory, receivables and program management. As can be seen from the table above, our effective interest rate was 5% for the three months ended September 30, 2011. This is an improvement as compared to the 5.8% for the same period of last year.

Income tax expense has increased by \$597 to end at \$2,669 for the three months ended September 30, 2011 as compared to \$2,072 for the comparable period in 2010. The effective tax rate for the quarter was 36.6% as compared to 36.5% in the same period of the prior year. Our effective tax rate has benefited from the domestic production activities deduction, R&D tax credits and lower state tax rates driven by certain state apportionment elections. These positive impacts are offset by continued strong financial performance which reduces the impact of permanent differences.

Our overall net income for the three months ended September 30, 2011 was \$4,618 or \$0.16 per share (diluted) as compared to \$3,611 or \$0.13 per share (basic and diluted) in the same quarter of 2010.

Table of Contents*Nine Months Ended September 30*

| | 2011 | 2010 | Change | % Change |
|---------------|------------|------------|-----------|----------|
| Net sales: | | | | |
| Insecticides | \$ 96,117 | \$ 64,359 | \$ 31,758 | 49.3% |
| Herbicides | 61,247 | 56,248 | 4,999 | 8.9% |
| Other | 38,760 | 25,596 | 13,164 | 51.4% |
| Total Crop | 196,124 | 146,203 | 49,921 | 34.1% |
| Non-crop | 25,486 | 20,937 | 4,549 | 21.7% |
| | \$ 221,610 | \$ 167,140 | \$ 54,470 | 32.6% |
| Gross profit: | | | | |
| Crop | \$ 79,313 | \$ 54,781 | \$ 24,532 | 44.8% |
| Non-crop | 11,704 | 8,752 | 2,952 | 33.7% |
| | \$ 91,017 | \$ 63,533 | \$ 27,484 | 43.3% |

Overall financial performance, including net sales and net income for the nine months ended September 30, 2011, significantly improved as compared to the same period in 2010. Our net sales for the period were up approximately 33% to \$221,610 compared to \$167,140 for the first three quarters of 2010. Net sales for our crop business were up by approximately 34%, while net sales for non-crop products were up by about 22%. A more detailed discussion of general market conditions and sales performance by category of products appears below. Further, our international sales continue to grow strongly and are up 27% in the nine month period ending September 30, 2011.

Overall financial performance during the first nine months of 2011 was improved in virtually all segments. In general, our customers began the year with reduced inventories, promising markets in corn and cotton and a need to restock crop inputs for Spring planting activity. In addition, growers experienced better weather conditions in the Midwest as compared to the same period of the prior year. Furthermore, irrigation rights have improved in Western states. Despite a south-central drought that destroyed many crops, moisture in the eastern section of the South necessitated more concentrated use of our Folex harvest defoliant and increased sales of our Naled/Dibrom adulticide to mitigate mosquito infestation. Further, our performance was significantly impacted by sales associated with recently acquired product lines, including Mocap, Namacur, the Aztec bag business and the cotton defoliant, Def.

Net sales of our insecticides as a group were up over 49% to \$96,117 as compared to \$64,359 during the nine months of 2010. Within this segment, net sales of our soil insecticides as a group more than doubled over that of the comparable nine month period to \$74,106 as compared to \$35,226. The major drivers for this improved performance were, in part, the effect of 2010 product line acquisitions. Our recent acquisition of the Aztec bag business helped to increase net sales of Aztec approximately 91% for the period. In addition, we recorded sales of both Mocap and Namacur (also newly acquired in December 2010), which, together, accounted for about 28% of our total soil insecticide sales. Further, Counter posted strong results, with net sales increasing 28% over the comparable period last year. This increase came from demand for Counter as a treatment for nematodes in corn and other pests in sugar beets. Sales of Thimet were about 103% higher than those of the same nine months in 2010 as a replacement for a certain competing product that has been discontinued. To a lesser extent, net sales of Smartchoice, while modest, were more than triple that of the first nine months of 2010 due, in part, to the market's increasing acceptance of this product's use as a high value alternative on corn and in part to the fact that we sold out of Aztec early in the planting season. With respect to our other insecticides, we experienced a 5% drop in net sales during the nine months of 2011 as compared to the same period in 2010. In this group of products, while net sales of our cotton insecticide, Bidrin, were up by about 8% over those of the comparable period in 2010 due largely to increased cotton acres, net sales of our generic product lines (acephate, bifenthrin and permethrin) were down by about 35% as compared to the first nine months of 2010; this trend reflects the Company's de-emphasis on sale and distribution of lower margin products.

Within the group of herbicides, fungicides and fumigants, net sales for the first three quarters of 2011 were up approximately 9% to \$61,247 from \$56,248 in the comparable period of 2010. Within this category, net sales of our herbicide products were up by about 25% driven by increased sales of our post-emergent corn herbicide, Impact, which benefitted from greater customer support and rainy Midwest conditions. In addition, we experienced an increase of approximately 13% in net sales of our soil fumigant products during the first nine months of 2011 as compared to the same period in 2010; this was due in part to heavier than normal usage early in the year following an early frost in late 2010 and greater market penetration in the Midwest. Partially offsetting these increases was an approximately 75% drop in net sales of our PCNB

fungicide product, which, was subject to the SSURO that had been issued by the USEPA in August 2010 with respect to our domestic PCNB

Table of Contents

products (see Item 1 – Legal Proceedings). Although the SSURO was vacated by a federal court in August 2011, the Company has not yet re-entered the domestic market, as it continues to negotiate with USEPA to amend and consolidate its PCNB labels.

Within the group of other products, which includes plant growth regulators, molluscicides and tolling activity, we recorded net sales of \$ 38,760 for the first nine months of the year, as compared to net sales of \$25,596 during the comparable period in 2010. This jump in sales arose in part from substantial sales of Folex, our cotton defoliant; we commenced manufacturing this product at our Axis site this year and were able to obtain ample supply of the key raw materials this year, and could answer the demand that was driven by increasing cotton acreage. Further, our acquisition of the Def product line helped bolster these sales.

Our non-crop sales ended the first nine months of 2011 up about 20% at \$25,032 as compared to \$20,937 for the same period of the prior year. While we experienced a jump in sales due to new product lines acquired in 2010 and our net sales of the mosquito adulticide, Dibrom, increased, we also recorded lower PCNB sales arising primarily from the SSURO issued by the USEPA.

Gross margins for the first three quarters were up to 41% from 38% for the comparable period. This improvement was in part due to the result of improved manufacturing activity; the efficiencies of manufacturing higher volumes of Thimet and Counter to meet demand and the commencement of manufacturing of Folex at our Axis facility. In addition, greater sales of higher margin products (e.g. Folex and Nemacur); and to a lesser extent higher pricing of generic product lines (acephate, bifenthrin and permethrin).

It should be noted that, when making comparisons with other companies' financial statements, the Company reports distribution costs in operating expenses and not as part of cost of sales.

Operating expenses increased by \$13,402 to \$62,979 for the nine months ended September 30, 2011 as compared to the same period in 2010. The differences in operating expenses by department are as follows:

| | 2011 | 2010 | Change | % Change |
|--|-----------|-----------|-----------|----------|
| Selling | \$ 18,621 | \$ 17,034 | \$ 1,587 | 9.3% |
| General and administrative | 17,395 | 12,593 | 4,802 | 38.1% |
| Research, product development and regulatory | 12,515 | 8,456 | 4,059 | 48.0% |
| Freight, delivery and warehousing | 14,448 | 11,494 | 2,954 | 25.7% |
| | \$ 62,979 | \$ 49,577 | \$ 13,402 | 27.0% |

Selling expenses increased by \$1,587 to end at \$18,621 for the nine months ended September 30, 2011, as compared to the same period of 2010. The main driver for increased overall cost was from expenses in support of our proprietary delivery system and other stewardship activities, wages, and travel expenses to support our expanded business.

General and administrative expenses increased by \$4,802 to end at \$17,395 for the nine months ended September 30, 2011 as compared to the same period of 2010. There are five main drivers that attributed to this increase. Based on the financial performance for the nine months ended September 30, 2011, provisions for incentive compensation expense was increased. Stock based compensation expense increased primarily related to options issued in December 2010. As a result of product line acquisitions completed in December 2010, the company increased its amortization expense. Finally, insurance expense increased due to an increase from providers. .

Research, product development costs and regulatory expenses increased by \$4,059 to \$12,515 for the nine months ended September 30, 2011, as compared to the same period of 2010. This is mainly due to increase studies on our new and existing products including spending related to the PCNB SSURO.

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Freight, delivery and warehousing costs for the nine months ended September 30, 2011 were \$14,448 or 7% of sales as compared to \$11,494 or 7% of sales for the same period in 2010. The performance is driven by higher volume in the nine months ended September 30, 2011, as compared to the same period of 2010.

Table of Contents

Interest costs net of capitalized interest, were \$2,592 in the nine months of 2011 as compared to \$2,585 in the same period of 2010. Interest costs are summarized in the following table:

Average Indebtedness and Interest expense

| | Nine months ended September 30, 2011 | | | Nine months ended September 30, 2010 | | |
|------------------------------------|--------------------------------------|------------------|---------------|--------------------------------------|------------------|---------------|
| | Average Debt | Interest Expense | Interest Rate | Average Debt | Interest Expense | Interest Rate |
| Term Loan | \$ 58,938 | \$ 1,472 | 3.3% | \$ 45,934 | \$ 1,903 | 5.5% |
| Real Estate | | 1 | | 2,005 | 88 | 5.9% |
| Working Capital Revolver | 2,590 | 65 | 3.3% | 16,311 | 489 | 4.0% |
| Average | 61,528 | 1,538 | 3.3% | 64,250 | 2,480 | 5.1% |
| Other notes payable | 12,861 | 1,053 | 10.9% | 870 | | |
| Interest Income | | (3) | | | | |
| Capitalized Interest | | (92) | | | (98) | |
| Amortization of deferred loan fees | | 96 | | | 203 | |
| Adjusted Average indebtedness | \$ 74,389 | \$ 2,592 | 4.6% | \$ 65,120 | \$ 2,585 | 5.3% |

The Company's average overall debt for the nine months ended September 30, 2011 was \$74,389 as compared to \$65,120 for the nine months ended September 30, 2010. During the nine months period, we eliminated use of the revolving line mainly as a result of continued focus on inventory, receivables and program management. As can be seen from the table above, our effective interest rate was 4.6% for the nine months ended September 30, 2011. This represents a significant improvement as compared to 5.3% for the same period of the prior year.

Income tax expense has more than doubled to end at \$9,263 for the nine months ended September 30, 2011 as compared to \$4,290 for the comparable period in 2010. The effective tax rate for the period was 37.2% as compared to 37.7% for the same period of the prior year. Our effective tax rate has benefited from the domestic production activities deduction, R&D tax credits and lower state tax rates driven by certain state apportionment elections.

Our overall net income for the nine months ended September 30, 2011 was \$15,637 or \$0.56 per share (diluted) as compared to \$7,081 or \$0.26 per share (basic and diluted) in the same period of 2010.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated \$2,105 of cash in operating activities during the nine months ended September 30, 2011. This compared to generating \$8,907 in the same period of last year. Net income of \$15,637, non-cash depreciation, amortization of intangibles, other assets and discounted future liabilities of \$13,020 and stock based compensation expense of \$1,486 provided a net cash inflow \$30,006 compared to \$18,539 for the same period last year.

During the quarter ended September 30, 2011, our working capital, including receivables, inventories, accounts payable, and programs, has increased as the Company recorded higher sales in the third quarter. Increasing receivables is normal at this time of year, coinciding with the growing seasons across our major markets. This year our receivables have increased by \$62,895, as compared to increasing by \$22,853 last year, reflecting the strong continuing sales performance. Further, we have seen some increased terms as we expand internationally.

Inventories ended the nine month period up \$6,765 at \$80,819 as compared to \$74,054 for the start of the year. The deferred revenues at December 31, 2010 have been almost fully realized during the nine months of the year, a change of \$5,557. The Company has reduced its net income tax receivable/payable position by \$9,146 including collecting \$5,252 in payments from the Internal Revenue Service related to the 2009 tax year. Finally, as the Company has built momentum for the 2011 growing season, prepaid expenses increased by \$885, accounts payable increased by \$7,942, other current liabilities, primarily program accruals, and other long-term liabilities, increased by \$30,976.

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During the first quarter of 2011, the Company completed payment on prior year programs in the amount of \$9,973 as compared with \$20,592 in the same period of 2010. For the 2011 growing season we have continued to expand the scope of our programs, covering more product lines (including those newly acquired lines) in order to maintain our competitive position relative to the market. As a result, our accruals are up \$14,117 at September 30, 2011 as compared to September 30, 2010.

Table of Contents

The Company used \$4,466 in investing activities related to capital expenditures during the nine months ended September 30, 2011, as compared to \$9,256 in the same period of the prior year. In the prior year \$6,256 related to capital expenditures and \$3,000 related to the acquisition of intangible assets. The main focus of capital spending in the business relates to expanding the capability or efficiencies of our manufacturing facilities particularly in support of newly acquired product lines.

Financing activities provided \$5,682 during the nine months ended September 30, 2011, compared to providing \$893 in the same period of the prior year. We completed an amended and restated credit agreement with our lender group on January 10, 2011. As part of that agreement our term loan borrowing increased, providing \$20,063 including the repayment in full of our real estate loan. Net borrowings under the Company's working capital revolver decreased by \$7,300 during the period, as compared to an increase of \$7,200 in the same period of last year. The Company made all scheduled payments on its credit agreements and other principal payments on long term debt in the amount of \$6,829 as compared to \$6,522 for the same period of last year. The Company received \$574 from the exercise of stock options and the sale of common stock under its ESPP plan as compared to \$486 for the same period of last year. Finally, the Company made dividend payments in the amount of \$826 during the nine months ended September 30, 2011, as compared to \$271 in the same period of the prior year.

The Company has various different loans in place that together constitute the short-term and long-term loan balances shown in the balance sheet at September 30, 2011 and December 31, 2010. These are summarized in the following table:

| Indebtedness \$000 s | September 30, 2011 | | | December 31, 2010 | | |
|--|--------------------|------------------|------------------|-------------------|-----------------|------------------|
| | Long-term | Short-term | Total | Long-term | Short-term | Total |
| Term Loan | \$ 48,000 | \$ 8,000 | \$ 56,000 | \$ 32,000 | \$ 8,000 | \$ 40,000 |
| Real estate | | | | 1,937 | 4 | 1,941 |
| Working Capital Revolver | | | | 7,300 | | 7,300 |
| Notes payable on product acquisitions and asset purchase | 5,906 | 6,533 | 12,439 | 12,473 | 425 | 12,898 |
| Total Indebtedness | \$ 53,906 | \$ 14,533 | \$ 68,439 | \$ 53,710 | \$ 8,429 | \$ 62,139 |

On January 10, 2011, the Company entered into a new \$137,000 senior secured credit facility with a syndicate of banks led by Bank of the West. The facility consists of a revolving commitment of \$75,000, and an initial term commitment of \$62,000. Both the revolving line of credit and the term loan mature on January 10, 2016. The facility replaces the Company's previous \$135,000 facility, which the Company has retired through borrowing from the new facility. As part of concluding this new credit agreement, the real estate loan was repaid in full. Finally, the Company took a one-time non-cash charge in the amount of \$546 related to extinguishment of the term loan.

On March 31, 2011, as required under the terms of the amended and restated credit agreement, the Company entered into a fixed interest rate swap covering 75% or \$45,000 of term loan debt. The termination date for the interest rate swap is December 14, 2014. The interest rate swap has been designated and qualifies as a cash flow hedge. The effective portion of the gains or losses on the interest rate swap will be reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings.

As of December 31, 2010, the Company had one perfectly effective interest rate swap contract outstanding that was settled in 2011. As noted above, at September 30, 2011, the Company has in place one perfectly effective interest rate swap contract. The fair value of the swap outstanding at September 30, 2011 was a loss of \$1,564. At December 31, 2010, the fair value was a loss \$17. These amounts are presented in accrued expense and other liabilities.

The Company has four key covenants under the New Credit Agreement (with which AMVAC is in compliance). The covenants are as follows: The Company must (1) maintain its borrowings below a certain consolidated funded debt ratio, (2) limit its annual spending on the acquisition of fixed asset capital additions, (3) maintain a certain consolidated fixed charge coverage ratio, and (4) maintain a certain modified current ratio.

At September 30, 2011, based on its performance against the most restrictive covenants listed above, the Company had the capacity to increase its borrowings by up to \$75,000 under the credit facility agreement.

Table of Contents**RECENTLY ISSUED ACCOUNTING GUIDANCE**

In June 2011, FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*, to amend FASB Codification Topic 220, *Comprehensive Income*. The objective of this update is to (1) eliminate the option to present components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity, (2) require presentation of each component of net income and each component of OCI (and their respective totals) either in a single continuous statement or in two separate (but consecutive) statements, and (3) require presentation of reclassification adjustments on the face of the statement. The amendments made by ASU No. 2011-05 should be applied retrospectively and become effective for fiscal years (and interim periods within such years) beginning after December 15, 2011, with early adoption permitted. The Company will adopt this update when applicable.

In May 2011, the FASB issued an update to Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. and international standards. The guidance does not purport to change the scope of transactions in which fair value measurement is required to be applied. This update explains how to measure fair value. It does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments set forth in FASB ASU No. 2011-04 are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011, for public companies. The Company adopted this update and there was no material impact.

In December 2010, FASB issued ASU 2010-29, Business Combinations (Topic 805), *Disclosure of Supplementary Pro Forma Information for Business Combination*. The objective of this update is to address the different interpretation of the pro forma disclosure requirements of revenue and earnings for a business combination. The update specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company will adopt this standard to account for business combination when applicable.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company continually re-assesses the critical accounting policies used in preparing its financial statements for inclusion in the American Vanguard published financial statements. In the Company's statement 10-K for the financial year ended December 31, 2010, the Company provided a comprehensive statement of critical accounting policies. These policies have been reviewed in detail as part of the preparation work for this 10-Q statement. All the policies listed in the Company's Form 10-K for the year ended December 31, 2010 remain valid and are hereby incorporated by reference.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk related to changes in interest rates, primarily from its borrowing activities. The Company's indebtedness to its primary lender is evidenced by a line of credit with a variable rate of interest, which fluctuates with changes in the lender's reference rate. For more information, refer to the applicable disclosures in the Company's Form 10-K filed with the SEC for the year ended December 31, 2010. The Company uses derivative financial instruments for trading purposes to protect trading performance from exchange rate fluctuations on material contracts; also, as a condition of the Company's credit agreement with its banks, the Company is required to maintain in effect interest rate swap agreement(s) for a notional amount not less than one-half of the principal amount of its term loan.

The Company conducts business in various foreign currencies, primarily in Europe and Mexico. Therefore changes in the value of the currencies of such countries or regions affect the Company's financial position and cash flows when translated into U.S. Dollars. The Company has mitigated and will continue to mitigate a portion of its currency exchange exposure through natural hedges based on the operation of decentralized foreign operating companies in which the majority of all costs are local-currency based. Furthermore, the Company has established a procedure for covering forward exchange rates on specific purchase orders when appropriate. A 10% change in the value of all foreign currencies would have an immaterial effect on the Company's financial position and cash flows.

Item 4. CONTROLS AND PROCEDURES

As of September 30, 2011, the Company has established a comprehensive set of disclosure controls and procedures designed to ensure that all information required to be disclosed in our filings under the Securities Exchange Act (1934) is recorded, processed, summarized and reported

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within the time periods specified in the SEC's rules and forms. As at June 30, 2011, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation, that the Company's disclosure controls and procedures are effective to provide reasonable assurance of the achievement of the objectives described above.

Table of Contents

There were no changes in the Company's internal controls over financial reporting that occurred during the most recent quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Table of Contents**PART II. OTHER INFORMATION**

The Company was not required to report any matters or changes for any items of Part II except as disclosed below.

Item 1. Legal Proceedings

On occasion, the Company and/or AMVAC Chemical Corporation (AMVAC), a wholly-owned subsidiary of the Company, are involved as either a plaintiff or defendant to claims and legal actions incidental to their operations.

Legal Proceedings Summarized below are litigation matters in which there has been material activity or developments since the filing of the Company's Form 10-Q for the period ended June 30, 2011.

A. PCNB Matters

On or about April 6, 2010, the Pest Management Regulatory Agency (PMRA) notified the Company of its intention to cancel the Canadian registration for the compound Pentrochloronitrobenzine (PCNB) in that country, citing as a reason the Company's failure to provide certain manufacturing data to the agency in a timely fashion. The Company subsequently provided the agency with the required data, and PMRA extended its notice to permit continued registration through at least the end of the calendar year. Further, in June 2010, PMRA issued a re-evaluation of PCNB and concluded that turf uses should be cancelled as of the end of calendar year 2010. In August 2010, the Company filed a notice of objection to the re-evaluation and sought a hearing on the matter at which to present technical data in support of that use. PMRA failed to respond to the notice of objection and has not set a hearing. As of December 31, 2010, the turf use for PCNB was discontinued in Canada. The Company has challenged this action on the ground that, among other things, PMRA abused its discretion in failing to set a hearing on the Company's objection. In late February 2011, PMRA responded to the Company's request for relief against cancellation and indicated that it was unwilling to reverse the cancellation informally. Accordingly, the Company intends to take formal action to have the registration reinstated. There is approximately \$1,300 worth of PCNB inventory in the Canadian distribution channel for which the Company has not been paid. In light of PMRA's current position, it is possible that some or all of that material may be returned. Further, it is unclear to what extent the goods can be repackaged and resold. These questions may be dependent in part upon the outcome of the Company's negotiations with United States Environmental protection agency (USEPA) as per the following section. The Company believes that a loss is probable within the range of \$500 to \$1,000 and has set up a loss contingency of \$500. We will revisit this reserve as negotiations with PMRA and USEPA develop further.

In August 2010, the USEPA issued a Stop Sale, Removal and Use Order (SSURO) relating to the Company's USEPA-registered PCNB product line. The Company sells PCNB primarily for use on turf with the bulk of sales occurring in September and October. In issuing the SSURO, the USEPA alleged that the Company's product did not comply with the confidential statement of formula (CSF) due to the presence of trace impurities that are not listed on the CSF. The SSURO was issued by the agency without either i) a specific finding of risk, ii) providing the Company an opportunity to present a technical case, or iii) any forewarning. Despite its efforts, the Company was unable to obtain informal resolution of the matter with the agency and in an effort to protect its business, filed an action against USEPA with the United States District Court for the District of Columbia in late August in which it sought emergency and permanent injunctive relief. On September 2, 2010, that court denied the Company's motion for emergency relief, finding in effect that while it was concerned about unfairness in USEPA's actions, the agency was empowered to take those actions. On August 17, 2011, the Chief Judge of the US District Court for the District of Columbia granted the Company's motion for summary judgment and vacated the SSURO on the grounds that the signatory at USEPA lacked the authority to issue such an order in the first instance. Following the court's ruling, the Company has been working with USEPA to obtain approval of its amended CSF and to amend and consolidate PCNB labels with the aim of re-entering the market in the near future.

At September 30, 2011, the Company held inventories in the amount of \$19,400, up from \$18,500 as of June 30, 2011, (arising from continued manufacture of the product at a reduced rate) and associated intangible assets of \$5,122 relating to this product line. Given the progress made to date on the amended CSF and label revisions, the Company cannot conclude that a loss is probable and has not set up a loss contingency. However, if these registrations were cancelled, the Company would be required to adjust the carrying value of the aforementioned assets.

B. DBCP Cases

A number of suits have been filed against AMVAC, alleging injury from exposure to the agricultural chemical 1,2-dibromo-3-chloropropane (DBCP). DBCP was manufactured by several chemical companies, including Dow Chemical Company, Shell Oil Company and AMVAC and was approved by the USEPA to control nematodes. DBCP was also applied on banana farms in Latin America. The USEPA suspended registrations of DBCP in October 1979, except for use on pineapples in Hawaii. The USEPA suspension was partially based on 1977 studies by other manufacturers that indicated a link between male sterility and exposure to DBCP among their factory production workers producing the

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product. There are approximately 100 lawsuits, foreign and domestic, filed by former banana workers in which AMVAC has been named as a party. Fourteen of these suits have been filed in the United States (with prayers for unspecified damages) and the remainder have been filed in Nicaragua. All of these actions are in various stages and allege injury from exposure to DBCP, including claims for sterility.

Table of Contents

State Matter in Delaware

On or about July 21, 2011, an action encaptioned *Blanco v. Amvac Chemical Corporation et al* was filed with the Superior Court of the State of Delaware in and for New Castle County (No. N11C-07-149 JOH) on behalf of an individual plaintiff residing in Costa Rica against several defendants, including, among others, Amvac, The Dow Chemical Company, Occidental Chemical Corporation, and Dole Food Company. In the action, plaintiff claims personal injury (sterility) arising from the alleged exposure to DBCP between 1979 and 1980 while working as a contract laborer in a banana plantation in Costa Rica. Defendant Dow has filed a motion to dismiss the action as being barred under the applicable statute of limitations, as this same plaintiff filed the same action in 1995. Amvac and other defendants are joining in the motion to dismiss, the hearing for which has been set for January 20, 2012 The Company believes that the case has no merit. Amvac intends to defend the matter vigorously, and the Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency therefor.

State Matter in California

On August 8, 2011, an action encaptioned *Macasa v. The Dole Food Company, Inc. et al.*, was filed with the Superior Court for the State of California for the County of Los Angeles (No. BC 467134) on behalf of 2,444 individual plaintiffs from the Philippines against several defendants, including, among others, The Dole Food Company, Del Monte Foods, Inc., Shell Chemical Company, the Dow Chemical Company and Amvac Chemical Corporation. Plaintiffs, all of whom worked on banana plantations in the Philippines, have alleged physical injury (namely, sterility) arising from alleged exposure to DBCP for an indeterminate period of time commencing in the late 1970 s. There are preliminary indications that many if not most of the claimants have filed similar actions in the Philippines. At this stage, no discovery has been done, it is unknown how many (if any) of the plaintiffs may have been exposed to Amvac s product, what injuries may have been sustained and whether any statutes of limitations may bar recovery. Amvac intends to defend this matter vigorously. The Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency therefor.

Item 1A. Risk Factors

The Company continually re-assesses the business risks, and as part of that process detailed a range of risk factors in the disclosures in American Vanguard s Report on Form 10-K for the fiscal year ended December 31, 2010, filed on March 10, 2011. In preparing this document, we have reviewed all the risk factors included in that document and find that there are no material changes to those risk factors.

Table of Contents

Item 6. Exhibits

Exhibits required to be filed by Item 601 of Regulation S-K:

Exhibit

| No. | Description |
|------------|--|
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002. |
| 101 | The following materials from American Vanguard Corp's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheet; (ii) Condensed Consolidated Statements of Income; (iii) Condensed Consolidated Statements of Cash Flows; (iv) Condensed Consolidated Statements of Shareholders' Equity; and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. |

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN VANGUARD CORPORATION

Dated: November 4, 2011

BY: /s/ ERIC G. WINTEMUTE
Eric G. Wintemute

Chief Executive Officer and Chairman of the Board

Dated: November 4, 2011

BY: /s/ DAVID T. JOHNSON
David T. Johnson

Chief Financial Officer & Principal Accounting Officer