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

FORM 10-K



ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For The Year Ended December 31, 2011

OR

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

Delaware  
(State or other jurisdiction of  
Incorporation or organization)

95-2588080  
(I.R.S. Employer  
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)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class:</u>	<u>Name of each exchange on which registered:</u>
Common Stock, \$.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:  
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Act). Yes  No

The aggregate market value of the voting stock of the registrant held by non-affiliates is \$293.0 million. This figure is estimated as of June 30, 2011 at which date the closing price of the registrant's Common Stock on the New York Stock Exchange was \$12.97 per share. For purposes of this calculation, shares owned by executive officers, directors, and 5% stockholders known to the registrant have been deemed to be owned by affiliates. The number of shares of \$.10 par value Common Stock outstanding as of June 30, 2011, was 27,566,878. The number of shares of \$.10 par value Common Stock outstanding as of February 20, 2012 was 27,614,623.

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

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December 31, 2011**

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**PART I**

*Unless otherwise indicated or in the context otherwise requires, the terms “Company,” “we,” “us,” and “our” refer to American Vanguard Corporation and its consolidated subsidiaries.*

Forward-looking statements in this report, including without limitation, statements relating to the Company’s plans, strategies, objectives, expectations, intentions, and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties. (Refer to PART II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operation, Risk Factors, of this Annual Report.)

**ITEM 1 BUSINESS**

American Vanguard Corporation (“AVD”) was incorporated under the laws of the State of Delaware in January 1969 and operates as a holding company. Unless the context otherwise requires, references to the “Company”, or the “Registrant” in this Annual Report refer to AVD and its consolidated subsidiaries. The Company conducts its business through its subsidiaries, AMVAC Chemical Corporation (“AMVAC”), GemChem, Inc. (“GemChem”), 2110 Davie Corporation (“DAVIE”), Quimica Amvac de Mexico S.A. de C.V. (“AMVAC M”), AMVAC de Costa Rica Sociedad Anonima (“AMVAC CR”), AMVAC Switzerland GmbH (“AMVAC S”), AMVAC do Brasil Representações Ltda (“AMVAC B”), AMVAC Chemical UK Ltd. (“AMVAC UK”) and Environmental Mediation, Inc (“EMI”).

Based on similar economic and operational characteristics, the Company’s business is aggregated into one reportable segment. Refer to Part I, Item 7 for selective enterprise information.

**AMVAC**

AMVAC is a California corporation that traces its history from 1945. AMVAC is a specialty chemical manufacturer that develops and markets products for agricultural and commercial uses. It manufactures and formulates chemicals for crops, human and animal health protection. These chemicals, which include insecticides, fungicides, herbicides, molluscicides, growth regulators, and soil fumigants, are marketed in liquid, powder, and granular forms. Years ago AMVAC considered itself a distributor-formulator, but now AMVAC primarily manufactures, distributes, and formulates its own proprietary products or custom manufactures or formulates for others. AMVAC has historically expanded its business through both the acquisition of established chemistries (which it has revived in the marketplace) and the development and commercialization of new compounds through licensing arrangements. Below is a description of the Company’s acquisition/licensing activity over the past five years.

On October 7, 2011—AMVAC completed the acquisition of the international rights to the cotton defoliant product tribufos (sold under the trade name Def<sup>®</sup>) from Bayer CropScience AG (“BCS AG”). The acquired assets include registrations and data rights, rights relating to manufacturing and formulation know-how, inventories, and the trademark Def. Def complements AMVAC’s existing cotton defoliant product Folex<sup>®</sup>, which it has marketed since 2002. This acquisition also compliments the U.S. rights to Def that the Company purchased from BCS AG in July 2010 (see below). Both Folex and Def are fast and effective cotton defoliants that facilitate the removal of leaves surrounding the cotton boll and in combination with other products function as a harvest aid.

On December 20, 2010—AMVAC completed the acquisition of a global product line relating to the active ingredient tebupirimfos from BCS AG. The acquired assets include registrations and data rights, rights relating to manufacturing and formulation know-how, inventories, and the trademarks Aztec<sup>®</sup>, Azteca<sup>®</sup> and Capinda<sup>®</sup>. When combined in a mixture with another active ingredient Cyfluthrin, the resulting dual active ingredient product is a leading insecticide that is registered in the United States as Aztec and Mexico as Azteca, where it is used to combat such soil borne insects as rootworm, cutworm, wireworm, seed corn maggots/beetles and white grub in a variety of corn crops. Additionally, it is registered in South Korea (and sold under the trade name Capinda) for use primarily in vegetable crops such as Chinese cabbage and ginseng.

On December 7, 2010—AMVAC completed the acquisition of a global insecticide product line relating to the active ingredient ethoprophos (sold under the trade name Mocap<sup>®</sup>) from BCS AG. The acquired assets include registrations and data rights, rights relating to manufacturing and formulation know-how, inventories, the Ultima<sup>®</sup> packaging system and the trademarks Mocap and Ultima. Mocap is a leading soil insecticide that is registered in 50 countries where it is used to combat nematode species in wide range of crops.

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On December 7, 2010—AMVAC completed the acquisition of a global (except for Europe and Argentina) insecticide product line relating to the active ingredient fenamiphos (sold under the trade name NemaCur®) from BCS AG. The acquired assets include registrations and data rights, rights relating to manufacturing and formulation know-how, inventories and the trademark NemaCur. NemaCur is a leading soil insecticide that is registered in 30 countries for use primarily as a nematicide with additional efficacy against above ground sucking insects.

On October 14, 2010—AMVAC and Kanesho Soil Treatment completed agreements with Certis-USA regarding the crop protection product Basamid® (dazomet) under which AMVAC will become the exclusive distributor and registration holder for this granular soil fumigant in the United States. Certis-USA, will continue to market Basamid into non-food crop applications under a distribution agreement with Amvac. Basamid complements the strong market position of AMVAC's Vapam® & K-Pam® soil fumigant brands. The Company will be developing the use of Basamid for high-valued crop segments such as strawberries, tomatoes, lettuce & spinach and will be responsible for the re-registration of dazomet in the United States.

On July 21, 2010—AMVAC completed the acquisition of the U.S. cotton defoliant product tribufos (sold under the trade name Def®) from BCS AG. The acquired assets include registrations and data rights, rights relating to manufacturing and formulation know-how, inventories, and the trademark Def. Def complements AMVAC's existing cotton defoliant product Folex®, which it has marketed since 2002. Both are fast and effective cotton defoliants that facilitate the removal of leaves surrounding the cotton boll and in combination with other products function as a harvest aid.

On May 16, 2008, AMVAC completed the acquisition of the phorate (sold by the Company under the Trade name Thimet) insecticide product line from Aceto Agricultural Chemicals Corporation ("Aceto AG"). Thimet is used on agricultural crops, mainly potatoes, corn, cotton, rice, sugarcane and peanuts, to protect against chewing and piercing-sucking insects. Purchased assets included registrations, data, know-how and certain inventories. The acquisition was made in connection with the settlement of litigation between AMVAC and Aceto AG.

On March 7, 2008, AMVAC acquired from Bayer Cropscience LP ("BCS LP") certain assets at BCS LP's facility located in Marsing, ID, (the "Marsing Facility"). The Marsing Facility consists of approximately 17 acres of improved real property, 15 of which are now owned by AMVAC and two of which are leased by AMVAC from the City of Marsing for a term of 25 years. The acquired assets, primarily include real property, buildings and manufacturing equipment. In connection with the acquisition, AMVAC and BCS LP agreed to enter into a master processor agreement under which AMVAC is providing certain tolling services to BCS LP for a period of four years.

On January 16, 2008, AMVAC, acquired from Valent U.S.A. Corporation the Orthene® insecticide product line. Orthene is used on agricultural crops, including beans, brussels sprouts, cauliflower, celery, cotton, cranberries, head lettuce, mint and ornamental and forests. AMVAC purchased the proprietary formulation information, registration rights, marketing materials, certain intellectual property rights and existing inventories of the agricultural and professional product lines.

#### *Seasonality*

The agricultural chemical industry in general is cyclical in nature. The demand for AMVAC's products tends to be seasonal. Seasonal usage, however, does not necessarily follow calendar dates, but more closely follows varying growing seasonal patterns, weather conditions and weather related pressure from pests, and customer marketing programs and requirements.

#### *Backlog*

AMVAC does not believe that backlog is a significant factor in its business. AMVAC primarily sells its products on the basis of purchase orders, although it has entered into requirements contracts with certain customers.

#### *Customers*

Tenkoz; Crop Production Services, Inc (formerly United Agri Products, Western Farm Services and Crop Production Services); and Winfield accounted for 26%, 18%, and 11%, respectively of the Company's sales in 2011; 23%, 19% and 11% in 2010; and 21%, 20%, and 9% in 2009.

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*Competition*

AMVAC faces competition from many domestic and foreign manufacturers in its marketplaces. Competition in AMVAC's marketplace is based primarily on quality, efficacy, price, safety and ease of application. Many of our competitors are larger and have substantially greater financial and technical resources than AMVAC. AMVAC's ability to compete depends on its ability to develop additional applications for its current products and expand its product lines and customer base. AMVAC competes principally on the basis of the quality and efficacy of its products, its price and the technical service and support given to its customers.

Generally, the treatment against pests of any kind is broad in scope, there being more than one way or one product for treatment, eradication, or suppression. In most cases, AMVAC has attempted to position itself in smaller niche markets which are no longer addressed by larger companies.

*Intellectual Property*

AMVAC's proprietary product formulations are protected, to the extent possible, as trade secrets and, to a lesser extent, by patents. Further, AMVAC's trademarks bring value to its products in both domestic and foreign markets. Although AMVAC considers that, in the aggregate, its trademarks, licenses, and patents constitute a valuable asset, it does not regard its business as being materially dependent upon any single trademark, license, or patent.

*EPA Registrations*

AMVAC's products also receive protection afforded by the effect of the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA") legislation. The legislation makes it unlawful to sell any pesticide in the United States unless such pesticide has first been registered by the United States Environmental Protection Agency ("USEPA") as well as under similar state laws. Substantially all of AMVAC's products are subject to USEPA registration and re-registration requirements and are conditionally registered in accordance with FIFRA. This registration by USEPA is based, among other things, on data demonstrating that the product will not cause unreasonable adverse effects on human health or the environment when it is used according to approved label directions. All states where any of AMVAC's products are used require a registration by that specific state before it can be marketed or used in that state. State registrations are renewed annually, as appropriate. The USEPA and state agencies have required, and may require in the future, that certain scientific data requirements be performed on registered products sold by AMVAC. AMVAC, on its own behalf and in joint efforts with other registrants, has furnished, and is currently furnishing, certain required data relative to specific products.

Under FIFRA, the federal government requires registrants to submit a wide range of scientific data to support U.S. registrations. This requirement results in operating expenses in such areas as testing and the production of new products. AMVAC expended \$6,555, \$5,876, and \$4,876 during 2011, 2010 and 2009 respectively, related to gathering this information. See also PART II, Item 7 of this Annual Report on form 10-K for discussions pertaining to research and development expenses.

*Raw Materials*

AMVAC utilizes numerous companies as well as internal sources to supply the various raw materials and components used in manufacturing its products. Many of these materials are readily available from domestic sources. In those instances where there is a single source of supply or where the source is not domestic, AMVAC seeks to secure its supply by either long-term (multi-year) arrangements or purchasing on long lead times from its suppliers. AMVAC believes that it is considered to be a valued customer to such sole-source suppliers.

*Environmental*

During 2011, AMVAC continued activities to address environmental issues associated with its facility (the "Facility") in Commerce, CA. An outline of the history of those activities follows.

In 1995, the California Department of Toxic Substances Control ("DTSC") conducted a Resource Conservation and Recovery Act ("RCRA") Facility Assessment ("RFA") of those facilities having hazardous waste storage permits. During that same year, ten underground storage tanks located at the Facility were closed. In March 1997, the RFA culminated in DTSC accepting the Facility into its Expedited Remedial Action Program. Under this program, the Facility was required to prepare and implement an environmental investigation plan. Depending on the findings of the investigation, the Facility might also be required to develop and implement remedial measures to address any historical environmental impairment.

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This activity then took two paths: the RCRA permit closure and the larger site characterization. With respect to the permit closure, in 1998, AMVAC began the formal process to close its hazardous waste permit at the Facility (which had allowed AMVAC to store hazardous waste longer than 90 days) as required by federal regulations. Formal regulatory closure actions began in 2005 and were completed in 2008, as evidenced by DTSC's October 1, 2008 acknowledgement of AMVAC's Closure Certification Report.

With respect to the site characterization, soil and groundwater characterization activities began in December 2002 in accordance with the Site Investigation Plan that was approved by the DTSC. Additional activities were conducted from 2003 to 2011 with oversight provided by the DTSC. Additional analysis of groundwater and soil are being conducted in response to federally-mandated initiatives of similarly affected sites. Area-wide groundwater studies of perchlorate (typically associated with rocket fuel, explosives and fertilizer) require the Facility and neighboring sites to monitor existing wells for perchlorate in groundwater. Risk Assessment activities have commenced and are likely to conclude over the next year under the oversight of the DTSC, after which further investigation may be required, and the company will prepare and submit a remedial action plan. Until the remedial action plan has been submitted and comments are received from DTSC, it is uncertain whether the cost associated with further investigation and potential remediation activities will have a material impact on the Company's financial statements. Thus, the Company is unable to determine whether remediation is reasonably probable, nor can the cost of remediation be reasonably estimated (the scope can vary depending upon the risk assessment and many other factors). Accordingly, the Company has not set up a loss contingency with respect thereto.

AMVAC is subject to numerous federal and state laws and governmental regulations concerning environmental matters and employee health and safety at the Commerce, CA; Marsing, ID; Hannibal, MO and Axis, AL facilities. AMVAC continually adapts its manufacturing process to the environmental control standards of the various regulatory agencies. The USEPA and other federal and state agencies have the authority to promulgate regulations that could have an impact on AMVAC's operations.

AMVAC expends substantial funds to minimize the discharge of materials in the environment and to comply with the governmental regulations relating to protection of the environment. Wherever feasible, AMVAC recovers raw materials and increases product yield in order to partially offset increasing pollution abatement costs.

The Company is committed to a long-term environmental protection program that reduces emissions of hazardous materials into the environment, as well as to the remediation of identified existing environmental concerns. As part of its continuing environmental program, the Company has been able to comply with such proceedings and orders without any materially adverse effect on its business.

#### *Employees*

As of December 31, 2011, the Company employed approximately 390 employees. AMVAC, on an ongoing basis, due to the seasonality of its business, uses temporary contract personnel to perform certain duties primarily related to packaging of its products. None of the Company's employees are subject to a collective bargaining agreement. The Company believes it maintains positive relations with its employees.

#### *Domestic operations*

AMVAC is a California corporation incorporated in 1971. It is the Company's main operating subsidiary. It owns and/or operates the Company's domestic manufacturing facilities and is also the parent company for all its foreign corporations. AMVAC manufactures, formulates, packages and sells our products predominantly in the USA and, in 2011, in 41 other countries. AMVAC is a wholly owned subsidiary of AVD.

GemChem is a California corporation incorporated in 1991 and purchased by the Company in 1994. GemChem is a national chemical distributor. GemChem, in addition to purchasing key raw materials for the Company, also sells into the pharmaceutical, cosmetic and nutritional markets. Prior to the acquisition, GemChem acted in the capacity as the domestic sales force for the Company (from September 1991). GemChem is a wholly owned subsidiary of AVD.

DAVIE currently owns real estate for corporate use only. See also PART I, Item 2 of this Annual Report. DAVIE is a wholly owned subsidiary of AVD.

EMI is an environmental consulting firm. EMI is a wholly owned subsidiary of AVD.

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***Export Operations***

The Company opened an office in 2008 in Costa Rica to conduct business in the country. The office is operated by AMVAC CR and markets chemical products for agricultural and commercial uses.

The Company opened an office in Basel, Switzerland in 2006. The office is operated by AMVAC S. The Company formed the new subsidiary to expand its resources dedicated to non-U.S. business development opportunities.

The Company also formed a Brazilian entity in 2006 operating as AMVAC B. It functions primarily to maintain the company's registrations in that country.

The Company opened an office in 1998 in Mexico to conduct business primarily in Mexico. The office is operated by AMVAC M and markets chemical products for agricultural and commercial uses.

The Company opened an office in 1994 in the United Kingdom. The office is operated by AMVAC UK and manages product registrations for AMVAC's product lines throughout Europe.

The Company classifies as export sales all products bearing foreign labeling shipped to a foreign destination.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Export Sales .....	\$63,454	\$39,049	\$37,964
Percentage of Net Sales.....	20.8%	17.2%	18.4%

***Risk Management***

The Company continually evaluates insurance levels for product liability, property damage and other potential areas of risk. Management believes its facilities and equipment are adequately insured against loss from usual business risks. The Company has purchased claims made products liability insurance. In addition, the Company regularly monitors matters, whether insurable or not, that could pose material risk to its operations. The Company's Board of Directors has formally assumed responsibility for risk oversight; in 2010, the Board formed a Risk Committee, which, at present, consists of five members of the Board of Directors. The committee meets regularly with senior management to evaluate the company's risk profile, to identify mitigation measures and to ensure that the company is prudently managing these risks. In the spirit of helping the Risk Committee oversee risk management, senior management has appointed a risk manager and a team of executives to serve as a management risk committee; this group performs analysis with the benefit of operational knowledge. Over the course of 2011, the company continued to implement an enterprise risk management program, which extends to all areas of potential risk and is intended to serve as a permanent feature in the company's operation.

***Available Information***

The Company makes available free of charge (through its website, [www.american-vanguard.com](http://www.american-vanguard.com)), its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission ("SEC"). Such reports are also available free of charge on the SEC website, [www.sec.gov](http://www.sec.gov). Also available free of charge on the Company's website are the Company's Audit Committee, Compensation Committee, Finance Committee and Nominating and Corporate Governance Committee Charters, the Company's Corporate Governance Guidelines, the Company's Code of Conduct and Ethics, the Company's Employee Complaint Procedures for Accounting and Auditing Matters and our policy on Stockholder Nomination and Communication. The Company's Internet website and the information contained therein or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K.

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**ITEM 1A. RISK FACTORS**

*The regulatory climate has grown increasingly challenging to the Company's interests both domestically and internationally.*

Under the current U.S. Administration, various agencies within the Federal government have begun to exercise increased scrutiny in permitting continued uses (or the expansion of such uses) of older chemistries, including many of the Company's products and, in some cases, have initiated or entertained challenges to these uses. At the regulatory level, the principles of sound science to which the Company has always subscribed have been adulterated, in some cases, by political considerations. The challenge of the regulatory climate is even more pronounced in certain other geographical regions, most especially the European Union and Brazil, where the Company faces resistance toward the continued use of certain of its products. There is no guarantee that this climate will change in the near term. Nor is there any guarantee that the Company will be able to maintain or expand the uses of many of its products in the face of these regulatory challenges.

*The Company is dependent upon certain sole source suppliers for certain of its active ingredients.*

In conjunction with the purchase and/or licensing of various product lines (including Folex, Mocap, Nemacur, Impact and Force), the Company has been required by seller/licensor to enter into multi-year supply arrangements under which such counterparties are the sole source of either active ingredients or formulated end-use product. In some cases, the manufacturer has been unable to deliver the volume of product necessary to meet the Company's demand. Further, certain manufacturers have expressed a desire to discontinue production of such goods earlier than anticipated. In one case, the manufacturer has entered the market as a competitor. There is no guarantee that these sole source manufacturers will be willing or able to supply these products to the Company reliably, continuously and at the levels anticipated by the Company or required by the market. In addition, while the Company is making efforts to transfer production of certain of these products to its own facilities, there is no guarantee that these initiatives will be successful or that they will be completed in a timely fashion so as to permit the Company to meet market demand in the short to mid-term. If these sources prove to be unreliable and the Company is not able to supplant or otherwise second source these manufacturers, it is possible that the Company will not realize its projected sales, which, in turn, could adversely affect the Company's profitability.

*The Company may be subject to environmental liabilities.*

While the Company expends substantial funds to minimize the discharge of materials into the environment and to comply with governmental regulations relating to protection of the environment and its workforce, federal and state authorities may nevertheless seek fines and penalties for violation of the various laws and governmental regulations. Further, these various governmental agencies could, among other things, impose liability on the Company for cleaning up the damage resulting from release of pesticides and other agents into the environment. In addition, while the Company continually adapts its manufacturing process to the environmental control standards of regulatory authorities, it cannot completely eliminate the risk of accidental contamination or injury from hazardous or regulated materials. In the event of such contamination or injury, the Company may be held liable for significant damages or fines. In the event that such damages or fines are assessed, it could have a material adverse effect on the Company's financial and operating results.

*Use of the Company's products is subject to continuing challenges from activist groups.*

Use of agrochemical products, including the Company's products is regularly challenged by activist groups in many jurisdictions under a multitude of federal and state statutes, including FIFRA, the Food Quality Protection Act, Endangered Species Act, and the Clean Water Act, to name a few. These challenges typically take the form of lawsuits or administrative proceedings against the USEPA and/or other federal or state agencies, the filing of amicus briefs in pending actions, the introduction of legislation that is inimical to the Company's interests, and/or adverse comments made in response to public comment invited by USEPA in the course of registration, re-registration or label expansion. It is possible that one or more of these challenges could succeed, resulting in a material adverse effect upon one or more of our products.

*The Company's business may be adversely affected by cyclical and seasonal effects.*

Demand for the Company's products tends to be seasonal. Seasonal usage follows varying agricultural seasonal patterns, weather conditions and weather related pressure from pests, and customer marketing programs and requirements. Weather patterns can have an impact on the Company's operations. The end user of its products may, because of weather patterns, delay or intermittently disrupt field work during the planting season, which may result in a reduction of the use of some products and therefore may reduce our revenues and profitability. There can be no assurance that the Company will adequately address any adverse seasonal effects.

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***The Company faces competition in certain markets from manufacturers of genetically modified seeds.***

The Company faces competition from larger chemical companies that market genetically modified (“GMO”) seeds in certain of the crop protection sectors in which the Company competes, particularly that of corn. Many growers that have chosen to use GMO seeds have reduced their use of pesticides sold by the Company. Further, the federally mandated “refuge acre” requirement for corn (which, in the name of preventing pest resistance, required growers using GMO seeds to set aside a percentage of their planting acres for non-GMO seed), has been sharply reduced. There is no guarantee that the Company will maintain its market share or pricing levels in sectors that are subject to competition from GMO seed marketers or that federal mandates to set aside acreage for non-GMO seed will continue.

***The Company faces competition from generic competitors that source product from countries having lower cost structures.***

The Company continues to face competition from competitors that enter the market through making offers to pay data compensation and subsequently sourcing material from countries having low cost structures (typically India and China). These competitors typically operate at thinner gross margins and, with low costs of goods, drive pricing and profitability of subject product lines downward. Further, such competitors typically spend little on product stewardship and employ few personnel within the United States. In effect, they tend to commoditize all products which they distribute; that is, they operate by offering the lowest price goods. There is no guarantee that the Company will maintain market share over generic competitors or that such competitors will not offer generic versions of the Company’s products in the future.

***The Company’s key customers typically carry competing product lines and may be influenced by the Company’s larger competitors.***

A significant portion of the Company’s products are sold to national distributors who also carry product lines of competitors that are much larger than the Company. Typically, revenues from the sales of these competing product lines and related program incentives constitute a greater part of our distributors’ income than do revenues from sales and program incentives arising from the Company’s product lines. Further, these distributors are often under pressure to market competing product lines in favor of the Company’s. In light of these facts, there is no assurance that such customers will market or continue to market our products aggressively or successfully or that the Company will be able to influence such customers to purchase our products in favor of those of our competitors.

***To the extent that capacity utilization is not fully realized at its manufacturing facilities, the Company may experience lower profitability.***

The Company has pursued a business strategy of acquiring manufacturing facilities at a steep discount to their replacement value. These acquisitions have enabled the Company to be more independent of overseas manufacturers than some of our competitors. While the Company endeavors continuously to maximize utilization of these several facilities, our success in these endeavors is dependent upon many factors beyond our control, including fluctuating market conditions, product life cycles, weather conditions, availability of raw materials and regulatory constraints, among other things. There can be no assurance that the Company will be able to maximize its utilization of capacity at its manufacturing facilities. To the extent that the Company experiences excess manufacturing capacity, it may experience lower profitability.

***Reduced availability and higher prices of raw materials may reduce the Company’s profitability and could threaten the viability of some of its products.***

In the recent past, there has been a material reduction in the number of suppliers of certain important raw materials used by the Company in many of its products. Certain of these raw materials are available solely from sources overseas or from single sources domestically. In the recent past, the price of these raw materials has fluctuated sharply. There can be no assurance that the Company will be able to source some or all of these materials indefinitely or that it will be able to do so at a level of cost that will enable it to maintain its profit margin on its products.

***Foreign currency and interest rate risk and the use of derivative instruments and hedging activities.***

The Company engages in global business transactions. Where possible, the Company does business in its functional currency. However, there are certain situations in which the Company is unable to transact in its functional currency and engages in agreements that require settlement in a different currency. The Company may enter into derivative instruments to manage foreign currency risk of these agreements. That is to say, establish a forward exchange rate at the point of placing a purchase order and thereby insure the Company against movement in exchange rate. In addition, the Company may use interest rate derivatives to manage interest rate expense generated by variable rate debt. The Company has in place one fixed interest rate swap with the objective of reducing the Company’s exposure to movements in the LIBOR rate over time. This is required as a condition of the Company’s Senior Credit Facilities agreement.

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***Dependence on the Company's banking relationship.***

The Company's main bank is Bank of the West, a wholly-owned subsidiary of the French bank, BNP Paribas. Bank of the West has been the Company's primary bank for more than 30 years. Bank of the West is the syndication manager for the Company's loans and acts as the counterparty on the Company's derivative transactions. The Company reviews the creditworthiness of its banks on a quarterly basis via credit agencies and also has face-to-face meetings with senior management of the banks. Management believes that the Company has an excellent working relationship with Bank of the West and the other financial institutions in the Company's lender group. In light of the uncertainties in global financial markets, there is no guarantee, however, that the Company's lenders will be either willing or able to continue lending to the Company at such rates and in such amounts as may be necessary to meet the Company's working capital needs.

***The distribution and sale of the Company's products are subject to prior governmental approvals and thereafter ongoing governmental regulation.***

The Company's products are subject to laws administered by federal, state and foreign governments, including regulations requiring registration, approval and labeling of its products. The labeling requirements restrict the use of and type of application for our products. More stringent restrictions could make our products less available, which would adversely affect our revenues and profitability. Substantially all of the Company's products are subject to the USEPA registration and re-registration requirements, and are conditionally registered in accordance with FIFRA. Such registration requirements are based, among other things, on data demonstrating that the product will not cause unreasonable adverse effects on human health or the environment when used according to approved label directions. All states where any of the Company's products are used also require registration before they can be marketed or used in that state. Governmental regulatory authorities have required, and may require in the future, that certain scientific data requirements be performed on the Company's products. The Company, on its behalf and also in joint efforts with other registrants, have and are currently furnishing certain required data relative to its products. There can be no assurance, however, that the USEPA will not request certain tests or studies be repeated or that more stringent legislation or requirements will not be imposed in the future. The Company can provide no assurance that any testing approvals or registrations will be granted on a timely basis, if at all, or that its resources will be adequate to meet the costs of regulatory compliance.

***The manufacturing of the Company's products is subject to governmental regulations.***

The Company currently owns and operates three manufacturing facilities—in Los Angeles, California; Axis, Alabama; and Marsing, Idaho—and owns and has manufacturing services provided in a fourth facility in Hannibal, Missouri (the "Facilities"). The Facilities operate under the terms and conditions imposed by required licenses and permits by state and local authorities. The manufacturing of key ingredients for certain of the Company's products occurs at the Facilities. An inability to renew or maintain a license or permit or a significant increase in the fees for such licenses or permits could impede the Company's access to key ingredients and increase the cost of production, which, in turn, would materially and adversely affect the Company's ability to provide its products in a timely and affordable manner.

***The Company is dependent on a limited number of customers, which makes us vulnerable to the continued relationship with and financial health of those customers.***

In 2011, three customers accounted for 55% of the Company's sales. The Company's future prospects will depend on the continued business of such customers and on our continued status as a qualified supplier to such customers. The Company cannot guarantee that our current significant customers will continue to buy products from us at current levels. The loss of a key customer could have a material adverse effect on the Company.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2 PROPERTIES**

The Company's corporate headquarters are located in Newport Beach, California. This facility is leased. See PART IV, Item 15 of this report for further information.

AMVAC owns in fee the Facility constituting approximately 152,000 square feet of improved land in Commerce, California ("Commerce") on which its West Coast manufacturing and some of its warehouse facilities and offices are located.

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DAVIE owns in fee approximately 72,000 square feet of warehouse, office and laboratory space on approximately 118,000 square feet of land in Commerce, California, which is leased to AMVAC.

In 2001, AMVAC completed the acquisition of a manufacturing facility from E.I. DuPont de Nemours and Company (“DuPont”). The facility is one of three such units located on DuPont’s 510 acre complex in Axis, Alabama. The acquisition consisted of a long-term ground lease of 25 acres and the purchase of all improvements thereon. The facility is a multi-purpose plant designed primarily to manufacture pyrethroids and organophosphates.

On December 28, 2007, AMVAC, pursuant to the provisions of the definitive Sale and Purchase Agreement (the “Agreement”) dated as of November 27, 2006 between AMVAC and Badische Anilin-und Soda-Fabrik (“BASF”), through which AMVAC purchased the global Counter product line from BASF. AMVAC purchased certain manufacturing assets relating to the production of Counter and Thimet and located at BASF’s multi-plant facility situated in Hannibal, Missouri (the “Hannibal Site”). Subject to the terms and conditions of the Agreement, AMVAC purchased certain buildings, manufacturing equipment, office equipment, fixtures, supplies, records, raw materials, intermediates and packaging constituting the “T/C Unit” of the Hannibal Site. The parties entered into a ground lease and a manufacturing and shared services agreement, under which BASF continues to supply various shared services to AMVAC from the Hannibal Site.

On March 7, 2008, AMVAC acquired from BCS LP a facility (the “Marsing Facility”) located in Marsing, ID, which consists of approximately 17 acres of improved real property, 15 of which are owned by AMVAC and two of which AMVAC leases from the City of Marsing for a term of 25 years. The Marsing Facility is engaged in the blending of liquid and powder raw materials and the packaging of finished liquid products in the agricultural chemical field. With this acquisition, AMVAC acquired the ability to formulate flowable materials. In connection with the acquisition, AMVAC and BCS LP agreed to enter into a master processor agreement under which AMVAC provides certain tolling services to BCS LP on an ongoing basis through 2012.

The production areas of AMVAC’s facilities are designed to run on a continuous 24 hour per day basis. AMVAC regularly adds chemical processing equipment to enhance its production capabilities. AMVAC believes its facilities are in good operating condition and are suitable and adequate for current needs, can be modified to accommodate future needs, have flexibility to change products, and can produce at greater rates as required. Facilities and equipment are insured against losses from fire as well as other usual business risks. The Company knows of no material defects in title to, or encumbrances on, any of its properties except that substantially all of the Company’s assets are pledged as collateral under the Company’s loan agreements with its primary lender group. For further information, refer to note 2 of the Notes to the Consolidated Financial Statements in PART IV, Item 15 of this Annual Report.

AMVAC owns approximately 42 acres of unimproved land in Texas for possible future expansion.

GemChem’s, AMVAC UK’s, AMVAC M’s, AMVAC CR’s and AMVAC S’s facilities consist of administration and sales offices which are leased.

### **ITEM 3 LEGAL PROCEEDINGS**

#### **A. PCNB Matters**

In August 2010, the USEPA issued a Stop Sale, Use and Removal Order (“SSURO”) relating to the Company’s USEPA-registered pentachloronitrobenzene (“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 regarding the basis for USEPA’s SSURO, or iii) any forewarning that USEPA planned to issue a SSURO. 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 2010 in which it sought emergency and permanent injunctive relief. Over the course of several months, the Company worked with USEPA’s technical team to address purported deficiencies in the CSF. Then, on August 17, 2011, the Chief Justice of that court granted the Company’s motion for summary judgment and vacated the SSURO on the ground that the signatory of the SSURO lacked the requisite authority to sign the order. Following the court’s action, the Company continued working with USEPA both to revise the CSF and to consolidate product labels. On November 23, 2011, the USEPA approved registrations for the PCNB product line for all major commercial uses (including golf course, turf, certain potato uses, cotton, ornamental bulb and cole crops). Following issuance of the registrations, the Company sold a limited amount of PCNB into the turf market at the tail end of the season. The Company remains in discussion with the agency on expanding the label to include certain minor uses and as to the proper labeling and disposition of some existing stocks. Given USEPA’s issuance of the registrations, the Company cannot conclude that a loss is probable or reasonably estimable and has not set up a loss contingency.

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On or about April 6, 2010, the Pest Management Regulatory Agency (“PMRA”) notified the Company of its intention to cancel the Canadian registration for 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. Notwithstanding the Company’s objections, PMRA permitted certain registrations of PCNB to be cancelled as of December 31, 2010. The Company intends to seek a new registration for this product line in Canada; this process could take in excess of one year to complete. With respect to inventory in the Canadian channel, the Company will seek to have the goods returned and then to resell them. The value of these goods has been recorded at the appropriate net realizable value.

**B. DBCP Cases**

Over the course of the past 30 years, AMVAC and/or the Company have been named or otherwise implicated in a number of lawsuits concerning injuries allegedly arising from either contamination of water supplies or personal exposure to 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.

At present, there are approximately 100 lawsuits, foreign and domestic, filed by former banana workers in which AMVAC has been named as a party. Fifteen of these suits have been filed in the United States (with prayers for unspecified damages) and the remainder have been filed in Nicaragua. Three of these domestic suits were brought by citizens of Nicaragua while the other domestic suits have been brought by citizens of other countries. These claims are all in various stages and allege injury from exposure to DBCP, including claims for sterility. Only two of the suits (*Suazo* and *Castillo*, indicated below) filed in Nicaragua have been served on AMVAC. It should be noted that Nicaraguan plaintiffs had not been able to obtain domestic enforcement of decisions rendered by Nicaraguan courts. The Eleventh Circuit recently upheld a U.S. District Court’s refusal to enforce a \$97,000 Nicaraguan judgment rendered against certain US-based DBCP defendants finding, among other things, lack of international due process.

Over the course of 2009, two actions that had been filed in the Los Angeles County Superior Court (named *Mejia* and *Rivera*) involving claims for personal injury to Nicaraguan banana plantation workers allegedly arising from exposure to DBCP, were dismissed with prejudice by the court on its own motion with a finding of “fraud on the court” and “blatant extortion of the defendants.” We believe that the court’s findings in these cases has diminished the viability of the pending Nicaraguan cases generally. Further, we believe that *Mejia* and *Rivera* have had an effect upon other cases involving exposure to foreign residents, most notably the several cases alleging injury to 668 residents of the Ivory Coast (banana and pineapple plantation workers) which were dismissed in 2009 by the Los Angeles Superior Court without prejudice, as plaintiffs’ counsel withdrew from the case and no one came forward to prosecute the action.

As described more fully below, of the cases that were still pending domestically in 2011, in Hawaii, *Patrickson, et. al. v. Dole Food Co., et. al* was dismissed and is on appeal, while *Adams* involves claims that pre-dated AMVAC’s sales into the relevant market; and the state cases in Louisiana continue to lie dormant. However, during 2011, following the dismissal of various cases in 2009, there was a resurgence of activity by plaintiffs in i) state court in California, where approximately 2,444 plaintiffs from the Philippines filed an action (*Macasa*); ii) in federal district court in Louisiana, where an action has been filed by the Hendler law firm on behalf of 259 workers from Ecuador, Panama and Costa Rica (*Aguilar*), and iii) in state court in Delaware, where an individual from Costa Rica has brought an action (*Blanco*). In all of the newly-filed matters, some or all of the plaintiffs face challenges from applicable statutes of limitations; many of them were parties to prior lawsuits.

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**California Matter**

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. 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 1970's. It has been reported that approximately three quarters of the claimants were members of a banana workers' association that was a party to an action that had been brought in the Philippines in about 1998 and that other plaintiffs were members as of 2008. Defendants contend these plaintiffs' claims are barred by the statute of limitations. AMVAC answered the complaint on October 3, 2011. On February 9, 2012, plaintiffs filed a first amended complaint increasing the number of claimants to 2,939 and stating, among other things, that plaintiffs had alleged identical claims against defendants in 1998. At this very early stage of the case, no discovery has taken place, it is unknown how many 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. The initial case management conference with the court took place on February 1, 2012 and an early step in the case is to determine the statute of limitations issue. AMVAC intends to defend this matter vigorously. At this early stage of the case, the Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for this matter.

**Delaware Matter**

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. Plaintiff contends that the statute of limitations was tolled by a prior motion for class certification, which was denied. AMVAC also contends that the plaintiff could not have been exposed to any AMVAC supplied DBCP in Costa Rica. The motion to dismiss, which has been joined by all defendants, is presently scheduled for a hearing on March 9, 2012. AMVAC intends to defend the matter vigorously. The Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for the matter.

**Hawaiian Matters**

*Patrickson, et. al. v. Dole Food Co., et. al*

In October 1997, AMVAC was served with a Complaint(s) in which it was named as a defendant, filed in the Circuit Court, First Circuit, State of Hawaii and in the Circuit Court of the Second Circuit, State of Hawaii (two identical suits) entitled *Patrickson, et. al. v. Dole Food Co., et. al* ("Patrickson Case") alleging damages sustained from injuries caused by plaintiffs' exposure to DBCP while applying the product in their native countries. Other named defendants include: Dole Food Co., Shell Oil Company, and Dow Chemical Company. The ten named plaintiffs are variously citizens of four countries—Guatemala, Costa Rica, Panama, and Ecuador. Punitive damages are sought against each defendant. The plaintiffs were banana workers and allege that they were exposed to DBCP in applying the product in their native countries. The case was also filed as a class action on behalf of other workers so exposed in these four countries. The plaintiffs allege sterility and other injuries.

After several years of law and motion activity, Dow filed a motion for summary adjudication as to the remaining plaintiffs based on the statute of limitations, as they had filed suit in Florida in 1995. All defendants joined in this motion. The court granted this motion on June 9, 2009. Plaintiffs' counsel unsuccessfully argued that their claims were tolled by prior class action cases. On November 30, 2009, the court denied a motion for reconsideration. Judgment in favor of the defendants was entered on July 28, 2010. On August 24, 2010, the plaintiffs filed a notice of appeal, which is presently pending. In March 2011, Dow filed a brief in opposition to the appeal, arguing that plaintiffs are barred from this action by the applicable statute of limitations. The Company does not believe that a loss is either probable or reasonably estimable and, accordingly, has not set up a loss contingency for this matter.

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*Adams v. Dole Food Co. et al*

On approximately November 23, 2007, AMVAC was served with a suit filed by two former Hawaiian pineapple workers and their spouses, alleging testicular cancer due to DBCP exposure: *Adams v. Dole Food Co. et al* in the First Circuit for the State of Hawaii. The complaint was filed on June 29, 2007 and names Dole Food Co, Standard Fruit and Steamship Company, Dole Fresh Food, Pineapple Growers Association, AMVAC, Shell Oil Co., Dow Chemical Co. and Occidental Corporation. Plaintiff Mark Adams alleges he was exposed to DBCP in 1974 and 1975 while working on Dole's plantation on Oahu. Plaintiff Nelson Ng alleges he was exposed between 1971 and 1973 while working in Lanai City, Lanai. AMVAC answered the complaint on or about December 14, 2007. While little discovery has taken place, AMVAC denies that any of its product could have been used at the times and locations alleged by these plaintiffs. Dole Food Co. was dismissed on the basis of the exclusive remedy of worker's compensation benefits as it was the employer of plaintiffs. However, plaintiffs have been granted relief to seek an interim appeal as to the dismissal of Dole, which appeal is pending. A stay has been placed on discovery other than to obtain written records. The Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for this matter.

**Louisiana Matters (Federal)**

On June 1, 2011, seven separate actions were filed by the Hendler law firm in the United States District Court for the Eastern District of Louisiana on behalf of 259 individual plaintiffs (banana plantation workers from Ecuador, Panama and Costa Rica) against Dole Food Company, the Dow Chemical Company, Shell Oil Company, and AMVAC Chemical Corporation (to name a few) which, for purposes of convenience here, are encaptioned *Aguilar et al., v. Dole Food Company, Inc., et al* (U.S.D.C., E.D. of Louisiana No. CV-01305-CJB-SS). These matters allege personal injury (including sterility, cancer, skin disorders and other conditions) arising from alleged exposure to DBCP within the time period from 1960 through 1985 or later. A number of the plaintiffs appear to have been drawn from earlier DBCP litigation matters filed by the Hendler law firm, including, for example, the *Mendez* case that was dismissed from state court in Hawaii (see the Company's Form 10-Q for the period ended March 31, 2011). It is unknown how many of the plaintiffs have been exposed to AMVAC's product, what are the actual injuries if any and whether and what statutes of limitation may apply. AMVAC intends to defend these matters vigorously. With respect to these matters, the Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for these matters.

**Louisiana Matters (State)**

In November 1999, AMVAC was served with three complaints filed in the 29<sup>th</sup> Judicial District Court for the Parish of St. Charles, State of Louisiana; we have reported on these matters under the name of the lead case, *Eduardo Soriano, et al. v. AMVAC, et al.* These matters allege personal injuries to about 314 persons (167 from Ecuador, 102 from Costa Rica, and 45 from Guatemala) from alleged exposure to DBCP. With the United States Supreme Court holding there was no federal court jurisdiction in the *Patrickson* case, the federal court judge remanded the cases to Louisiana state court in June 2003. In state court, the three cases were assigned to two different judges. On November 17, 2006, the state court separated the cases handled by attorney Scott Hendler from the cases being pursued only against the growers handled by different counsel. Subsequently, the cases against the growers were settled and all those actions were dismissed. The cases handled by Mr. Hendler were supposed to be placed in a new action, which was not done. After a hearing on January 29, 2008, the court ruled on February 8, 2008 that these plaintiffs could still proceed in the existing cases rather than in a new pleading. In mid-June 2011, some 12 years after filing the actions, plaintiffs have propounded written discovery against defendants. No other discovery has been made; hence, it is unknown how many (if any) of the plaintiffs have been exposed to AMVAC's product, what are the actual injuries if any and whether and what statutes of limitation may apply. AMVAC intends to defend these matters vigorously. With respect to these matters, the Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for this matter.

**Nicaraguan Matters**

In May 2005, two suits filed in Nicaragua in 2004 were received that name AMVAC, The Dow Chemical Company, Dole Food Co., Dole Fresh Fruit, and Standard Fruit Company. The two suits for personal injuries for sterility and reduced sperm counts have been filed on behalf of a total of 15 banana workers: *Flavio Apolinar Castillo et al. v. AMVAC Chemical Corporation et al.*, No. 535/04 and *Luis Cristobal Martinez Suazo et al. v. AMVAC Chemical Corporation et al.*, No. 679/04. In December 2005, AMVAC received six additional, similar, lawsuits filed on behalf of a total of 30 plaintiffs. On January 25, 2006, AMVAC was served with the *Suazo* and *Castillo* suits, and in March 2006, counsel in Nicaragua filed objections to jurisdiction over AMVAC in these two cases. The court finally ruled on all the defendants' objections on March 20, 2007, by denying each objection to jurisdiction; this ruling has been appealed.

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A review of court filings in Chinandega, Nicaragua, by local counsel has found 85 suits filed pursuant to Public Law 364 that name AMVAC and include approximately 3,592 plaintiffs. However, only two cases, *Castillo* and *Suazo*, have been served on AMVAC. All but one of the suits in Nicaragua have been filed pursuant to Special Law 364, an October 2000 Nicaraguan statute that contains substantive and procedural provisions that Nicaragua's Attorney General previously expressed as unconstitutional. Each of the Nicaraguan plaintiffs' claims \$1,000 in compensatory damages and \$5,000 in punitive damages. In all of these cases, AMVAC is a joint defendant with Dow Chemical and Dole Food Company, Inc.

AMVAC contends that the Nicaragua courts do not have jurisdiction over it and that Public Law 364 violates international due process of law. AMVAC intends to contest personal jurisdiction and demand under Law 364 that the claims be litigated in the United States. Thus far, it appears that the Nicaraguan courts have denied all requests of other defendants under Law 364 that allow the defendants the option of consenting to jurisdiction in the United States. It is not presently known as to how many of these plaintiffs actually claim exposure to DBCP at the time AMVAC's product was allegedly used nor is there any verification of the claimed injuries. Based on the precedent of the earlier suits in Nicaragua, it would appear likely that the Nicaragua courts will, over the defendants' objections, enter multi-million dollar judgments for the plaintiffs and against all defendants in these cases.

However, to date, plaintiffs have not had success in enforcing Nicaraguan judgments against domestic companies before U.S. courts. One such judgment (not including the Company) was entered in August 2005 for \$97,000 for 150 plaintiffs against Dole Food and other entities. It has also been reported that on December 1, 2006, the Nicaraguan court rendered a judgment for \$802,000 against Dow Chemical Company, Shell Occidental, and Standard Fruit Company for some 1,200 plaintiffs. An enforcement action (entitled *Osorio*) against Dole and Dow for the \$97,000 judgment was filed in the U.S. District Court in Miami, Florida. In this enforcement action, on October 20, 2009, the federal court issued a lengthy decision refusing to enforce the judgment on the grounds that Law 364 violated due process of law and that the Nicaraguan courts were not impartial tribunals. The plaintiffs filed a notice of appeal to the Eleventh Circuit Court of Appeal on March 10, 2010. On March 25, 2011, the United States Court of Appeals for the 11<sup>th</sup> Circuit upheld the lower court's decision to refuse to enforce the Nicaraguan judgment under the Florida Recognition Act, finding, among other things, the fact that judgment had been rendered under a system (in Nicaragua) that does not provide procedures compatible with the requirements of due process of law and was contrary to public policy. The 11<sup>th</sup> Circuit Court did not address whether the Nicaraguan courts "do not provide impartial tribunals" as the district court had found.

### **C. Other Matters**

Brazilian Citation. On or about October 5, 2009, IBAMA (the Brazilian equivalent of the USEPA) served AMVAC B with a Notice of Violation alleging that two lots of Granutox 150 (formulated product having phorate as the active ingredient) stored at BASF S.A. (AMVAC's exclusive distributor in Brazil) and FMC Quimica do Brasil Ltda. (which formulates end-use product in that country) were not in compliance with the end-use registration on file with IBAMA. Specifically, IBAMA alleged that the color of the lots (gray) was inconsistent with the description in IBAMA's files (pink). IBAMA also indicated an intention to assess a fine of approximately \$200 against AMVAC B. The Company has challenged the citation, among other reasons, on the ground that the change in color has to do with the removal of a coloring component and that such removal poses no environmental or toxicity risk. In March 2011, IBAMA denied AMVAC B's first appeal. The Company believes, however, that the agency is statutorily prevented from levying a fine of this magnitude for an infraction of this nature. Thus, the Company has filed another appeal on these grounds and expects to hear a response within six months. At this stage, the Company believes that a loss of between \$150 and \$200 is probable and has set up a loss contingency in the amount of \$150.

Philip Adame v. State of California et al. On or about November 8, 2011, plaintiffs (approximately 130 residents living proximately to a 17 acre parcel in Santa Clara County, California, that had been operated by the University of California from 1921 to 2003 as a fungicide and herbicide testing facility known as the Bay Area Research Extension Center ("BAREC")) designated AMVAC and 11 other companies as defendants in an Amendment to Second Amended Complaint (entitled *Philip Adame v. State of California*, Superior Court of California, County of Santa Clara, Case No. 1-08-CV-106710) in which plaintiffs allege property damage and physical injuries arising from the operation of BAREC. The Second Amended Complaint in this matter had been filed in October 2008 and had included defendants The Regents of the University of California and Velsicol Chemical Corporation, both of whom have since been dismissed from the action with prejudice following settlement with plaintiffs. At this stage, AMVAC has not been served with any pleadings. However, those defendants who have been served with the Second Amended Complaint have filed both a motion to quash and a motion to dismiss on the ground that plaintiffs failed to serve any of the newly named defendants with the pleading in which they were designated as defendants and, at any rate, failed to designate any of them as defendants within three years of the filing of the Complaint. AMVAC believes that the case has no merit and, if served, will defend the matter vigorously. At this stage, the Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for this matter.

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**ITEM 4 MINE SAFETY DISCLOSURE**

**Not Applicable**

**PART II**

**ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Effective March 6, 2006, the Company listed its \$0.10 par value common stock ("Common Stock") on the New York Stock Exchange under the ticker symbol AVD. From January 1998 through March 6, 2006, the Common Stock was listed on the American Stock Exchange under the ticker symbol AVD. The Company's Common Stock traded on The NASDAQ Stock Market under the symbol AMGD from March 1987 through January 1998.

The following table sets forth the range of high and low sales prices as reported for the Company's Common Stock for the calendar quarters indicated (as adjusted for stock splits and stock dividends).

	<u>High</u>	<u>Low</u>
<b>Calendar 2011</b>		
First Quarter.....	\$ 9.66	\$ 7.63
Second Quarter .....	14.25	8.31
Third Quarter .....	14.77	9.63
Fourth Quarter .....	14.36	10.70
<b>Calendar 2010</b>		
First Quarter.....	\$ 8.71	\$ 6.28
Second Quarter .....	9.65	7.37
Third Quarter .....	9.60	5.93
Fourth Quarter .....	9.17	6.18

As of February 20, 2012, the number of stockholders of the Company's Common Stock was approximately 3,650, which includes beneficial owners with shares held in brokerage accounts under street name and nominees.

On September 8, 2011, the Company announced that the Board of Directors declared a cash dividend of \$0.05 per share. The dividend was distributed on October 14, 2011, to shareholders of record at the close of business on September 29, 2011.

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.

On September 14, 2010, 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.

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.

On September 14, 2009, the Board of Directors declared a cash dividend of \$0.01 per share. The dividend was distributed on October 7, 2009 to stockholders of record at the close of business on September 25, 2009.

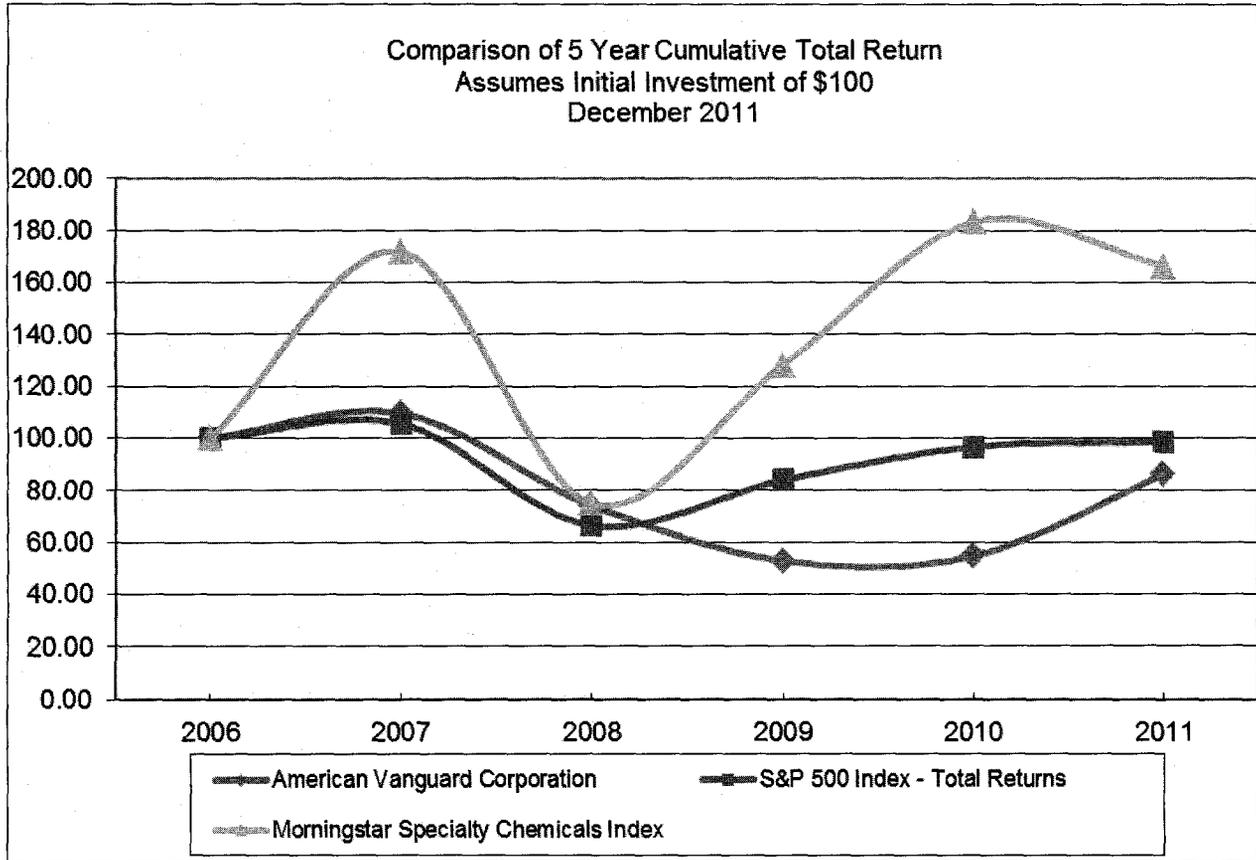
On March 6, 2009, the Board of Directors declared a cash dividend of \$0.05 per share. The dividend was distributed on April 15, 2009 to stockholders of record at the close of business on March 31, 2009.

The Company has issued a cash dividend in each of the last fifteen years dating back to 1996.

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**Stock Performance Graph**

The following graph presents a comparison of the cumulative, five-year total return for the Company, the S&P 500 Stock Index, and a peer group (Chemical—Specialty Industry). The graph assumes that the beginning values of the investments in the Company, the S&P 500 Stock Index, and the peer group of companies each was \$100. All calculations assume reinvestment of dividends. Returns over the indicated period should not be considered indicative of future returns.



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**ITEM 6 SELECTED FINANCIAL DATA**

	2011	2010	2009	2008	2007
Net sales .....	\$304,429	\$226,859	\$205,801	\$236,465	\$212,479
Gross profit .....	\$123,068	\$ 86,321	\$ 56,898	\$100,058	\$ 91,547
Operating income (loss) .....	\$ 39,226	\$ 19,191	\$ (6,329)	\$ 36,144	\$ 36,013
Income (loss) before income tax (benefit) expense.....	\$ 35,223	\$ 16,174	\$ (9,538)	\$ 32,173	\$ 30,526
Net income (loss) .....	\$ 22,068	\$ 10,984	\$ (5,789)	\$ 20,019	\$ 18,728
Earnings (loss) per common share(1).....	\$ 0.80	\$ 0.40	\$ (0.21)	\$ 0.75	\$ 0.71
Earnings (loss) per common share— assuming dilution(1).....	\$ 0.79	\$ 0.40	\$ (0.21)	\$ 0.73	\$ 0.68
Total assets .....	\$339,141	\$280,179	\$255,268	\$286,937	\$248,581
Working capital.....	\$ 99,440	\$ 69,046	\$ 68,797	\$ 96,357	\$ 75,144
Long-term debt less current portion.....	\$ 51,917	\$ 53,710	\$ 45,432	\$ 75,748	\$ 56,155
Stockholders' equity .....	\$187,072	\$166,437	\$153,087	\$155,943	\$139,739
Weighted average shares outstanding— basic(1).....	27,559	27,385	27,120	26,638	26,307
Weighted average shares outstanding— assuming dilution(1).....	27,875	27,652	27,120	27,469	27,436
Dividends per share of common stock(1) .....	\$ 0.080	\$ 0.030	\$ 0.060	\$ 0.080	\$ 0.070

The selected consolidated financial data set forth above with respect to each of the calendar years in the five-year period ended December 31, 2011, have been derived from the Company's consolidated financial statements and are qualified in their entirety by reference to the more detailed consolidated financial statements and the independent registered public accounting firm's reports thereon, which are included elsewhere in this Report on Form 10-K for the three years in the period ended December 31, 2011. See ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

- (1) The basic and diluted weighted average number of shares outstanding, net income per share and dividend information for all periods presented have been restated to reflect the effects of stock splits and dividends.

**ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

**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. Generally, "may," "could," "will," "would," "expect," "believe," "estimate," "anticipate," "intend," "continue" and similar words identify forward-looking statements. Forward-looking statements appearing in this Report are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on our current expectations and are subject to risks and uncertainties that can cause 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. We urge you to consider these factors carefully in evaluating the forward-looking statements contained in this Report.

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**Results of Operations**

*2011 Compared with 2010:*

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Net sales:			
Insecticides .....	\$ 137,460	\$ 84,500	\$ 52,960
Herbicides .....	90,782	86,780	4,002
Other .....	<u>47,175</u>	<u>32,113</u>	<u>15,062</u>
Total Crop .....	275,417	203,393	72,024
Non-Crop .....	<u>29,012</u>	<u>23,466</u>	<u>5,546</u>
	<u>\$ 304,429</u>	<u>\$ 226,859</u>	<u>\$ 77,570</u>
Gross profit:			
Crop.....	\$ 110,348	\$ 77,916	\$ 32,432
Non-crop .....	<u>12,720</u>	<u>8,405</u>	<u>4,315</u>
	<u>\$ 123,068</u>	<u>\$ 86,321</u>	<u>\$ 36,747</u>

Overall financial performance (including net sales and net income) for the year ended December 31, 2011 improved as compared to the same period in 2010. Our net sales for the period are up approximately 34% to \$304,429, compared to \$226,859 for the year ended December 31, 2010. Net sales of our crop business in 2011 were \$275,417 which constitutes an increase of about 35% over the net sales of \$203,393 in 2010. Net sales of non-crop products for the period were \$29,012, which constitutes an increase of about 24% over the net sales of \$23,466 in the same period last year. A more detailed discussion of product groups and products having a material effect on net sales for each of the crop and non-crop segments appears below.

2011 agricultural market conditions were generally better than those of 2010. Strong global demand for food, animal feed, natural fiber and bio-fuel feed stocks spurred higher than normal crop prices. In light of these market conditions, growers invested more heavily in yield enhancing inputs which fueled demand for many of the Company's most important crop protection products. Rising crop commodity prices also led to an increase in acreage planted for many crops in the United States, particularly corn and cotton, which are important to our business. In 2011, a near record 92,000+ acres of corn were planted and cotton acreage expanded to 13,000 acres from 11,000 acres one year ago and just 9,000 acres two years ago.

In addition, the practice of planting corn on the same acres year-after-year (referred to as "corn-on-corn" as opposed to rotating crops) gave rise to greater primary & secondary insect pest pressure in the mid-west United States. Further, years of continuous application of glyphosate herbicides has led to resistant weeds & grasses and increased the need for complementary/auxiliary herbicide use. Also, the wide-spread use of genetically modified seeds/plants in U.S. corn during the last decade has engendered resistance among some soil insects that had been controlled by genetic plant defenses. The cumulative effect of all these factors led to increased demand for the type of crop protection products for corn that the Company supplies.

Further, the Company's 2011 sales benefited from the acquisition of several new products acquired in the second half of 2010. The addition of the insecticides Aztec 2.1, Mocap and Nemacur accounted for approximately half of the Company's \$73,738 year-over-year gain in crop sales. We also benefitted from the withdrawal of a competitive insecticide product in the U.S. market, which yielded improved sales of our granular insecticide Thimet.

With respect to our crop segment, net sales of our insecticides in 2011 were up strongly by approximately 63% to \$137,460 as compared to \$84,500 for the comparable period in 2010. Within this segment, annual net sales of our granular soil insecticides were up approximately 125% over the same period, driven by a strong performance from our primary corn soil insecticides – Aztec, Smartchoice, Counter and Force. This product group also benefitted from the newly acquired Mocap and Nemacur granular insecticides/nematicides which were purchased in December 2010 – despite the fact that we experienced a shortfall in supply of Mocap during 2011 from our source. Annual net sales of Thimet grew by more than one half over the prior year due to increased peanut acres, increased use for nematode control in sugar cane and the above-mentioned substitution for a withdrawn competitive insecticide (aldicarb). Among our non-granular insecticide products, overall net sales declined by nearly 12%. Our foliar cotton insecticide Bidrin decreased compared to the prior year due to severe drought conditions in the Southern region. Further, sales of bifenthrin, Permethrin and Orthene declined approximately 27% as we continued to de-emphasize the applications of these products that have become susceptible to low-priced generic competition; however, despite the drop in net sales, we experienced improved overall levels of gross profit from these three products. Offsetting these declines, sales of our Dibrom insecticide, which has historically been used primarily for mosquito control, continued to expand in crop/citrus applications.

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Within the product group of herbicides/fungicides/fumigants, net sales in 2011 were up about 5% over the 2010 year (\$90,782 v. \$86,780). Within this group we had mixed results. Net sales of our herbicide products were up 13%, led by our post-emergent corn herbicide, Impact, which mid-west farmers use as a highly effective product to combat the increasing challenge of glyphosate tolerant weeds. Our fumigants sales were up modestly as our Vapam and K-Pam products continue to be U.S. market leaders in this product category. Net sales of our fungicides, however, were down during 2011 as compared to 2010; this was due to the fact that all domestic sales of PCNB were suspended following the issuance of a SSURO in August 2010, partially offset by the issuance of new labels in November 2011.

Within the segment of other products (which includes plant growth regulators, molluscicides and tolling activity), we experienced a nearly 47% increase in net sales during 2011 as compared to 2010 (\$47,175 v. \$32,113). This increase is primarily due to strong sales of Folex, a defoliant used in cotton harvest management; while certain cotton regions experienced severe drought conditions, in other areas, cooler than normal conditions caused the growers to use the product at higher use rates. Net sales of Folex were also positively impacted by our acquisition of the domestic Def (tribufos) product line in late July 2010. Partially offsetting Folex's gains was a slight drop in net sales of NAA, a plant growth regulator primarily used in apples to stop apple drop, the return of bloom, and thinning blossom. Net sales of metaldehyde (a molluscicide) were approximately flat over the comparable 2010 period; and tolling revenues decreased by approximately \$4,000 in 2011 as compared to 2010. Finally, it should be noted that, included in sales in 2010 was data compensation in the amount of \$868. There was no similar revenue recorded in 2011.

Within our non-crop segment, net sales were up by about 24% (\$29,012 v. \$23,466) compared to 2010. On the positive side, Naled sales (our Dibrom brand mosquito adulticide) were up despite limited hurricane activity and persistent drought conditions in the Southwest, early season river flooding caused greater pest pressure and spraying activity. In the same segment, net sales of pest strips increased 17% over the prior year as professional pest control operators continue to recognize that our active ingredient, DDVP, is one of the most effective general pest control agents available today. Offsetting these gains was a decline in net sales of our PCNB fungicide for turf uses. As mentioned above, all domestic sales had been suspended through late November 2011, when USEPA issued new labels. Consequently, the Company missed most of the turf season. In addition, the Company has yet to re-enter the Canadian market following the expiration of its registration at the end of 2010.

Gross margin for the year ended December 31, 2011 was up to 40% 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 contributed to this improvement and, to a lesser extent, higher pricing of generic product lines.

Operating expenses in 2011 increased by \$16,712 to \$83,842 or 28% of sales as compared to \$67,130 or 30% in 2010. The differences in operating expenses by department are as follows:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Selling .....	\$23,318	\$19,653	\$ 3,665
General and administrative.....	21,429	17,881	3,548
Research, product development and regulatory .....	18,041	12,635	5,406
Freight, delivery and warehousing .....	21,054	16,961	4,093
	<u>\$83,842</u>	<u>\$67,130</u>	<u>\$16,712</u>

- Selling expenses increased by \$3,665 to end at \$23,318 for the year ended December 31, 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 \$3,548 to end at \$21,429 for the year ended December 31, 2011 as compared to the same period of 2010. The four 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. Offsetting these increases, the Company re-assessed the fair value of certain discounted deferred liabilities related to product line acquisition.

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- Research, product development costs and regulatory expenses increased by \$5,406 to \$18,041 for the year ended December 31, 2011, as compared to the same period of 2010. This is mainly due to increased studies on our new and existing products including spending related to the PCNB SSURO.
- Freight, delivery and warehousing costs for the year ended December 31, 2011 were \$21,054 or 7% of sales as compared to \$16,961 or 7% of sales for the same period in 2010.

Interest expense including capitalized interest and interest income were \$3,457 in 2011 compared to \$3,017 in 2010. Interest costs are summarized in the following table:

Average Indebtedness and Interest expense	2011			2010		
	Average Debt	Interest Expense	Interest Rate	Average Debt	Interest Expense	Interest Rate
Term loan .....	\$ 58,186	\$ 1,970	3.4%	\$ 44,000	\$ 2,474	5.6%
Real estate .....	—	1	—	1,995	117	5.9%
Working capital revolver .....	1,990	79	4.0%	14,388	580	3.8%
Average .....	60,176	2,050	3.4%	60,383	3,171	5.2%
Notes payable on product acquisitions and asset purchases <sup>1</sup> .....	12,732	1,390	10.9%	1,767	—	—
Other adjustments (capitalized interest & interest income) .....	—	(112)	—	—	(154)	—
Amortization of Deferred Loan Fees .....	—	129	—	—	—	—
Adjusted average .....	\$ 72,908	\$ 3,457	4.7%	\$ 62,150	\$ 3,017	4.8%

<sup>1</sup> The interest related to notes payable on product acquisitions and asset purchases is the amortization of the discounting on the deferred liabilities related to product acquisitions that occurred in December 2010.

The Company's average overall debt for the year ended December 31, 2011 was \$72,908 as compared to \$62,150 for the comparable period of the previous year. During the year we paid down to zero the revolving line and did not draw further funds 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 4.7% for the twelve months ended December 31, 2011. This is effectively flat in comparison to the prior year. It should also be noted that the Company paid out substantially all its program liabilities for the Crop year ended September 30, 2011 during the final quarter of the year. In the prior year approximately 70% of program liabilities were paid in the three months ended December 31, 2010.

Income tax expense for 2011 amounted to \$13,155 as compared to \$5,190 for 2010. The 2011 effective tax rate is at 37.35%, as compared to an effective rate of 32.1% for 2010. The increase in effective tax rate is primarily due to lower tax benefits from federal and California R&D due to substantially higher pre-tax book income in 2011 as compared to 2010, lower than expected domestic production activities deduction claimed in the 2010 federal income tax return, and the benefit related to stock options in 2010.

Net income ended at \$22,068 or \$.79 per diluted share in 2011 as compared to \$10,984 or \$.40 per diluted share in 2010.

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**Contractual Obligations and Off-Balance Sheet Arrangements**

We believe that our cash flows from operations and cash and cash equivalents will be sufficient to meet our working capital and capital expenditure requirements and provide us with adequate liquidity to meet our anticipated operating needs for at least the next 12 months. Although operating activities are expected to provide cash, to the extent of significant growth in the future, our operating and investing activities may use cash and, consequently, this growth may require us to obtain additional sources of financing.

The following summarizes our contractual obligations at December 31, 2011, and the effects such obligations are expected to have on liquidity and cash flow in future periods:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt.....	\$54,000	\$ 8,000	\$ 20,000	\$ 26,000	\$ —
Note payable on product acquisitions and asset purchases (1).....	12,377	6,460	5,917	—	—
Working capital revolver credit line.....	—	—	—	—	—
Sub-total long-term debt .....	66,377	14,460	25,917	26,000	—
Estimated interest liability(2).....	4,877	1,700	2,448	729	—
Accrued royalty obligations .....	68	68	—	—	—
Deferred Earn outs on product acquisitions .....	5,299	1,014	2,737	1,548	—
Employment agreements.....	3,570	595	1,190	1,190	595
Operating leases .....	4,491	661	1,324	1,071	1,435
	<u>\$84,682</u>	<u>18,498</u>	<u>\$ 33,616</u>	<u>\$ 30,538</u>	<u>\$ 2,030</u>

- (1) Under the terms of the new credit facility, the deferred payments on product acquisitions made in December 2010 and payable in equal parts in January 2012 and January 2013, may be paid using delayed draw facility within the term debt
- (2) Estimated Interest Liability has been calculated using the effective rate for each category of debt over the remaining term of the debt and taking into account scheduled repayments. The working capital revolving line has been assumed to be constant throughout the remaining term. As noted above in this Report, all of our debt is linked to LIBOR rates.

There were no off-balance sheet arrangements as of December 31, 2011.

Under the terms of the new credit facility, all debt outstanding is due when the agreement expires on January 10, 2016.

In addition to the above contractual obligations, \$227 of unrecognized tax liabilities have been recorded as liabilities as of December 31, 2011 and we are uncertain as to if or when such amounts may be settled. Related to the unrecognized tax benefits not included in the table above, we have also recorded a liability for potential penalties and interest of \$10 as of December 31, 2011.

**Results of Operations (in Thousands)**

*2010 Compared with 2009:*

	2010	2009	Change
Net sales:			
Insecticides .....	\$ 84,500	\$ 72,059	\$ 12,441
Herbicides.....	86,780	79,826	6,954
Other .....	32,113	26,472	5,641
Total Crop .....	203,393	178,357	25,036
Non-Crop .....	23,466	27,444	(3,978)
	<u>\$ 226,859</u>	<u>\$ 205,801</u>	<u>\$ 21,058</u>
Gross profit:			
Crop.....	\$ 77,916	\$ 49,876	\$ 28,040
Non-crop .....	8,405	7,022	1,383
	<u>\$ 86,321</u>	<u>\$ 56,898</u>	<u>\$ 29,423</u>

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Overall financial performance (including net sales and net income) for the year ended December 31, 2010 improved as compared to the same period in 2009. Our net sales for the period are up approximately 10% to \$226,859, compared to \$205,801 for the 2009 year. Net sales of our crop business in 2010 are \$203,393 which constitutes an increase of about 14% over the net sales of \$178,357 in 2009. Net sales of non-crop products for the period are \$23,466, which constitutes a decrease of about 15% over the net sales of \$27,444 in 2009. A more detailed discussion of product groups and products having a material effect on net sales for each of the crop and non-crop segments appear below.

With respect to our crop products, over the course of 2010, market conditions were, for the most part, better than those of 2009. We entered 2010 with fairly lean inventory levels in the distribution channels, due to the rigorous procurement practices of 2009. Further, over the first half of 2010, we were able to sell most of our seasonal products into the channel effectively, and favorable Midwest weather conditions enabled us to sell product into both first and second quarters of 2010. While third quarter sales of our corn-related products declined over historical levels (as customers deferred their procurement activity for 2011 to take place closer to the growing season), we did see a resurgence in fourth quarter sales of those products. Further, in light of increased acres for both cotton and peanut crops (year over year), we recorded strong sales of certain products for use with those crops over the course of the entire year. We experienced a drop in sales of our fungicide product line over 2010, due to the SSURO issued by USEPA with respect to our domestic pentachloronitrobenzene product line, which, as noted below, caused us to miss the domestic 2010 turf season entirely. A more detailed discussion of sales performance by our crop and non-crop segments, further broken down by product group and product line, follows.

With respect to our crop segment, net sales of our insecticides in 2010 were up strongly by approximately 17% to \$84,500 as compared to \$72,059 for the comparable period in 2009. Within this segment, net sales of our granular soil insecticides were up approximately 17%, largely due to increased net sales of Counter in the first half of the year and fourth quarter; Counter has experienced a resurgence in use on corn for nematode control and is proving to be efficacious for sugar beets where seed treatments are unable to control heavy pest pressure. In addition, Thimet sales increased year-over-year due to both increased peanut acres in the southeast and increased use for nematode control sugar cane. Net sales of our cotton insecticides increased by about 67% over the prior year; this trend has resulted from an increase in cotton acres planted coupled with strong cotton prices.

Within the product group of herbicides/fungicides/fumigants, net sales in 2010 were up approximately 9% over the 2009 year (\$86,780 v. \$79,826). Within this group, however, we had mixed results. Net sales of our herbicide products were up (by approximately 16%), led by our post-emergent corn herbicide, Impact; due to both favorable weather conditions and a well-executed plan of distribution, we saw strong sales in the first two quarters, then a lag in the third quarter (as customers deferred procurement until closer to planting time) and a resurgence in the fourth quarter, as growers anticipate the 2011 season. Our fumigants enjoyed mild gains in net sales year-over-year (up by about 5%); in fact, fourth quarter sales in 2009, on an historical basis, were comparatively low, as adverse weather cut short the application season for this "just-in-time" product. With better weather conditions, fumigant sales in 2010 have trended toward more historical norms. Net sales of our fungicides, however, were down sharply (approximately 46%) during 2010 as compared to 2009, due largely to PCNB on crop uses, which experienced a decrease in net sales in the first half of the year arising from formulation issues, and in the second half of the year from the SSURO issued by USEPA for domestic product.

Within the segment of other products (which includes plant growth regulators, molluscicides and tolling activity), we experienced a nearly 21% increase in net sales during 2010 as compared to 2009 (\$32,113 v. \$26,472). This increase is primarily due to strong sales of Folex, a compound used for cotton harvest management; not only did we benefit from increased cotton acres, but also from the fact that we completed the acquisition of the domestic Def (tribufos) product line in late July 2010. Partially offsetting Folex's gains was a drop in net sales of NAA, a plant growth regulator used primarily for thinning apple blossoms; an early frost in late 2009 obviated the need for this product in 2010, as growers still had inventory from the prior year for use in the 2010 season. In addition, net sales of Dacthal were up slightly year-over-year; while we have benefited from the lessening of water restrictions in the western states, we have experienced curtailment of uses in Europe. Further, net sales of metaldehyde (a molluscicide) were up about 16% over the comparable period; this increase arose primarily from rainy conditions in the eastern and northern midwestern states and the attendant increase in slug and snail pressure. Tolling revenues decreased by approximately \$2,000 in 2010 as compared to 2009, as a result of one order which occurred in 2009 and not in 2010. It should be noted that, included in sales were data compensation amounts of \$868 in 2010 and \$1,825 in 2009.

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Within our non-crop segment, net sales were down by about 15% (\$23,466 v. \$27,444) compared to 2009. This decline was due mostly to lost sales of PCNB on turf uses; the SSURO was issued in August 2010, just before normal sales into that market. On the positive side, Naled sales (our mosquito adulticide) were up by about 13%; despite persistent dry conditions in the South West. Net sales of pest strips more than tripled over the prior year, in light of the market's recognition that the active ingredient, DDVP, is one of the only compounds effective against bedbugs. These gains, however, were offset in part by reduced sales of Orthene, which due to heavy pricing pressure from generic competitors, continues to carry lower margins and less emphasis in our sales plans.

Our cost of sales for 2010 was \$140,538 or 62% of net sales. This compared to \$148,903 or 72% of net sales for 2009. The decline in cost of sales as a percentage of net sales in 2010 arose primarily from three factors, first, in the fourth quarter of 2009, the Company recorded a one-time non-cash charge in the amount of \$13,509 relating to adjusting inventory values to net realizable value (impacting our crop segment cost of sales by \$10,853 and our non-crop segment cost of sales by \$2,656). There was no such charge in 2010. Second, plant capacity utilization improved in 2010 as compared to 2009; underutilization costs declined from approximately \$9,439 in 2009 to \$7,621 in 2010. Third, the mix of products sold in 2010 included a greater emphasis on higher-margin SKU's, a reduction in sales of products that are subject to pricing pressure from generic competition (e.g., Orthene and bifenthrin), and a drop in tolling activity for third parties, which also carries lower margins.

Gross profit ended at 86,321 or 38% of net sales in 2010 as compared to \$56,898 or 28% of net sales in 2009. This increase is due to the non-cash charge taken in the fourth quarter of 2009 and the other factors described in the immediately preceding paragraph.

Operating expenses in 2010 increased by \$3,903 to \$67,130 or 30% of sales as compared to \$63,227 or 31% in 2009. The differences in operating expenses by department are as follows:

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Selling.....	\$ 19,653	\$ 18,665	\$ 988
General and administrative.....	17,881	17,998	(117)
Research, product development and regulatory.....	12,635	11,142	1,493
Freight, delivery and warehousing .....	<u>16,961</u>	<u>15,422</u>	<u>1,539</u>
	<u>\$ 67,130</u>	<u>\$ 63,227</u>	<u>\$ 3,903</u>

- Selling expenses in 2010 increased by \$988 to end at \$19,653 as compared to \$18,665 for the same period of 2009. This increased cost included \$500 associated with possible product issues related to sales of PCNB in Canada. In addition, we incurred expenses associated with international sales as we boosted regional product stewardship activities.
- General and administrative expenses decreased by \$117 to end at \$17,881 in 2010 compared to \$17,998 in 2009. The decrease was primarily the result of expenses incurred in 2009 on a potential acquisition which the Company decided not to complete. These costs did not recur in 2010. Furthermore, legal expenses and bad debt expense decreased by \$118 and \$353 respectively. These reductions were offset by the increase in incentive compensation expense, resulting from the improved financial performance in 2010 and payroll expenses from additional headcount and a reinstatement of senior executives and board members voluntary compensation reductions that occurred in 2009.
- Research, product development costs and regulatory registration expenses increased by \$1,493 to \$12,635 for 2010, as compared to \$11,142 for the same period of 2009. The main driver was increased product defense costs relating to both recently acquired product lines and established product lines.
- Freight, delivery and warehousing costs for 2010 increased by \$1,539 to \$16,961 or 7% of sales as compared to \$15,422 or 7% of sales for the same period of 2009. The increased cost is primarily volume related. However, underlying this flat performance as a percentage, we experienced increased fuel surcharges offset by reduced logistics costs as we work to improve the efficiency of our supply chain.

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Interest expense including capitalized interest and interest income were \$3,017 in 2010 compared to \$3,209 in 2009. Interest costs are summarized in the following table:

Average Indebtedness and Interest expense	2010			2009		
	Average Debt	Interest Expense	Interest Rate	Average Debt	Interest Expense	Interest Rate
Term loan .....	\$ 44,000	\$2,474	5.6%	\$ 50,000	\$ 2,321	4.6%
Real estate.....	1,995	117	5.9%	2,101	122	5.8%
Working capital revolver.....	14,388	580	3.8%	39,104	810	2.1%
Average .....	<u>60,383</u>	<u>3,171</u>	<u>5.2%</u>	<u>91,205</u>	<u>3,253</u>	<u>3.6%</u>
Notes payable on product acquisitions and asset purchases ....	<u>1,767</u>	<u>—</u>	<u>—</u>	<u>3,175</u>	<u>—</u>	<u>—</u>
Other adjustments (capitalized interest & interest income).....	<u>—</u>	<u>(154)</u>	<u>—</u>	<u>—</u>	<u>(44)</u>	<u>—</u>
Adjusted average .....	<u>\$ 62,150</u>	<u>\$3,017</u>	<u>4.8%</u>	<u>\$ 94,380</u>	<u>\$ 3,209</u>	<u>3.4%</u>

The Company's average overall indebtedness for 2010 dropped by \$32,230 to end at \$62,150 as compared to \$94,380 for 2009. We reduced the revolver debt mainly as a result of continued focus on inventory control throughout the year. We have maintained a strong control on receivables and controlled our capital spending levels. We have paid out approximately 70% of our program liabilities in the final quarter of 2010. In 2009 these payments were predominantly deferred until the first quarter of 2010. In the final three weeks of the fiscal year we made substantial initial payments for product line acquisitions. As an offset, we implemented an early pay program with customers that generated approximately \$20,000 in cash, albeit for the most part against product sales in the final quarter of the year. Overall interest expense was lower in 2010 than in 2009, as we continued to make scheduled payments on our term loans and maintained tight control of our revolver take up. As can be seen from the table above, our effective interest rate was 4.8% in 2010 as compared to 3.4% in 2009. This was mainly as a result of the increased interest rates we have paid during the year following negotiating an extension to our credit facility in March of 2010.

Income tax expense for 2010 amounted to \$5,190 as compared to an income tax benefit of \$3,749 for 2009. The 2010 effective tax rate is at 32.1%, as compared to an effective rate of 39% for 2009. The decrease in the effective income tax rate is primarily due to the Domestic Manufacturing Deduction (section 199), federal and California R&D credits, change in future effective state income tax rate, recognition of previously unrecognized tax benefits, and the benefit related to stock options.

Net income ended at \$10,984 or \$.40 per diluted share in 2010 as compared to a net loss of \$5,789 or \$.21 per share in 2009.

### Liquidity and Capital Resources

The Company generated \$39,266 of cash in operating activities during the twelve months ended December 31, 2011 as compared to \$33,190 in the same period of the prior year. Net income of \$22,068, non-cash depreciation, amortization of intangibles, other assets and discounted future liabilities of \$16,900 (\$14,381 in the prior year) plus stock based compensation of \$1,994 provided a net cash inflow of \$40,962 as compared to \$26,487 for the same period of 2010.

As of December 31, 2011, our working capital has increased to \$99,440 as compared to \$69,046 as of December 31, 2010. This increase was mainly driven by the very strong final three months sales in the year which has increased receivables to end at \$68,611 as compared to \$33,833 at December 31, 2010.

Inventories ended the year at \$71,068 down \$2,986 as compared to the same period of the prior year. This is a reflection of the strong sales noted above and continued focus on managing our inventories. Our program accruals have ended higher than at the end of the prior year despite having paid out 100% of our crop liabilities that were due and payable in the last month of the year. This compares with paying out approximately 70% in the same period of the prior year. During the 2011 growing season we continued to expand the scope of our programs covering more product lines (including newly acquired lines) in order to maintain our competitive position relative to the market. As a result, accrued program costs are up \$8,934 at December 31, 2011, as compared to December 31, 2010.

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The Company used \$6,577 in investing activities in the twelve months to December 31, 2011 as compared to \$40,681 in the same period of 2010. This year we have spent \$6,261 on fixed assets and \$316 on intangible assets. The Company continues to focus on controlling capital spending and this year we have continued to invest in the infrastructure that supports the growth of sales. This includes equipping our Axis facility to manufacture some of the product lines we purchased in 2010.

Our financing activities provided net cash of \$2,308 in 2011 as compared to \$8,128 in 2010. At the start of the year we completed an amended and restated credit agreement with our lender group. 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 \$4,700 in 2010. The Company made all scheduled payments on the its credit facility, other principal payments in long term debt and other long term liabilities in the amount of \$8,830 as compared to \$8,107 for the same period of the prior year. The Company received \$580 from the exercise of stock options and the sales of common stock under its ESPP plan as compared to \$768 for the same period of last year. Finally, the Company made dividend payments in the amount of \$2,205 during the twelve months to December 31, 2011 as compared to \$819 in 2010.

This strong cash performance has resulted in the Company being able to report a cash balance at December 31, 2011 of \$35,085 as compared to \$1,158 at December 31, 2010.

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

Indebtedness \$000's	At December 31, 2011			At December 31, 2010		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Term loan .....	\$ 46,000	\$ 8,000	\$ 54,000	\$ 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 purchases.....	5,917	6,460	12,377	12,473	425	12,898
Total indebtedness.....	<u>\$ 51,917</u>	<u>\$ 14,460</u>	<u>\$ 66,377</u>	<u>\$ 53,710</u>	<u>\$ 8,429</u>	<u>\$ 62,139</u>

On January 10, 2011, AMVAC, one of our subsidiaries, as borrower, and affiliates (including registrant), as guarantors, entered into an Amended and Restated Credit Agreement (the "New Credit Agreement") with a group of commercial lenders led by Bank of the West (AMVAC's primary bank) as agent, swing line lender and letter of credit issuer. The New Credit Agreement supersedes the First Amendment to Credit Agreement ("First Amendment") dated as of March 5, 2010 and more fully described in the Company's Form 8-K filed on March 8, 2010. The New Credit Agreement is a \$137,000 senior secured lending facility consisting of a revolving line of credit of \$75,000 and term loan commitments of \$62,000. Also included in the facility is an additional accordion feature for up to \$50,000. In connection with retiring the entire outstanding balance of the term loans and revolving credit facility (plus accrued interest) of the First Amendment upon termination thereof, on January 10, 2011, AMVAC borrowed \$62,000 under the New Credit Facility consisting of \$62,000 in term loans. These loans bear interest at a variable rate of interest based on LIBOR and the Eurodollar Reserve of the Federal Reserve ("Eurodollar Rate Loan"), or, at AMVAC's option, a variable rate of interest based upon the prime rate, the Federal Funds rate, and LIBOR ("Alternative Base Rate Loan"). The principal payments of the term loans are payable (a) in equal quarterly installments on or before the last business day of each March, June, September and December (i) through 2012 in the amount of \$2,000, and (ii) thereafter through December 2015 in the amount of \$2,500, and (b) the remainder, if any, not later than January 10, 2016. Interest accruing on the Eurodollar Rate Loans is payable on the last day of the interest period, which may be one, three or six months, as per borrower's election. Interest accruing on the Alternate Base Rate Loans is payable monthly, in arrears, on the last day of the month and on the maturity date of any such loan in the amount of interest then accrued but unpaid. Both the senior secured revolving line of credit and the term loans mature on January 10, 2016.

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 December 31, 2011 total indebtedness was \$66,377 as compared to \$62,139 at December 31, 2010. At December 31, 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 new credit facility agreement.

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

The Company's main bank is Bank of the West, a wholly-owned subsidiary of the French bank, BNP Paribas. Bank of the West has been the Company's bank for more than 30 years. Bank of the West is the syndication manager for the Company's loans and acts as the counterparty on the Company's derivative transactions. The Company reviews the creditworthiness of its banks on a quarterly basis via both credit agencies and face-to-face meetings with senior management of the banks. Management believes that the Company has an excellent working relationship with Bank of the West and the other financial institutions in the Company's lender group.

#### **Recently Issued Accounting Guidance**

In December 2011, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. In response to concerns raised by stakeholders that reclassifications of items out of accumulated other comprehensive income would be difficult for preparers and may add unnecessary complexity to financial statements, they asked the Board to defer the effective date. The other 2 items presented in FASB issued ASU NO. 2011-05 is still applicable pertaining to (1) eliminate the option to present components of other comprehensive income ("OCI") as part of the statement of changes in stockholders' equity, and (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. The amendments made by ASU No. 2011-12 are effective for fiscal years (and interim periods within such years) *beginning* after December 15, 2011. AVD will adopt this guidance when applicable.

In December 2011, FASB issued ASU No. 2011-11, *Balance Sheet*. In response to the requests from financial users for comparability on the differences that resulted in offsetting assets and liabilities under U.S. generally accepted accounting principles (U.S. GAAP) requirements versus International Financial Reporting Standards ("IFRS") requirements, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board, ("IASB") jointly issued this update to enhance current disclosures. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. The amendments in this Update affect all entities that have financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement. The requirements amend the disclosure requirements on offsetting in Section 210-20-50. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. AVD is evaluating the effect of this guidance but does not expect it to have a significant impact on its financial statements.

In June 2011, 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. AVD will adopt this guidance 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. AVD is currently evaluating the impact of adopting the new guidance, but currently believes there will be no significant impact on its consolidated financial statements.

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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. AVD will adopt this guidance when applicable.

### **Foreign Exchange**

Management does not believe that the fluctuation in the value of the dollar in relation to the currencies of its customers in the last three fiscal years has adversely affected the Company’s ability to sell products at agreed upon prices denominated in U.S. dollars. No assurance can be given, however, that adverse currency exchange rate fluctuations will not occur in the future. Should adverse currency exchange rate fluctuations occur in geographies where the Company sells/exports its products, management is not certain such fluctuations will or will not materially impact the Company’s operating results.

### **Inflation**

Management believes inflation has not had a significant impact on the Company’s operations during the past three years. However, raw material prices have been increasing since late 4<sup>th</sup> Quarter 2010 and are expected to continue to increase during 2012 and beyond due to the growth in global economies, particularly in China and India. This growth will put further pressure on supply demands of raw materials and will cause continual inflationary pressures to throughout 2012 and 2013.

### **CRITICAL ACCOUNTING POLICIES**

Certain of the Company’s policies require the application of judgment by management in selecting the appropriate assumptions for calculating financial estimates. These judgments are based on historical experience, terms of existing contracts, commonly accepted industry practices and other assumptions that the Company believes are reasonable under the circumstances. These estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results may differ from these estimates under different assumptions or conditions.

The Company’s critical accounting policies and estimates include:

**Revenue Recognition and Allowance for Doubtful Accounts**—Revenue from sales is recognized at the time title and the risks of ownership pass. This is when the customer has made the fixed commitment to purchase the goods, the products are shipped per the customer’s instructions, the sales price is fixed and determinable, and collection is reasonably assured. The Company has in place procedures to ensure that revenue is recognized when earned. The procedures are subject to management’s review and from time to time certain sales are excluded until it is clear that the title has passed and there is no further recourse to the Company. Allowance for doubtful accounts is estimated based on estimates of losses related to customer receivable balances. Estimates are developed using standard quantitative measures based on historical losses, adjusted for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss.

**Accrued Program Costs**—In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 605, the Company classifies certain payments to its customers as a reduction of sales revenues. The Company describes these payments as “Programs”. Programs are a critical part of doing business in the agricultural chemicals business place. For accounting purposes, programs are recorded as a reduction in gross sales and include market pricing adjustments, volume take up or other key performance indicator driven payments made to distributors or retailers at the end of a growing season. Each quarter management compares each sale transaction with published programs to determine what program liability has been incurred. Once this initial calculation is made for the specific quarter, sales and marketing management along with executive and financial management review the accumulated program balance and make assessments of whether or not customers are tracking in a manner that indicates that they will meet the requirements set out in the terms and conditions attached to each program. If management believes that customers are falling short of their annual goals then periodic adjustments will be made to the accumulated accrual to properly reflect the Company’s best estimate of the liability at the balance sheet date. The majority of adjustments are made at the end of the crop season at which time customer performance can be fully assessed. Programs are paid out predominantly on an annual basis, usually in the final quarter of the financial year or the first quarter of the following year.

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**Long-lived Asset**—The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Measurement of the impairment loss is based on the fair value of the asset. Management considers the carrying value of long-lived assets to be reasonable. Generally, the fair value will be determined using valuation techniques such as the present value of expected future cash flows.

**Property, Plant and Equipment and Depreciation**—Property, plant and equipment includes the cost of land, buildings, machinery and equipment, office furniture and fixtures, automobiles, construction projects and significant improvements to existing plant and equipment. Interest costs related to significant construction projects are capitalized at the Company's current weighted average effective interest rate. Expenditures for minor repairs and maintenance are expensed as incurred. When property or equipment is sold or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts and the gain or loss realized on disposition is reflected in earnings. All plant and equipment is depreciated using the straight-line method, utilizing the estimated useful property lives. Building lives range from 10 to 30 years; machinery and equipment lives range from 3 to 15 years; office furniture and fixture lives range from 3 to 10 years; automobile lives range from 3 to 6 years; construction projects and significant improvements to existing plant and equipment lives range from 3 to 15 years when placed in service. The agricultural chemicals business involves complex manufacturing processes that drive high capital cost plant.

**Foreign Currency Translation**—Assets and liabilities of foreign subsidiaries, where the local currency is the functional currency, have been translated at period end exchange rates and profit and loss accounts have been translated using weighted average yearly exchange rates. Adjustments resulting from translation have been recorded in the equity section of the balance sheet as cumulative translation adjustments in other comprehensive income (loss). The effect of foreign currency exchange gains and losses on transactions that are denominated in currencies other than the entity's functional currency are remeasured to the functional currency using the end of the period exchange rates. The effects of remeasurement related to foreign currency transactions are included in current profit and loss accounts.

**Derivative financial instruments and hedge activities**— In accordance with FASB ASC 815, the Company recognizes all derivative instruments as either other assets or other liabilities at fair market value on the balance sheet. In accordance with the hierarchy contained in FASB ASC 820, *Fair Value Measurements*, the Company calculated fair value using observable inputs other than Level 1 quoted prices (Level 2). During 2011, the Company entered into two Euro exchange forward contract in the amounts of €4,500 each for Euro-denominated liabilities that are to be settled in January 2012 and January 2013. These transactions are accounted for in accordance with the ASC 815, as non-designated hedges. The fair value is being recorded in the Balance Sheet, with the change in value recorded in earnings, and generally offset by the gains and losses associated with the underlying foreign-currency-denominated balances, which are also reported in earnings. The Company did enter into one foreign currency hedge during 2010 and was settled in 2010. At December 31, 2010, the Company had no hedges in place related to foreign currency exposure.

At December 31, 2011, the Company had in place one interest rate swap contract with a notional amount of \$45,000 that is accounted for under FASB ASC 815 as a cash flow hedge. The effective portion of the gains or losses on the interest rate swap are 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. Amounts in other comprehensive income expected to be reclassified to earnings in the coming 12 months are \$(622). Amounts recorded in earnings for hedge ineffectiveness for the period ending December 2011 were immaterial. As of December 31, 2010, the Company had one perfectly effective interest rate swap contract outstanding that was settled in 2011.

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The following tables illustrate the impact of derivatives on the Company's income statement for the year ended December 31, 2011.

**The Effect of Derivative Instruments on the Statement of Financial Performance  
For the Period Ended December 31**

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	2011	2010		2011	2010		2011	2010
Interest rate contracts .....	\$ (2,005)	\$ (86)	Interest Expense	\$ (571)	\$ (1,180)	Interest Expense	\$ (1)	\$ —
Foreign Exchange contracts .....	—	(210)	Cost of Sales	—	(210)		—	—
<b>Total .....</b>	<b>\$ (2,005)</b>	<b>\$ (296)</b>		<b>\$ (571)</b>	<b>\$ (1,390)</b>		<b>\$ (1)</b>	<b>\$ —</b>

Derivatives Not Designated as Hedging Instruments under ASC 815	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		2011	2010
Foreign Exchange contracts .....	Other income/(expense)	\$ (399)	\$ —
<b>Total .....</b>		<b>\$ (399)</b>	<b>\$ —</b>

**Goodwill and Other Intangible Assets**—The primary identifiable intangible assets of the Company relate to product rights associated with its product acquisitions. The Company adopted the provisions of FASB ASC 320. Under the provisions of FASB ASC 320, identifiable intangibles with finite lives are amortized and those with indefinite lives are not amortized. The estimated useful life of an identifiable intangible asset to the Company is based upon a number of factors including the effects of demand, competition, and expected changes in the marketability of the Company's products. The Company re-evaluates whether these intangible assets are impaired on an annual basis, relying on a number of factors including operating results, business plans and future cash flows. Identifiable intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used to evaluate elements of property. The impairment test for identifiable intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss, if any, is recognized for the amount by which the carrying value exceeds the fair value of the asset. Fair value is typically estimated using a discounted cash flow analysis, which requires the Company to estimate the future cash flows anticipated to be generated by the particular asset(s) being tested for impairment as well as selecting a discount rate to measure the present value of the anticipated cash flows. When determining future cash flow estimates, the Company considers historical results adjusted to reflect current and anticipated operating conditions. Estimating future cash flows requires significant judgment by the Company, in such areas as: future economic conditions, industry-specific conditions, product pricing and necessary capital expenditures. The use of different assumptions or estimates for future cash flows could produce different impairment amounts (or none at all) for long-lived assets, goodwill and identifiable intangible assets. The Company has performed an impairment review for the year ending December 2011 and there were no impairment losses recorded.

**Fair Value of Financial Instruments**—The carrying values of cash, receivables and accounts payable approximate their fair values because of the short maturity of these instruments. The fair value of the Company's long-term debt and note payable to bank is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. Such fair value approximates the respective carrying values of the Company's long-term debt and note payable to bank.

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The Company's cash flow hedge related to a variable debt instrument and outstanding foreign currency derivatives used to hedge foreign currency balances are measured at fair value on a recurring basis, and the balances as of December 31, 2011 and 2010 (which are included in other assets, net and accrued and other liabilities in the consolidated balance sheets) were as follows:

	Fair Value Measurements Using Input Type		
	Level 1	Level 2	Level 3
<b>As of December 31, 2011:</b>			
Liability:			
Foreign currency derivative financial instrument....	\$ —	\$ 399	\$ —
Interest rate derivative financial instruments (1) .....	\$ —	\$1,453	\$ —
<b>As of December 31, 2010:</b>			
Liability:			
Interest rate derivative financial instruments (1) .....	\$ —	\$ 20	\$ —

(1) Includes accrued interest expense

The valuation techniques used to measure the fair value of the derivative financial instruments above in which the counterparties have high credit ratings, were derived from pricing models, such as discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data. The Company's discounted cash flow techniques use observable market inputs, such as LIBOR-based yield curves and foreign currency forward rates.

**ITEM 7A 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. 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 new 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 (originally the term loan was \$62,000) at any given time.

The Company conducts business in various foreign currencies, primarily in Europe, Mexico, Central and South America. 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. A 10% change in the value of all foreign currencies would have an immaterial effect on the Company's financial position and cash flows. As part of an on-going process of assessing business risk, management has identified risk factors which are disclosed in Item 1A. Risk Factors of this Report.

**ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The Financial Statements and Supplementary Data required by this item are listed at PART IV, Item 15, Exhibits, Financial Statement Schedules.

**ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

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**ITEM 9A CONTROLS AND PROCEDURES**

***Disclosure Controls and Procedures***

As of December 31, 2011, management, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures are effective in ensuring that the information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported on a timely basis, and (ii) accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

***Management's Report on Internal Control over Financial Reporting***

Management of the Company is responsible for the establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934 for AVD and its subsidiaries ("the Company"). The Company's internal control system over financial reporting is designed to provide reasonable assurance to management and the Board of Directors as to the fair, reliable and timely preparation and presentation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America filed with the SEC.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even processes determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management conducted an evaluation of the Company's internal controls over financial reporting based on a framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework*. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the effectiveness of controls and a conclusion on the evaluation. Based on this evaluation, management believes that as of December 31, 2011, the Company's internal control over financial reporting is effective.

BDO USA, LLP, the independent registered public accounting firm that audited the consolidated financial statements included in the Annual Report on Form 10-K, was engaged to attest to and report on the effectiveness of the American Vanguard's internal control over financial reporting as of December 31, 2011. Its report is included herein.

***Changes in Internal Controls over Financial Reporting***

There were no changes in internal controls over financial reporting during the quarter ended and year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders  
American Vanguard Corporation  
Newport Beach, California

We have audited American Vanguard Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). American Vanguard Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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.

In our opinion, American Vanguard Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of American Vanguard Corporation as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2011 and our report dated March 9, 2012 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Los Angeles, California  
March 9, 2012

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**ITEM 9B OTHER INFORMATION**

None.

**PART III**

**ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information set forth under the captions “Executive Officers of the Registrant,” “Election of Directors,” “Information About the Board of Directors and Committees of the Board” and “Transactions with Management and Others—Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive proxy statement for our Annual Meeting of Stockholders to be held in 2012 (the “Proxy Statement”), which will be filed with the SEC within 120 days of the end of our fiscal year ended December 31, 2011, is incorporated herein by reference.

**ITEM 11 EXECUTIVE COMPENSATION**

Except specifically provided, the information set forth under the captions “Compensation of Executive Officers” and “Information About the Board of Directors and Committees of the Board—Compensation of Directors” in the Proxy Statement is incorporated herein by reference.

**ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The disclosure contained in Part II, Item 5 under “Equity Compensation Plan Information” is incorporated herein by reference. Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement.

**ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information set forth under the captions “Transactions with Management and Others” and “Information About the Board of Directors and Committees of the Board” in the Proxy Statement is incorporated herein by reference.

**ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information regarding principal accountant fees and services is incorporated by reference to the information set forth under the caption “Ratification of the Selection of Independent Registered Public Accounting Firm—Relationship of the Company with Independent Registered Public Accounting Firm” in the Proxy Statement.

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**REPORT OF THE AUDIT COMMITTEE**

The responsibilities of the Audit Committee, which are set forth in the Audit Committee Charter, include providing oversight to the Company's financial reporting process through periodic meetings with the Company's independent registered public accounting firm and management to review accounting, auditing, internal controls and financial reporting matters. The management of the Company is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on the Company's senior management, including senior financial management, and its independent auditors.

We have reviewed and discussed with senior management the Company's audited financial statements included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission. Management has confirmed to us that such financial statements (i) have been prepared with integrity and objectivity and are the responsibility of management and (ii) have been prepared in conformity with generally accepted accounting principles.

We have discussed with BDO USA, LLP, the Company's independent registered public accounting firm, the matters required to be discussed by ASC 380 (Communications with Audit Committee). ASC 380 requires our independent auditors to provide us with additional information regarding the scope and results of their audit of the Company's financial statements, including with respect to (i) their responsibility under generally accepted auditing standards, (ii) significant accounting policies, (iii) management judgments and estimates, (iv) any significant audit adjustments, (v) any disagreements with management, and (vi) any difficulties encountered in performing the audit.

We have received from BDO USA, LLP, a letter providing the disclosures required by Independence Standards Board Standard No. 1. (Independence Discussions with Audit Committees) with respect to any relationships between BDO USA, LLP and the Company that in their professional judgment may reasonably be thought to bear on independence. BDO USA, LLP has discussed its independence with us, and has confirmed in such letter that, in its professional judgment, it is independent of the Company within the meaning of the federal securities laws.

Based on the review and discussions described above with respect to the Company's audited financial statements, we have recommended to the Board of Directors that such financial statements be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

As specified in the Audit Committee Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. That is the responsibility of management and the Company's independent auditors. In addition, it is not the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors, or to assure compliance with laws and regulations and the Company's Code of Conduct and Ethics. In giving our recommendation to the Board of Directors, we have relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles, and (ii) the report of the Company's independent registered public accounting firm with respect to such financial statements.

**AUDIT COMMITTEE**

Irving J. Thau, Chair  
Carl R. Soderlind  
Lawrence S. Clark  
Alfred Ingulli

March 9, 2012

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**PART IV**

**ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this report:

Index to Consolidated Financial Statements and Supplementary Data:

<u>Description</u>	<u>Page No.</u>
Financial Statements:	
Report of Independent Registered Public Accounting Firm.....	36
Consolidated Balance Sheets as of December 31, 2011 and 2010 .....	37
Consolidated Statements of Operations for the Years Ended December 31, 2011, 2010, and 2009 .....	38
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for the Years Ended December 31, 2011, 2010 and 2009 .....	39
Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010, and 2009 .....	40
Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.....	42

(b) Exhibits:

The exhibits listed on the accompanying Index To Exhibits, page 101 are filed as part of this annual report.

(c) Valuation and qualifying accounts:

**Schedule II-A—Valuation and Qualifying Accounts**

**Allowance for Doubtful Accounts Receivable (in thousands)**

<u>Fiscal Year Ended</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to</u>			<u>Deductions</u>	<u>Balance at End of Period</u>
		<u>Costs and Expenses</u>	<u>Other</u>			
December 31, 2011 .....	\$ 447	—	\$ (107)	—	—	\$ 340
December 31, 2010 .....	\$ 636	—	\$ (189)	—	—	\$ 447
December 31, 2009 .....	\$ 472	\$ 164	—	—	—	\$ 636



**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders  
American Vanguard Corporation  
Newport Beach, California

We have audited the accompanying consolidated balance sheets of American Vanguard Corporation as of December 31, 2011 and 2010 and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. In connection with our audits of the financial statements, we have also audited the financial statement schedule listed in the accompanying index under Item 15(c). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Vanguard Corporation at December 31, 2011 and 2010, and the results of its operations and cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), American Vanguard Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 9, 2012 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Los Angeles, California  
March 9, 2012

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS  
December 31, 2011 and 2010  
(Dollars in thousands, except per share data)**

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Current assets:		
Cash .....	\$ 35,085	\$ 1,158
Receivables:		
Trade, net of allowance for doubtful accounts of \$340 and \$447, respectively .....	68,611	33,833
Other .....	1,187	263
	69,798	34,096
Inventories .....	71,068	74,054
Prepaid expenses .....	2,311	2,591
Income taxes receivable .....	203	6,715
Total current assets .....	178,465	118,614
Property, plant and equipment, net .....	39,273	40,541
Intangible assets, net .....	116,189	115,249
Other assets .....	5,214	5,775
	\$339,141	\$280,179
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current installments of long-term debt .....	\$ 14,460	\$ 8,429
Current installments of other liabilities .....	1,038	—
Accounts payable .....	23,214	13,961
Deferred revenue .....	7,571	5,568
Accrued program costs .....	25,910	16,976
Accrued expenses and other payables .....	6,832	4,634
Total current liabilities .....	79,025	49,568
Long-term debt, excluding current installments .....	51,917	53,710
Other liabilities, excluding current installments .....	5,955	3
Deferred income taxes .....	15,172	10,461
Total liabilities .....	152,069	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 29,845,047 shares in 2011 and 29,735,928 shares in 2010 .....	2,985	2,974
Additional paid-in capital .....	45,966	43,403
Accumulated other comprehensive loss .....	(2,250)	(448)
Retained earnings .....	143,524	123,661
	190,225	169,590
Less treasury stock at cost, 2,260,996 shares in both 2011 and 2010 .....	(3,153)	(3,153)
Total stockholders' equity .....	187,072	166,437
	\$339,141	\$280,179

See summary of significant accounting policies and notes to consolidated financial statements.

**AMERICAN VANGUARD CORPORATION  
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**CONSOLIDATED STATEMENTS OF OPERATIONS**  
Years ended December 31, 2011, 2010 and 2009  
(Dollars in thousands, except per share data)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net sales .....	\$304,429	\$226,859	\$205,801
Cost of sales .....	181,361	140,538	148,903
Gross profit .....	123,068	86,321	56,898
Operating expenses .....	83,842	67,130	63,227
Operating income (loss).....	39,226	19,191	(6,329)
Interest expense .....	3,569	3,171	3,253
Interest income .....	(3)	—	—
Interest capitalized.....	(109)	(154)	(44)
Extinguishment of Debt.....	546	—	—
Income (loss) before provision for income taxes .....	35,223	16,174	(9,538)
Income taxes expense (benefit) .....	13,155	5,190	(3,749)
Net income (loss).....	<u>\$ 22,068</u>	<u>\$ 10,984</u>	<u>\$ (5,789)</u>
Earnings (loss) per common share—basic .....	<u>\$ 0.80</u>	<u>\$ 0.40</u>	<u>\$ (0.21)</u>
Earnings (loss) per common share—assuming dilution .....	<u>\$ 0.79</u>	<u>\$ 0.40</u>	<u>\$ (0.21)</u>
Weighted average shares outstanding—basic .....	<u>27,559</u>	<u>27,385</u>	<u>27,120</u>
Weighted average shares outstanding—assuming dilution .....	<u>27,875</u>	<u>27,652</u>	<u>27,120</u>

See summary of significant accounting policies and notes to consolidated financial statements.

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)**

**Years ended December 31, 2011, 2010 and 2009  
(Dollars in thousands, except per share data)**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Comprehensive Income/(loss)	Treasury Stock		Total
	Shares	Amount					Shares	Amount	
<b>Balance, December 31, 2008</b> .....	29,209,863	\$ 2,920	\$ 38,873	\$ 120,896	\$ (3,593)	—	2,260,996	\$ (3,153)	\$ 155,943
Stocks issued under ESPP .....	48,492	5	496	—	—	—	—	—	501
Cash dividends on common stock (\$0.06 per share).....	—	—	—	(1,611)	—	—	—	—	(1,611)
Foreign currency translation adjustment, net .....	—	—	—	—	441	441	—	—	441
Unrealized loss on currency forward cover contracts ...	—	—	—	—	539	539	—	—	539
Stock based compensation .....	—	—	1,223	—	—	—	—	—	1,223
Changes in fair value of interest swap .....	—	—	—	—	870	870	—	—	870
Stock options exercised and grants of restricted stock units.....	317,207	33	937	—	—	—	—	—	970
Net loss .....	—	—	—	(5,789)	—	(5,789)	—	—	(5,789)
Total comprehensive loss .....	—	—	—	—	—	\$ (3,939)	—	—	—
<b>Balance, December 31, 2009</b> .....	29,575,562	2,958	41,529	113,496	(1,743)	—	2,260,996	(3,153)	153,087
Stocks issued under ESPP .....	60,047	6	480	—	—	—	—	—	486
Cash dividends on common stock (\$0.03 per share).....	—	—	—	(819)	—	—	—	—	(819)
Foreign currency translation adjustment, net .....	—	—	—	—	201	201	—	—	201
Stock based compensation .....	—	—	1,122	—	—	—	—	—	1,122
Changes in fair value of interest swap .....	—	—	—	—	1,094	1,094	—	—	1,094
Stock options exercised and grants of restricted stock units.....	100,319	10	272	—	—	—	—	—	282
Net Income .....	—	—	—	10,984	—	10,984	—	—	10,984
Total comprehensive loss .....	—	—	—	—	—	\$ 12,279	—	—	—
<b>Balance, December 31, 2010</b> .....	29,735,928	2,974	43,403	123,661	(448)	—	2,260,996	(3,153)	166,437
Stocks issued under ESPP .....	54,933	6	459	—	—	—	—	—	465
Cash dividends on common stock (\$0.08 per share).....	—	—	—	(2,205)	—	—	—	—	(2,205)
Foreign currency translation adjustment, net .....	—	—	—	—	(933)	(933)	—	—	(933)
Stock based compensation .....	—	—	1,994	—	—	—	—	—	1,994
Changes in fair value of interest swap .....	—	—	—	—	(869)	(869)	—	—	(869)
Stock options exercised and grants of restricted stock units.....	54,186	5	110	—	—	—	—	—	115
Net Income .....	—	—	—	22,068	—	22,068	—	—	22,068
Total comprehensive income.....	—	—	—	—	—	\$ 20,266	—	—	—
<b>Balance, December 31, 2011</b> .....	<u>29,845,047</u>	<u>\$ 2,985</u>	<u>\$ 45,966</u>	<u>\$ 143,524</u>	<u>\$ (2,250)</u>	<u>—</u>	<u>2,260,996</u>	<u>\$ (3,153)</u>	<u>\$ 187,072</u>

See summary of significant accounting policies and notes to consolidated financial statements

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended December 31, 2011, 2010 and 2009  
(Dollars in thousands, except per share data)**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Increase (decrease) in cash</b>			
Cash flows from operating activities:			
Net income (loss).....	\$ 22,068	\$ 10,984	\$ (5,789)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:.....			
Depreciation and amortization of fixed and intangible assets .....	13,546	11,123	10,804
Amortization of other long term assets.....	1,983	3,258	2,683
Amortization of discounted liabilities .....	1,371	—	—
Stock-based compensation .....	1,994	1,122	1,223
Increase(decrease) in deferred income taxes .....	4,711	5,342	(778)
Changes in assets and liabilities associated with operations: .....			
(Increase) decrease in net receivables .....	(35,021)	6,967	10,905
Decrease (increase) in inventories .....	2,986	(1,542)	18,114
Decrease (increase) in income tax receivable .....	6,512	(2,583)	(4,132)
(Increase) in prepaid expenses and other assets .....	(1,823)	(2,235)	(2,898)
Increase (decrease) in accounts payable.....	8,384	3,095	(2,828)
Increase in deferred revenue .....	2,003	5,568	—
Increase (decrease) in other payables and accrued expenses .....	10,552	(7,909)	4,647
Net cash provided by operating activities.....	39,266	33,190	31,951
Cash flows from investing activities:			
Capital expenditures .....	(6,261)	(8,004)	(4,322)
Acquisitions of intangible assets .....	(316)	(32,677)	—
Net cash used in investing activities.....	(6,577)	(40,681)	(4,322)
Cash flows from financing activities:			
Net (repayments) borrowings under line of credit agreement .....	(7,300)	4,700	(21,900)
Payments on long-term debt .....	(8,429)	(8,107)	(4,106)
Payment on other long-term liabilities .....	(401)	—	—
Increase (decrease) in other notes payable .....	20,063	11,586	(2,438)
Proceeds from the issuance of common stock.....	580	768	1,470
Payment of cash dividends .....	(2,205)	(819)	(1,611)
Net cash provided (used in) by financing activities .....	2,308	8,128	(28,585)
Net increase (decrease) in cash .....	34,997	637	(956)
Effect of exchange rate changes on cash.....	(1,070)	138	110
Cash at beginning of year.....	1,158	383	1,229
Cash at end of year.....	\$ 35,085	\$ 1,158	\$ 383
<b>Supplemental cash flow information:</b>			
Cash paid during the year for:			
Interest.....	\$ 2,055	\$ 3,661	\$ 3,279
Income taxes.....	\$ 6,359	\$ 2,205	\$ 3,361

See summary of significant accounting policies and notes to the consolidated financial statements

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**Supplemental schedule of non-cash investing and financing activities:**

During the first quarter of 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. During the last quarter of 2011, the Company completed the acquisition of product lines and recorded intangible assets in the amount of \$316.

During 2010, the Company completed the acquisition of product lines and recorded intangible assets in the amount of \$32,677 of which \$20,655 was paid during the period.

During 2009, the Company made payments in the amount of \$2,400 associated with product line acquisitions completed in 2007 and 2008.

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended December 31, 2011, 2010 and 2009**

**(Dollars in thousands, except per share data)**

**Description of Business, Basis of Consolidation and Significant Accounting Policies**

The Company is primarily a specialty chemical manufacturer that develops and markets safe and effective products for agricultural and commercial uses. The Company manufactures and formulates chemicals for crops, human and animal protection. The consolidated financial statements include the accounts of AVD and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company operates within a single operating segment.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net sales:			
Insecticides .....	\$ 137,460	\$ 84,500	\$ 72,059
Herbicides .....	90,782	86,780	79,826
Other .....	47,175	32,113	26,472
Total Crop .....	<u>275,417</u>	<u>203,393</u>	<u>178,357</u>
Non-Crop.....	29,012	23,466	27,444
	<u>\$ 304,429</u>	<u>\$ 226,859</u>	<u>205,801</u>
Gross profit:			
Crop.....	\$ 110,348	\$ 77,916	\$ 49,876
Non-crop.....	12,720	8,405	7,022
	<u>\$ 123,068</u>	<u>\$ 86,321</u>	<u>\$ 56,898</u>

The Company's subsidiary, GemChem, procures certain raw materials used in the Company's manufacturing operations and is also a distributor of various pharmaceutical and nutritional supplement products.

Due to elements inherent to the Company's business, such as differing and unpredictable weather patterns, crop growing cycles, changes in product mix of sales and ordering patterns that may vary in timing, measuring the Company's performance on a quarterly basis (gross profit margins on a quarterly basis may vary significantly) even when such comparisons are favorable, is not as good an indicator as full-year comparisons.

**Cost of Sales**—In addition to normal centers (i.e., direct labor, raw materials) of cost of sales, the Company includes such cost centers as Health and Safety, Environmental, Maintenance and Quality Control in cost of sales.

**Other Than Cost of Sales—Operating Expenses**—Operating expenses include such cost centers as Selling, General and Administrative, Research and Product Development, Regulatory/Registration, Freight, Delivery and Warehousing.

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Selling.....	\$ 23,318	\$ 19,653	\$ 3,665
General and administrative .....	21,429	17,881	3,548
Research, product development and regulatory .....	18,041	12,635	5,406
Freight, delivery and warehousing.....	21,054	16,961	4,093
	<u>\$ 83,842</u>	<u>\$ 67,130</u>	<u>\$ 16,712</u>

**Freight, Delivery and Warehousing Expense**—Freight, delivery and warehousing costs incurred by the Company are reported as operating expenses. All amounts billed to a customer in a sales transaction related to freight, delivery and warehousing are recorded as a reduction in operating expenses. Freight, delivery and warehousing costs were \$21,054 in 2011, \$16,961 in 2010 and \$15,422 in 2009.

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)  
(Dollars in thousands, except per share data)**

**Advertising Expense**—The Company expenses advertising costs in the period incurred. Advertising expenses, which include promotional costs, are recognized in operating costs (specifically in selling expenses) in the consolidated statements of operations and were \$2,095 in 2011, \$2,530 in 2010 and \$2,719 in 2009.

**Inventories**—The Company values its inventories at lower of cost or market. Cost is determined by the first-in, first-out (“FIFO”) method, including material, labor and factory overhead. The Company writes down and makes adjustments to its inventory carry values as a result of the effects of unutilized capacity, net realizable value assessments of slow moving and obsolete inventory and other annual adjustments to ensure that our standard costs continue to closely reflect manufacturing cost.

The components of inventories consist of the following:

	2011	2010
Finished products .....	\$ 61,023	\$ 67,316
Raw materials .....	10,045	6,738
	\$ 71,068	\$ 74,054

**Revenue Recognition and Allowance for Doubtful Accounts**—Revenue from sales is recognized at the time title and the risks of ownership pass. This is when the customer has made the fixed commitment to purchase the goods, the products are shipped per the customer’s instructions, the sales price is fixed and determinable, and collection is reasonably assured. The Company has in place procedures to ensure that revenue is recognized when earned. The procedures are subject to management’s review and from time to time certain sales are excluded until it is clear that the title has passed and there is no further recourse to the Company. Allowance for doubtful accounts is estimated based on estimates of losses related to customer receivable balances. Estimates are developed using standard quantitative measures based on historical losses, adjusted for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss.

**Accrued Program Costs**—In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 605, the Company classifies certain payments to its customers as a reduction of sales revenues. The Company describes these payments as “Programs”. Programs are a critical part of doing business in the agricultural chemicals business place. For accounting purposes, programs are recorded as a reduction in gross sales and include market pricing adjustments, volume take up or other key performance indicator driven payments made to distributors or retailers at the end of a growing season. Each quarter management compares each sale transaction with published programs to determine what program liability has been incurred. Once this initial calculation is made for the specific quarter, sales and marketing management along with executive and financial management review the accumulated program balance and make assessments of whether or not customers are tracking in a manner that indicates that they will meet the requirements set out in the terms and conditions attached to each program. If management believes that customers are falling short of their annual goals then periodic adjustments will be made to the accumulated accrual to properly reflect the Company’s best estimate of the liability at the balance sheet date. The majority of adjustments are made at the end of the crop season at which time customer performance can be fully assessed. Programs are paid out predominantly on an annual basis, usually in the final quarter of the financial year or the first quarter of the following year.

**Long-lived Assets**—The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Measurement of the impairment loss is based on the fair value of the asset. Management considers the carrying value of long-lived assets to be reasonable. Generally, the fair value will be determined using valuation techniques such as the present value of expected future cash flows.

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**Property, Plant and Equipment and Depreciation**—Property, plant and equipment includes the cost of land, buildings, machinery and equipment, office furniture and fixtures, automobiles, construction projects and significant improvements to existing plant and equipment. Interest costs related to significant construction projects are capitalized at the Company's weighted average cost of capital. Expenditures for maintenance and minor repairs are expensed as incurred. When property or equipment is sold or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts and the gain or loss realized on disposition is reflected in earnings. All plant and equipment is depreciated using the straight-line method, utilizing the estimated useful property lives. Building lives range from 10 to 30 years; machinery and equipment lives range from 3 to 15 years; office furniture and fixture lives range from 3 to 10 years; automobile lives range from 3 to 6 years; construction projects and significant improvements to existing plant and equipment lives range from 3 to 15 years when placed in service. The agricultural chemicals business involves complex manufacturing processes that drive high capital cost plant.

**Foreign Currency Translation**—Assets and liabilities of foreign subsidiaries, where the local currency is the functional currency, have been translated at period end exchange rates and profit and loss accounts have been translated using weighted average yearly exchange rates. Adjustments resulting from translation have been recorded in the equity section of the balance sheet as cumulative translation adjustments in other comprehensive income (loss). The effect of foreign currency exchange gains and losses on transactions that are denominated in currencies other than the entity's functional currency are remeasured to the functional currency using the end of the period exchange rates. The effects of remeasurement related to foreign currency transactions are included in current profit and loss accounts.

**Derivative financial instruments and hedge activities**— In accordance with FASB ASC 815 *Derivatives and Hedging*, the Company recognizes all derivative instruments as either other assets or other liabilities at fair market value on the balance sheet. In accordance with the hierarchy contained in FASB ASC 820, *Fair Value Measurements*, the Company calculated fair value using observable inputs other than Level 1 quoted prices (Level 2). During 2011, the Company entered into two Euro exchange forward contract in the amounts of €4,500 each for Euro-denominated liabilities that are to be settled in January 2012 and January 2013. These transactions are accounted for in accordance with the ASC 815, as non-designated hedges. The fair value is being recorded in the Balance Sheet, with the change in value recorded in earnings, and generally offset by the gains and losses associated with the underlying foreign-currency-denominated balances, which are also reported in earnings. The Company did enter into one foreign currency hedge during 2010 and was settled in 2010. At December 31, 2010, the Company had no hedges in place related to foreign currency exposure.

At December 31, 2011, the Company had in place one interest rate swap contract with a notional amount of \$45,000 that is accounted for under FASB ASC 815 as a cash flow hedge. The effective portion of the gains or losses on the interest rate swap are 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. Amounts in other comprehensive income expected to be reclassified to earnings in the coming 12 months are \$(622). Amounts recorded in earnings for hedge ineffectiveness for the period ending December 2011 were immaterial. As of December 31, 2010, the Company had one perfectly effective interest rate swap contract outstanding that was settled in 2011.

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**Goodwill and Other Intangible Assets**—The primary identifiable intangible assets of the Company relate to product rights associated with its product acquisitions. The Company adopted the provisions of FASB ASC 350. Under the provisions of FASB ASC 350, identifiable intangibles with finite lives are amortized and those with indefinite lives are not amortized. The estimated useful life of an identifiable intangible asset to the Company is based upon a number of factors including the effects of demand, competition, and expected changes in the marketability of the Company's products. The Company re-evaluates whether these intangible assets are impaired on an annual basis, relying on a number of factors including operating results, business plans and future cash flows. Identifiable intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used to evaluate elements of property. The impairment test for identifiable intangible assets not subject to amortization, consists of a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss, if any, is recognized for the amount by which the carrying value exceeds the fair value of the asset. Fair value is typically estimated using a discounted cash flow analysis, which requires the Company to estimate the future cash flows anticipated to be generated by the particular asset(s) being tested for impairment as well as selecting a discount rate to measure the present value of the anticipated cash flows. When determining future cash flow estimates, the Company considers historical results adjusted to reflect current and anticipated operating conditions. Estimating future cash flows requires significant judgment by the Company, in such areas as; future economic conditions, industry-specific conditions, product pricing and necessary capital expenditures. The use of different assumptions or estimates for future cash flows could produce different impairment amounts (or none at all) for long-lived assets, goodwill and identifiable intangible assets. The Company has performed an impairment review for the year ending December 2011 and there were no impairment losses recorded.

**Fair Value of Financial Instruments**—The carrying values of cash, receivables and accounts payable approximate their fair values because of the short maturity of these instruments. The fair value of the Company's long-term debt and note payable to bank is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. Such fair value approximates the respective carrying values of the Company's long-term debt and note payable to bank.

The Company measures fair value based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. These tiers include the following:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Observable prices that are based on inputs not quoted on active markets, but corroborated by market data. These inputs include quoted prices for similar assets or liabilities; quoted market prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as consider counterparty credit risk in the assessment of fair value.

	Fair Value Measurements Using Input Type		
	Level 1	Level 2	Level 3
<b>As of December 31, 2011:</b>			
Liability: .....			
Foreign currency derivative financial instrument ....	\$ —	\$ 399	\$ —
Interest rate derivative financial instruments (1).....	\$ —	\$1,453	\$ —
<b>As of December 31, 2010:</b>			
Liability: .....			
Interest rate derivative financial instruments (1).....	\$ —	\$ 20	\$ —

(1) Includes accrued interest expense.

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**Income Taxes**— The Company utilizes the liability method of accounting for income taxes as set forth in ASC 740. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In determining the need for valuation allowances, the Company considers projected future taxable income and the availability of tax planning strategies. If in the future the Company determines that it would not be able to realize its recorded deferred tax assets, an increase in the valuation allowance would be recorded, decreasing earnings in the period in which such determination is made.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon the Company's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

**Per Share Information**—FASB ASC 260, 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:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Numerator:			
Net (loss) income .....	\$22,068	\$10,984	\$ (5,789)
Denominator:			
Weighted average shares outstanding—basic ...	27,559	27,385	27,120
Assumed exercise of stock options—fully dilutive .....	316	267	—
	27,875	27,652	27,120

The assumed exercise of 1,145 stock options has been excluded from fully diluted earnings per share for the year ended December 31, 2009 because to do so would be anti-dilutive.

**Accounting Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses at the date that the financial statements are prepared. Actual results could differ from those estimates.

**Reclassifications** —Certain prior years amounts have been reclassified to conform to the current year's presentation.

**Stock-Based Compensation**—The Company accounts for stock-based awards to employees and directors using FASB ASC 718. When applying the provisions of FASB ASC 718, the Company also applies the provisions of Staff Accounting Bulletin ("SAB") No. 107 and SAB No. 110.

FASB ASC 718 requires companies to estimate the fair value of share-based payment awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's Consolidated Statement of Operations.

Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized is reduced for forfeitures as required by FASB ASC 718. Estimated forfeitures recognized in the Company's Consolidated Statement of Operations reduced compensation expense at December 31, 2011 by \$29. The Company estimates that 3.5 percent of all restricted stock grants that are currently vesting will be forfeited. The Company estimates that 2.0 percent of all stock option grants that are currently vesting will be forfeited.

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As of December 31, 2011, the Company had approximately \$1,837 of unamortized stock-based compensation expenses related to unvested options, which will be recognized over the weighted-average period of 2.0 years. As of December 31, 2011, the Company had approximately \$204 of unamortized stock-based compensation expenses related to unvested restricted stock, which will be recognized over the weighted-average period of 1.8 years. This projected expense will change if any stock options and restricted stock are granted or cancelled prior to the respective reporting periods or if there are any changes required to be made for estimated forfeitures.

The Company uses the Black-Scholes option-pricing model (“Black-Scholes model”) to value option grants using the following weighted average assumptions:

	<u>2011</u>	<u>2010</u>
Risk free interest rate .....	2.26%	2.70%
Dividend yield.....	0.05%	0.30%
Volatility factor .....	55.31%	54.00%
Weighted average life (years) .....	6.0 years	6.7 years

The weighted average grant-date fair values of options granted during 2011 and 2010 were \$6.62 and \$3.78, respectively. There were no option shares granted during 2009.

The expected volatility and expected life assumptions are highly complex and use subjective variables. The variables take into consideration, among other things, actual and projected employee stock option exercise behavior. The Company estimates expected term using the “safe harbor” provisions of SAB 107 and SAB 110. The Company used historical volatility as a proxy for estimating expected volatility.

The Company values restricted stock grants using the Company’s traded stock price on the date of grant. The weighted average grant-date fair values of restricted stock grants during 2011, 2010, and 2009 were \$12.30, \$7.59, and \$11.73, respectively.

**Recently Issued Accounting Guidance**

In December 2011, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. In response to concerns raised by stakeholders that reclassifications of items out of accumulated other comprehensive income would be difficult for preparers and may add unnecessary complexity to financial statements, they asked the Board to defer the effective date. The other 2 items presented in FASB issued ASU NO. 2011-05 is still applicable pertaining to (1) eliminate the option to present components of other comprehensive income (“OCI”) as part of the statement of changes in stockholders’ equity, and (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. The amendments made by ASU No. 2011-12 are effective for fiscal years (and interim periods within such years) *beginning* after December 15, 2011. AVD will adopt this guidance when applicable.

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In December 2011, FASB issued ASU No. 2011-11, *Balance Sheet*. In response to the requests from financial users for comparability on the differences that resulted in offsetting assets and liabilities under U.S. generally accepted accounting principles (U.S. GAAP) requirements versus International Financial Reporting Standards (“IFRS”) requirements, the Financial Accounting Standards Board (“FASB”) and the International Accounting Standards Board, (“IASB”) jointly issued this update to enhance current disclosures. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. The amendments in this Update affect all entities that have financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement. The requirements amend the disclosure requirements on offsetting in Section 210-20-50. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. AVD is evaluating the effect of this guidance but does not expect it to have a significant impact on its financial statements.

In June 2011, 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. AVD will adopt this guidance 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. AVD is currently evaluating the impact of adopting the new guidance, but currently believes there will be no significant impact on its consolidated financial statements.

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. AVD will adopt this guidance when applicable.

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**(1) Property, Plant and Equipment**

Property, plant and equipment at December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>	<u>Estimated useful lives</u>
Land.....	\$ 2,458	\$ 2,458	
Buildings and improvements .....	10,172	8,131	10 to 30 years
Machinery and equipment .....	83,158	77,140	3 to 15 years
Office furniture, fixtures and equipment.....	7,884	6,710	3 to 10 years
Automotive equipment .....	282	284	3 to 6 years
Construction in progress .....	<u>2,504</u>	<u>5,474</u>	
	106,458	100,197	
Less accumulated depreciation .....	<u>(67,185)</u>	<u>(59,656)</u>	
	<u>\$ 39,273</u>	<u>\$ 40,541</u>	

**(2) Long-Term Debt**

Long-term debt of the Company at December 31, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Note payable, secured by certain real property, (interest 5.75% as of December 31, 2010)(a).....	\$ —	\$ 1,941
Term loan, secured by personal property, payable in quarterly principal installments of \$2,000 plus interest (2.782% as of December 31, 2011) through December 31, 2012 and \$2,500 plus interest thereafter through December 31, 2015 with remaining unpaid principal due January 10, 2016(a) .....	54,000	40,000
Notes payable on product acquisitions and asset purchases(b).....	12,377	12,898
Revolving line of credit (interest rate of 5.75% at December 31, 2011)(a).....	<u>—</u>	<u>7,300</u>
	66,377	62,139
Less current installments.....	<u>14,460</u>	<u>8,429</u>
	<u>\$ 51,917</u>	<u>\$ 53,710</u>

Approximate principal payments on long-term debt mature as follows:

2012.....	\$ 14,460
2013.....	15,917
2014.....	10,000
2015.....	10,000
2016.....	16,000
	<u>\$ 66,377</u>

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- (a) On January 10, 2011, AMVAC, one of our subsidiaries, as borrower, and affiliates (including registrant), as guarantors, entered into an Amended and Restated Credit Agreement (the “New Credit Agreement”) with a group of commercial lenders led by Bank of the West (AMVAC’s primary bank) as agent, swing line lender and L/C issuer. The New Credit Agreement supersedes the First Amendment to Credit Agreement (“First Amendment”) dated as of March 5, 2010 and more fully described in the Company’s Form 8-K filed on March 8, 2010. The New Credit Agreement is a \$137,000 senior secured lending facility consisting of a revolving line of credit of \$75,000 and term loan commitments of \$62,000. Also included in the facility is an additional accordion feature for up to \$50,000. In connection with retiring the entire outstanding balance of the term loans and revolving credit facility (plus accrued interest) of the First Amendment upon termination thereof, on January 10, 2011, AMVAC borrowed approximately \$62,000 under the New Credit Facility consisting of approximately \$62,000 in term loans. These loans bear interest at a variable rate of interest based on LIBOR and the Eurodollar Reserve of the Federal Reserve (“Eurodollar Rate Loan”), or, at Amvac’s option, a variable rate of interest based upon the prime rate, the Federal Funds rate, and LIBOR (“Alternative Base Rate Loan”). The principal payments of the term loans are payable (a) in equal quarterly installments on or before the last business day of each March, June, September and December (i) through 2012 in the amount of \$2,000, and (ii) thereafter through December 2015 in the amount of \$2,500, and (b) the remainder, if any, not later than January 10, 2016. Interest accruing on the Eurodollar Rate Loans is payable on the last day of the interest period, which may be one, three or six months, as per borrower’s election. Interest accruing on the Alternate Base Rate Loans is payable monthly, in arrears, on the last day of the month and on the maturity date of any such loan in the amount of interest then accrued but unpaid. Both the senior secured revolving line of credit and the term loans mature on January 10, 2016.

The note payable, secured by certain real property reported above, was consolidated with the term debt into one term loan as part of the new credit facility agreement. The remaining unpaid principal was paid in January 2011.

- (b) Notes payable on product acquisitions and asset purchases, with one remaining payment of \$400 due in May of 2012; two equal payments of \$6,011 due on January 1, 2012 and 2013; term payments on an asset purchase in the total amount of \$51

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 December 31, 2011 total indebtedness is \$66,377 as compared to \$62,139 at December 31, 2010. At December 31, 2011, based on its performance against the most restrictive covenants listed above, the Company has the capacity to increase its borrowings by up to \$75,000 under the credit facility agreement.

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

The Company’s main bank is Bank of the West, a wholly-owned subsidiary of the French bank, BNP Paribas. Bank of the West has been the Company’s bank for more than 30 years. Bank of the West is the syndication manager for the Company’s loans and acts as the counterparty on the Company’s derivative transactions. The Company reviews the creditworthiness of its banks on a quarterly basis via both credit agencies and face-to-face meetings with senior management of the banks. Management believes that the Company has an excellent working relationship with Bank of the West and the other financial institutions in the Company’s lender group.

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

<u>Indebtedness</u> \$000's	December 31, 2011			December 31, 2010		
	<u>Long-term</u>	<u>Short-term</u>	<u>Total</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Total</u>
Term loan .....	\$ 46,000	\$ 8,000	\$ 54,000	\$ 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 purchases.....	5,917	6,460	12,377	12,473	425	12,898
Total indebtedness.....	<u>\$ 51,917</u>	<u>\$ 14,460</u>	<u>\$ 66,377</u>	<u>\$ 53,710</u>	<u>\$ 8,429</u>	<u>\$ 62,139</u>

The average amount outstanding of the senior secured revolving line of credit during the years ended December 31, 2011 and 2010 was \$1,990 and \$14,388. The weighted average interest rate on the revolving credit line during the years ended December 31, 2011 and 2010 was 4.0% and 3.8% respectively.

**(3) Income Taxes**

The components of income tax expense (benefit) are:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current:			
Federal .....	\$ 6,070	\$ (615)	\$(2,091)
State .....	1,275	61	(981)
Foreign.....	535	402	293
Deferred:			
Federal .....	4,691	4,389	(72)
State .....	584	953	(898)
	<u>\$13,155</u>	<u>\$5,190</u>	<u>\$(3,749)</u>

Total income tax expense (benefit) differed from the amounts computed by applying the U.S. Federal income tax rate of 35.0% to income before income tax expense as a result of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Computed tax expense (benefit) at statutory federal rates.....	\$12,328	\$5,660	\$(3,339)
Increase (decrease) in taxes resulting from:			
State taxes, net of federal income tax benefit.....	1,374	742	(431)
Domestic production deduction.....	(826)	(345)	—
Income tax credits .....	(343)	(315)	(616)
Other expenses .....	622	(552)	637
	<u>\$13,155</u>	<u>\$5,190</u>	<u>\$(3,749)</u>

The components of income (loss) before provision (benefit) for income taxes are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Domestic.....	\$ 33,399	\$ 14,811	\$(10,841)
Foreign.....	1,824	1,363	1,303
	<u>\$ 35,223</u>	<u>\$ 16,174</u>	<u>\$ (9,538)</u>

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Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to significant portions of the net deferred tax liability at December 31, 2011 and 2010 relate to the following:

	<u>2011</u>	<u>2010</u>
Current:		
Inventories .....	\$ 2,681	\$ 2,395
State income taxes .....	34	(387)
Vacation pay accrual .....	289	253
Accrued bonuses .....	1,445	730
Bad Debt.....	78	79
Prepaid expenses .....	(1,432)	(1,179)
Other.....	1,578	900
Fair Value Adjustment .....	<u>564</u>	<u>0</u>
Net deferred tax asset.....	<u>5,237</u>	<u>2,791</u>
Non-Current:		
Plant and equipment, principally due to differences in depreciation and capitalized interest.....	(20,653)	(13,518)
NOL Carry Forward .....	<u>244</u>	<u>266</u>
Net deferred tax liability .....	<u>(20,409)</u>	<u>(13,252)</u>
Total net deferred tax liability.....	<u>\$ (15,172)</u>	<u>\$ (10,461)</u>

The following is a rollforward of the Company's total gross unrecognized tax liabilities, not including interest and penalties, for the fiscal year ended December 31, 2011:

	<u>Gross Unrecognized Tax Liabilities</u>
Balance at December 31, 2010 .....	\$ 124
Additions for tax positions related to the current year .....	65
Additions for tax positions related to the prior year .....	<u>38</u>
Balance at December 31, 2011 .....	<u>\$ 227</u>

The Company recognizes accrued interest and penalties related to contingent tax liabilities in the provision for income taxes in the Company's consolidated financial statements. As of December 31, 2011, the Company had approximately \$10 in interest and penalties related to recognized tax benefits accrued.

It is expected the amount of unrecognized tax benefits will change within the next 12 months; however we do not expect the change to have a significant impact on our consolidated statements of income or consolidated balance sheet. These changes may be the result of settlement of ongoing audits. At this time, an estimate of the range of the reasonable possible outcomes cannot be made.

The Company believes it is more likely than not the deferred tax assets above will be realized in the normal course of business. Undistributed earnings of foreign subsidiaries are considered to be indefinitely reinvested and, accordingly, no provision for United States federal and state income taxes has been provided thereon. Upon distribution of earnings in the form of dividends or otherwise, the Company would be subject to both United States income taxes (subject to adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the unrecognized deferred United States income tax liability is not practical due to the complexities of a hypothetical calculation.

The Company has state net operating loss carry forwards of approximately \$4,069 which will begin expiring in 2032. The net operating loss carry forward is related to a state where the utilization of the net operating loss carryover is temporarily suspended under tax law.

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The Company is subject to U.S. federal income tax as well as to income tax in multiple state jurisdictions. Federal income tax returns of the Company are subject to IRS examination for the 2008 through 2010 tax years. State income tax returns are subject to examination for the 2007 through 2010 tax years.

The Company is currently under audit by the Internal Revenue Service for the year ended December 31, 2009. Federal tax adjustments are not estimatable at this time.

The Company's research and development credit is currently under audit by the California Franchise Tax Board for the years ended December 31, 2004 through December 31, 2006. The case has been accepted into the settlement program by the Franchise Tax Board's Settlement Bureau. Currently the Company believes that it has set up an adequate reserve on its claim for refund.

**(4) Litigation and Environmental**

**A. PCNB Matters**

In August 2010, the USEPA issued a Stop Sale, Use and Removal Order ("SSURO") relating to the Company's USEPA-registered pentachloronitrobenzene ("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 regarding the basis for EPA's SSURO, or iii) any forewarning that EPA planned to issue a SSURO. 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 2010 in which it sought emergency and permanent injunctive relief. Over the course of several months, the Company worked with USEPA's technical team to address purported deficiencies in the CSF. Then, on August 17, 2011, the Chief Justice of that court granted the Company's motion for summary judgment and vacated the SSURO on the ground that the signatory of the SSURO lacked the requisite authority to sign the order. Following the court's action, the Company continued working with USEPA both to revise the CSF and to consolidate product labels. On November 23, 2011, the USEPA approved registrations for the PCNB product line for all major commercial uses (including golf course, turf, certain potato uses, cotton, ornamental bulb and cole crops). Following issuance of the registrations, the Company sold a limited amount of PCNB into the turf market at the tail end of the season. The Company remains in discussion with the agency on expanding the label to include certain minor uses and as to the proper labeling and disposition of some existing stocks. Given USEPA's issuance of the registrations, the Company cannot conclude that a loss is probable or reasonably estimable and has not set up a loss contingency.

On or about April 6, 2010, the Pest Management Regulatory Agency ("PMRA") notified the Company of its intention to cancel the Canadian registration for 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. Notwithstanding the Company's objections, PMRA permitted certain registrations of PCNB to be cancelled as of December 31, 2010. The Company intends to seek a new registration for this product line in Canada; this process could take in excess of one year to complete. With respect to inventory in the Canadian channel, the Company will seek to have the goods returned and then to resell them. The value of these goods has been recorded at the appropriate net realizable value.

**B. DBCP Cases**

Over the course of the past 30 years, AMVAC and/or the Company have been named or otherwise implicated in a number of lawsuits concerning injuries allegedly arising from either contamination of water supplies or personal exposure to 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.

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At present, there are approximately 100 lawsuits, foreign and domestic, filed by former banana workers in which AMVAC has been named as a party. Fifteen of these suits have been filed in the United States (with prayers for unspecified damages) and the remainder have been filed in Nicaragua. Three of these domestic suits were brought by citizens of Nicaragua while the other domestic suits have been brought by citizens of other countries. These claims are all in various stages and allege injury from exposure to DBCP, including claims for sterility. Only two of the suits (*Suazo* and *Castillo*, indicated below) filed in Nicaragua have been served on AMVAC. It should be noted that Nicaraguan plaintiffs had not been able to obtain domestic enforcement of decisions rendered by Nicaraguan courts. The Eleventh Circuit recently upheld a U.S. District Court's refusal to enforce a \$97,000 Nicaraguan judgment rendered against certain US-based DBCP defendants finding, among other things, lack of international due process.

Over the course of 2009, two actions that had been filed in the Los Angeles County Superior Court (named *Mejia* and *Rivera*) involving claims for personal injury to Nicaraguan banana plantation workers allegedly arising from exposure to DBCP, were dismissed with prejudice by the court on its own motion with a finding of "fraud on the court" and "blatant extortion of the defendants." We believe that the court's findings in these cases has diminished the viability of the pending Nicaraguan cases generally. Further, we believe that *Mejia* and *Rivera* have had an effect upon other cases involving exposure to foreign residents, most notably the several cases alleging injury to 668 residents of the Ivory Coast (banana and pineapple plantation workers) which were dismissed in 2009 by the Los Angeles Superior Court without prejudice, as plaintiffs' counsel withdrew from the case and no one came forward to prosecute the action.

As described more fully below, of the cases that are still pending domestically in 2011, in Hawaii, *Patrickson, et. al. v. Dole Food Co., et. al* was dismissed and is on appeal, while *Adams* involves claims that pre-dated AMVAC's sales into the relevant market; and the state cases in Louisiana continue to lie dormant. However, during 2011, following the dismissal of various cases in 2009, there was a resurgence of activity by plaintiffs in i) state court in California, where approximately 2,444 plaintiffs from the Philippines filed an action (*Macasa*); ii) in federal district court in Louisiana, where an action has been filed by the Hendler law firm on behalf of 259 workers from Ecuador, Panama and Costa Rica (*Aguilar*), and iii) in state court in Delaware, where an individual from Costa Rica has brought an action (*Blanco*). In all of the newly-filed matters, some or all of the plaintiffs face challenges from applicable statutes of limitations; many of them were parties to prior lawsuits.

**California Matter**

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 1970's. It has been reported that approximately three quarters of the claimants were members of a banana workers' association that was a party to an action that had been brought in the Philippines in about 1998 and that other plaintiffs were members as of 2008. Defendants contend these plaintiffs' claims are barred by the statute of limitations. AMVAC answered the complaint on October 3, 2011. On February 9, 2012, plaintiffs filed a first amended complaint increasing the number of claimants to 2939 and stating, among other things, that plaintiffs had alleged identical claims against defendants in 1998. At this very early stage of the case, no discovery has taken place, it is unknown how many 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. The initial case management conference with the court took place on February 1, 2012 and an early step in the case is to determine the statute of limitations issue. AMVAC intends to defend this matter vigorously. At this early stage of the case, the Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for this matter.

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**Delaware Matter**

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. Plaintiff contends that the statute of limitations was tolled by a prior motion for class certification, which was denied. AMVAC also contends that the plaintiff could not have been exposed to any AMVAC DBCP in Costa Rica. The motion to dismiss, which has been joined by all defendants, is presently scheduled for a hearing on March 9, 2012. AMVAC intends to defend the matter vigorously. The Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for the matter.

**Hawaiian Matters**

*Patrickson, et. al. v. Dole Food Co., et. al*

In October 1997, AMVAC was served with a Complaint(s) in which it was named as a defendant, filed in the Circuit Court, First Circuit, State of Hawaii and in the Circuit Court of the Second Circuit, State of Hawaii (two identical suits) entitled *Patrickson, et. al. v. Dole Food Co., et. al* (“Patrickson Case”) alleging damages sustained from injuries caused by plaintiffs’ exposure to DBCP while applying the product in their native countries. Other named defendants include: Dole Food Co., Shell Oil Company, and Dow Chemical Company. The ten named plaintiffs are citizens of four countries—Guatemala, Costa Rica, Panama, and Ecuador. Punitive damages are sought against each defendant. The plaintiffs were banana workers and allege that they were exposed to DBCP in applying the product in their native countries. The case was also filed as a class action on behalf of other workers so exposed in these four countries. The plaintiffs allege sterility and other injuries.

After several years of law and motion activity, Dow filed a motion for summary adjudication as to the remaining plaintiffs based on the statute of limitations, as they had filed suit in Florida in 1995. All defendants joined in this motion. The court granted this motion on June 9, 2009. Plaintiffs’ counsel unsuccessfully argued that their claims were tolled by prior class action cases. On November 30, 2009, the court denied a motion for reconsideration. Judgment in favor of the defendants was entered on July 28, 2010. On August 24, 2010, the plaintiffs filed a notice of appeal, which is presently pending. In March 2011, Dow filed a brief in opposition to the appeal, arguing that plaintiffs are barred from this action by the applicable statute of limitations. The Company does not believe that a loss is either probable or reasonably estimable and, accordingly, has not set up a loss contingency for this matter.

*Adams v. Dole Food Co. et al*

On approximately November 23, 2007, AMVAC was served with a suit filed by two former Hawaiian pineapple workers and their spouses, alleging testicular cancer due to DBCP exposure: *Adams v. Dole Food Co. et al* in the First Circuit for the State of Hawaii. The complaint was filed on June 29, 2007 and names Dole Food Co., Standard Fruit and Steamship Company, Dole Fresh Food, Pineapple Growers Association, AMVAC, Shell Oil Co., Dow Chemical Co. and Occidental Corporation. Plaintiff Mark Adams alleges he was exposed to DBCP in 1974 and 1975 while working on Dole’s plantation on Oahu. Plaintiff Nelson Ng alleges he was exposed between 1971 and 1973 while working in Lanai City, Lanai. AMVAC answered the complaint on or about December 14, 2007. While little discovery has taken place, AMVAC denies that any of its product could have been used at the times and locations alleged by these plaintiffs. Dole Food Co. was dismissed on the basis of the exclusive remedy of worker’s compensation benefits as it was the employer of plaintiffs. However, plaintiffs have been granted relief to seek an interim appeal as to the dismissal of Dole, which appeal is pending. A stay has been placed on discovery other than to obtain written records. The Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for this matter.

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**Louisiana Matters (Federal)**

On June 1, 2011, seven separate actions were filed by the Hendler law firm in the United States District Court for the Eastern District of Louisiana on behalf of 259 individual plaintiffs (banana plantation workers from Ecuador, Panama and Costa Rica) against Dole Food Company, the Dow Chemical Company, Shell Oil Company, and AMVAC Chemical Corporation (to name a few) which, for purposes of convenience here, are encaptioned *Aguilar et al., v. Dole Food Company, Inc., et al* (U.S.D.C., E.D. of Louisiana No. CV-01305-CJB-SS). These matters allege personal injury (including sterility, cancer, skin disorders and other conditions) arising from alleged exposure to DBCP within the time period from 1960 through 1985 or later. A number of the plaintiffs appear to have been drawn from earlier DBCP litigation matters filed by the Hendler law firm, including, for example, the *Mendez* case that was dismissed from state court in Hawaii (see the Company's Form 10-Q for the period ended March 31, 2011) It is unknown how many of the plaintiffs have been exposed to AMVAC's product, what are the actual injuries if any and whether and what statutes of limitation may apply. AMVAC intends to defend these matters vigorously. With respect to these matters, the Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for these matters.

**Louisiana Matters (State)**

In November 1999, AMVAC was served with three complaints filed in the 29<sup>th</sup> Judicial District Court for the Parish of St. Charles, State of Louisiana; we have reported on these matters under the name of the lead case, *Eduardo Soriano, et al. v. AMVAC Chemical Corporation et al.* These matters allege personal injuries to about 314 persons (167 from Ecuador, 102 from Costa Rica, and 45 from Guatemala) from alleged exposure to DBCP. With the United States Supreme Court holding there was no federal court jurisdiction in the *Patrickson* case, the federal court judge remanded the cases to Louisiana state court in June 2003. In state court, the three cases were assigned to two different judges. On November 17, 2006, the state court separated the cases handled by attorney Scott Hendler from the cases being pursued only against the growers handled by different counsel. Subsequently, the cases against the growers were settled and all those actions were dismissed. The cases handled by Mr. Hendler were supposed to be placed in a new action, which was not done. After a hearing on January 29, 2008, the court ruled on February 8, 2008 that these plaintiffs could still proceed in the existing cases rather than in a new pleading. In mid-June 2011, some 12 years after filing the actions, plaintiffs have propounded written discovery against defendants. No other discovery has been made; hence, it is unknown how many (if any) of the plaintiffs have been exposed to AMVAC's product, what are the actual injuries if any and whether and what statutes of limitation may apply. AMVAC intends to defend these matters vigorously. With respect to these matters, the Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for this matter.

**Nicaraguan Matters**

In May 2005, two suits filed in Nicaragua in 2004 were received that name AMVAC, The Dow Chemical Company, Dole Food Co., Dole Fresh Fruit, and Standard Fruit Company. The two suits for personal injuries for sterility and reduced sperm counts have been filed on behalf of a total of 15 banana workers: *Flavio Apolinar Castillo et al. v. AMVAC Chemical Corporation et al.*, No. 535/04 and *Luis Cristobal Martinez Suazo et al. v. AMVAC Chemical Corporation et al.*, No. 679/04. In December 2005, AMVAC received six additional, similar lawsuits filed on behalf of a total of 30 plaintiffs. On January 25, 2006, AMVAC was served with the *Suazo* and *Castillo* suits, and in March 2006, counsel in Nicaragua filed objections to jurisdiction over AMVAC in these two cases. The court finally ruled on all the defendants' objections on March 20, 2007 by denying each objection to jurisdiction; this ruling has been appealed.

A review of court filings in Chinandega, Nicaragua, by local counsel has found 85 suits filed pursuant to Public Law 364 that name AMVAC and include approximately 3,592 plaintiffs. However, only two cases, *Castillo* and *Suazo*, have been served on AMVAC. All but one of the suits in Nicaragua have been filed pursuant to Special Law 364, an October 2000 Nicaraguan statute that contains substantive and procedural provisions that Nicaragua's Attorney General previously expressed as unconstitutional. Each of the Nicaraguan plaintiffs' claims \$1,000 in compensatory damages and \$5,000 in punitive damages. In all of these cases, AMVAC is a joint defendant with Dow Chemical and Dole Food Company, Inc.

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AMVAC contends that the Nicaragua courts do not have jurisdiction over it and that Public Law 364 violates international due process of law. AMVAC intends to contest personal jurisdiction and demand under Law 364 that the claims be litigated in the United States. Thus far, it appears that the Nicaraguan courts have denied all requests of other defendants under Law 364 that allow the defendants the option of consenting to jurisdiction in the United States. It is not presently known as to how many of these plaintiffs actually claim exposure to DBCP at the time AMVAC's product was allegedly used nor is there any verification of the claimed injuries. Based on the precedent of the earlier suits in Nicaragua, it would appear likely that the Nicaragua courts will, over the defendants' objections, enter multi-million dollar judgments for the plaintiffs and against all defendants in these cases.

However, to date, plaintiffs have not had success in enforcing Nicaraguan judgments against domestic companies before U.S. courts. One such judgment (not including the Company) was entered in August 2005 for \$97,000 for 150 plaintiffs against Dole Food and other entities. It has also been reported that on December 1, 2006, the Nicaraguan court rendered a judgment for \$802,000 against Dow Chemical Company, Shell, Occidental, and Standard Fruit Company for some 1200 plaintiffs. An enforcement action (entitled *Osorio*) against Dole and Dow for the \$97,000 judgment was filed in the U.S. District Court in Miami, Florida. In this enforcement action, on October 20, 2009, the federal court issued a lengthy decision refusing to enforce the judgment on the grounds that Law 364 violated due process of law and that the Nicaraguan courts were not impartial tribunals. The plaintiffs filed a notice of appeal to the Eleventh Circuit Court of Appeal on March 10, 2010. On March 25, 2011, the United States Court of Appeals for the 11<sup>th</sup> Circuit upheld the lower court's decision to refuse to enforce the Nicaraguan judgment under the Florida Recognition Act, finding, among other things, the fact that judgment had been rendered under a system (in Nicaragua) that does not provide procedures compatible with the requirements of due process of law and was contrary to public policy. The 11<sup>th</sup> Circuit Court did not address whether the Nicaraguan courts "do not provide impartial tribunals" as the district court had found.

**C. Other Matters**

Brazilian Citation. On or about October 5, 2009, IBAMA (the Brazilian equivalent of the USEPA) served AMVAC B with a Notice of Violation alleging that two lots of Granutox 150 (formulated product having phorate as the active ingredient) stored at BASF S.A. (AMVAC's exclusive distributor in Brazil) and FMC Quimica do Brasil Ltda. (which formulates end-use product in that country) were not in compliance with the end-use registration on file with IBAMA. Specifically, IBAMA alleged that the color of the lots (gray) was inconsistent with the description in IBAMA's files (pink). IBAMA also indicated an intention to assess a fine of approximately \$200 against AMVAC B. The Company has challenged the citation, among other reasons, on the ground that the change in color has to do with the removal of a coloring component and that such removal poses no environmental or toxicity risk. In March 2011, IBAMA denied AMVAC Brasil's first appeal. The Company believes, however, that the agency is statutorily prevented from levying a fine of this magnitude for an infraction of this nature. Thus, the Company has filed another appeal on these grounds and expects to hear a response within six months. At this stage, the Company believes that a loss of between \$150 and \$200 is probable and has set up a loss contingency in the amount of \$150.

Philip Adame v. State of California et al. On or about November 8, 2011, plaintiffs (approximately 130 residents living proximately to a 17 acre parcel in Santa Clara County, California, that had been operated by the University of California from 1921 to 2003 as a fungicide and herbicide testing facility known as the Bay Area Research Extension Center ("BAREC")) designated AMVAC and 11 other companies as a defendants in an Amendment to Second Amended Complaint (entitled Philip Adame v. State of California, Superior Court of California, County of Santa Clara, Case No. 1-08-CV-106710) in which plaintiffs allege property damage and physical injuries arising from the operation of BAREC. The Second Amended Complaint in this matter had been filed in October 2008 and had included defendants The Regents of the University of California and Velsicol Chemical Corporation, both of whom have since been dismissed from the action with prejudice following settlement with plaintiffs. At this stage, AMVAC has not been served with any pleadings. However, those defendants who have been served with the Second Amended Complaint have filed both a motion to quash and a motion to dismiss on the ground that plaintiffs failed to serve any of the newly named defendants with the pleading in which they were designated as defendants and, at any rate, failed to designate any of them as defendants within three years of the filing of the Complaint. AMVAC believes that the case has no merit and, if served, will defend the matter vigorously. At this stage, the Company does not believe that a loss is either probable or reasonably estimable and has not set up a loss contingency for this matter.

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**(5) Employee Deferred Compensation Plan and Employee Stock Purchase Plan**

The Company maintains a deferred compensation plan (“the Plan”) for all eligible employees. The Plan calls for each eligible employee, at the employee’s election, to participate in an income deferral arrangement under Internal Revenue Code Section 401(k). The plan allows eligible employees to make contributions which cannot exceed 100% of compensation, or the annual dollar limit set by the Internal Revenue Code. The Company matches the first 5% of employee contributions. The Company’s contributions to the Plan amounted to \$870, \$792 and \$690 in 2011, 2010 and 2009.

During 2001, the Company’s Board of Directors adopted the AVD Employee Stock Purchase Plan (the “Plan”). The Plan allows eligible employees to purchase shares of common stock through payroll deductions at a discounted price. An aggregate of approximately 1,000,000 shares of the Company’s Common Stock, par value \$.10 per share (subject to adjustment for any stock dividend, stock split or other relevant changes in the Company’s capitalization) may be sold pursuant to the Plan which is intended to qualify under Section 423 of the Internal Revenue Code. The Plan allows for purchases in a series of offering periods, each six months in duration, with new offering periods (other than the initial offering period) commencing on January 1 and July 1 of each year. The initial offering period commenced on July 1, 2001. Pursuant to action taken by the Company’s Board of Directors in December 10, 2010, the expiration of the Plan was extended to December 31, 2013. The Plan was amended and restated on June 30, 2011 following shareholders’ ratification of the extended expiration date. Under the Plan as amended, as of June 30, 2011, 995,000 shares of the Company’s common stock were available for sale thereafter.

Shares of common stock purchased through the Plan for 2011, 2010 and 2009 were 54,933, 60,047 and 48,492, respectively.

**(6) Major Customers and Export Sales**

In 2011, there were three companies that accounted for 26%, 18%, and 11% of the Company’s consolidated sales. In 2010, there were three companies that accounted for 23%, 19% and 11% of the Company’s consolidated sales. In 2009, there were three companies that accounted for 21%, 20%, and 9% of the Company’s consolidated sales. These companies are distributors of the Company’s products.

The Company primarily sells its products to large distributors and buying cooperatives and extends credit based on an evaluation of the customer’s financial condition. The Company had three significant customers who each accounted for approximately 17%, 15% and 9% of the Company’s receivables as of December 31, 2011. The Company had three significant customers who each accounted for approximately 15%, 12% and 8% of the Company’s receivables as of December 31, 2010. The Company has long-standing relationships with its customers and the Company considers the credit risk to be low.

Worldwide export sales for 2011, 2010 and 2009 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Mexico.....	\$16,616	\$13,887	\$11,423
South & Central America .....	11,991	7,541	6,604
Asia.....	8,469	5,485	5,214
Africa.....	8,234	2,575	2,399
Europe.....	5,931	2,275	3,134
Canada.....	4,270	5,100	7,378
Middle East.....	3,876	1,051	840
Australia .....	3,395	1,135	865
Other.....	672	—	107
	<u>\$63,454</u>	<u>\$39,049</u>	<u>\$37,964</u>

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**(7) Royalties**

The Company had various royalty agreements in place extending through December 2011. These agreements relate to the acquisition of certain products as well as licensing arrangements. No agreement contains a minimum royalty provision. Certain royalty agreements contain confidentiality covenants. Royalty expenses were \$39, \$38 and \$37, respectively, for 2011, 2010 and 2009.

**(8) Product Acquisitions**

All product acquisitions made after January 1, 2009 have been accounted pursuant to FASB ASC 805.

On October 7, 2011 – AMVAC completed the acquisition of the international rights to cotton defoliant product tribufos (sold under the trade name Def<sup>®</sup>) from Bayer CropScience AG (“BCS AG”). The acquired assets include registrations and data rights, rights relating to manufacturing and formulation know-how, inventories, and the trademark Def. Def complements AMVAC’s existing cotton defoliant product Folex<sup>®</sup>, which it has marketed since 2002. This acquisition also compliments the U.S. rights to Def that the Company purchased from BCS AG in July 2010 (see below). Both Folex and Def are fast and effective cotton defoliants that facilitate the removal of leaves surrounding the cotton boll and in combination with other products function as a harvest aid.

On December 20, 2010—AMVAC completed the acquisition of a global product line relating to the active ingredient tebufospyr from BCS AG. The acquired assets include registrations and data rights, rights relating to manufacturing and formulation know-how, inventories, and the trademarks Aztec<sup>®</sup>, Azteca<sup>®</sup> and Capinda<sup>®</sup>. When combined in a mixture with another active ingredient Cyfluthrin, the resulting dual active ingredient product is a leading insecticide that is registered in the United States as Aztec and Mexico as Azteca, where it is used to combat such soil borne insects as rootworm, cutworm, wireworm, seed corn maggots/beetles and white grub in a variety of corn crops. Additionally, it is registered in South Korea (and sold under the trade name Capinda) for use primarily in vegetable crops such as Chinese cabbage and ginseng.

On December 7, 2010—AMVAC completed the acquisition of a global insecticide product line relating to the active ingredient ethoprophos (sold under the trade name Mocap<sup>®</sup>) from BCS AG. The acquired assets include registrations and data rights, rights relating to manufacturing and formulation know-how, inventories, the Ultima<sup>®</sup> packaging system and the trademarks Mocap and Ultima. Mocap is a leading soil insecticide that is registered in 50 countries where it is used to combat nematode species in wide range of crops. On December 7, 2010—AMVAC completed the acquisition of a global (except for Europe and Argentina) insecticide product line relating to the active ingredient fenamiphos (sold under the trade name Nemacur<sup>®</sup>) from BCS AG. The acquired assets include registrations and data rights, rights relating to manufacturing and formulation know-how, inventories and the trademark Nemacur. Nemacur is a leading soil insecticide that is registered in 30 countries for use primarily as a nematicide with additional efficacy against above ground sucking insects.

On October 14, 2010—AMVAC and Kanesho Soil Treatment completed agreements with Certis-USA regarding the crop protection product Basamid<sup>®</sup> (dazomet) under which AMVAC will become the exclusive distributor and registration holder for this granular soil fumigant in the United States. Certis-USA, will continue to market Basamid into non-food crop applications under a distribution agreement with AMVAC. Basamid complements the strong market position of AMVAC’s Vapam<sup>®</sup> & K-Pam<sup>®</sup> soil fumigant brands. The Company will be developing the use of Basamid for high-valued crop segments such as strawberries, tomatoes, lettuce & spinach and will be responsible for the re-registration of dazomet in the United States.

On July 21, 2010—AMVAC completed the acquisition of the U.S. cotton defoliant product Tribufos (sold under the trade name Def<sup>®</sup>) from BCS AG. The acquired assets include registrations and data rights, rights relating to manufacturing and formulation know-how, inventories, and the trademark Def. Def complements AMVAC’s existing cotton defoliant product Folex<sup>®</sup>, which it has marketed since 2002. Both are fast and effective cotton defoliants that facilitate the removal of leaves surrounding the cotton boll and in combination with other products function as a harvest aid.

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)  
(Dollars in thousands, except per share data)**

The following schedule represents intangible assets recognized in connection with product acquisitions (See description of Business, Basis of Consolidation and Significant Accounting Policies for the Company's accounting policy regarding intangible assets):

	<u>Amount</u>
Intangible assets at December 31, 2008 .....	\$ 91,079
Acquisitions during fiscal 2009 .....	—
Impact of movement in exchange rates and other adjustments .....	331
Amortization expense .....	(4,437)
Intangible assets at December 31, 2009 .....	86,973
Acquisitions during fiscal 2010 .....	32,677
Impact of movement in exchange rates and other adjustments .....	63
Amortization expense .....	(4,464)
Intangible assets at December 31, 2010 .....	115,249
Acquisitions during fiscal 2011 .....	316
Impact of movement in exchange rates .....	(161)
Other Adjustments related to deferred liabilities .....	6,802
Amortization expense .....	(6,017)
Intangible assets at December 31, 2011 .....	<u>\$116,189</u>

During 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. The Company made payments in the amount of \$400 and \$401 associated with product line acquisitions in 2008 and 2010 respectively.

During 2010, the Company completed the acquisition of product lines and recorded intangible assets in the amount of \$32,677 of which \$20,655 was paid during the period. Furthermore, the Company made payments in the amount of \$400 associated with product line acquisitions completed in 2008.

During 2009, the Company made payments in the amount of \$2,400 associated with product line acquisitions completed in 2007 and 2008. Furthermore, the Company made a payment in the amount of \$150 associated with a fixed asset purchase made in 2008.

The following schedule represents the gross carrying amount and accumulated amortization of the intangible assets. Product rights are amortized over their expected useful lives of 25 years. Customer lists are amortized over their expected useful lives of ten years and trademarks are amortized over their expected useful lives of 25 years.

	<u>2011</u>	<u>2010</u>
Gross carrying amount .....	\$ 149,933	\$ 142,976
Accumulated amortization .....	(33,744)	(27,727)
	<u>\$ 116,189</u>	<u>\$ 115,249</u>

The following schedule represents future amortization charges related to intangible assets:

<u>Year ending December 31,</u>		
2011 .....	\$	6,033
2012 .....		6,033
2013 .....		6,033
2014 .....		6,033
2015 .....		6,033
Thereafter .....		86,024
		<u>\$ 116,189</u>

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)  
(Dollars in thousands, except per share data)**

The following schedule represents the Company's obligations under product acquisition agreements:

	<b>Amount</b>
Obligations under acquisition agreements at December 31, 2008.....	\$ 3,600
Additional obligations acquired .....	—
Payments on existing obligations.....	(2,400)
Obligations under acquisition agreements at December 31, 2009.....	1,200
Additional obligations acquired .....	32,608
Payments on existing obligations.....	(20,986)
Obligations under acquisition agreements at December 31, 2010.....	12,822
Additional obligations acquired .....	216
Addition of deferred liabilities.....	6,802
Adjustment to deferred liabilities.....	(2,857)
FX impact .....	101
Amortization of discounted liabilities.....	1,341
Payments on existing obligations.....	(801)
Obligations under acquisition agreements at December 31, 2011.....	\$ 17,624

During 2011, the Company remeasured the fair value of the earnout liabilities related to the acquisitions completed in the first quarter of 2010. Based on the remeasurement, the fair value was reduced by \$2,857. The fair value change had the effect of reducing cost of sales by \$495 and operating expenses by \$2,362.

As of December 31, 2011, \$12,325 of obligations under product acquisitions are included in short term and long term debt and \$5,299 in short term and long term other liabilities for a total of \$17,624.

**(9) Commitments**

The Company has various lease agreements for offices as well as long-term ground leases for its facilities at Axis, AL, Hannibal, MO and Marsing, ID. The office leases contain provisions to pass through to the Company its pro-rata share of certain of the building's operating expenses. The long-term ground lease at Axis, AL is for twenty years (commencing May 2001) with up to five automatic renewals of three years each for a total of thirty-five years. The long-term ground lease at Hannibal, MO is for a period of 20 years (commencing December 2007) with automatic one year extensions thereafter, subject to termination with a twelve-month notice. The long-term ground lease at Marsing is for a period of 25 years (commencing in March 2008) with automatic twenty-five year extensions thereafter. Rent expense for the years ended December 31, 2011, 2010 and 2009 was \$550, \$392 and \$437. Future minimum lease payments under the terms of the leases are as follows:

<b>Year ending December 31,</b>	
2012.....	\$ 661
2013.....	651
2014.....	673
2015.....	698
2016.....	373
Thereafter.....	1,435
	\$4,491

**(10) Research and Development**

Research and development expenses which are included in operating expenses were \$6,555, \$5,876 and \$4,876 for the years ended December 31, 2011, 2010 and 2009.

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)  
(Dollars in thousands, except per share data)**

**(11) Stock Options**

***Incentive Stock Option Plans (“ISOP”)***

Under the terms of the Company’s ISOP, under which options to purchase 4,296,000 shares of common stock can be issued, all key employees are eligible to receive non-assignable and non-transferable options to purchase shares. The exercise price of any option may not be less than the fair market value of the shares on the date of grant; provided, however, that the exercise price of any option granted to an eligible employee owning more than 10% of the outstanding common stock may not be less than 110% of the fair market value of the shares underlying such option on the date of grant. No options granted may be exercisable more than ten years after the date of grant. The options granted generally vest evenly over a three to five year period, beginning on the date of the grant.

No options were granted in 2009. In 2010, the Company granted incentive stock options to purchase 729,000 shares in 2010 of common stock to employees. The options granted in 2010 vests annually over three years. All options granted are non-assignable and non-transferable. In 2011, the Company granted incentive stock options to purchase 20,000 shares of common stock to employees. The options granted in 2011 vests one third of the total option shares on each of the first, second, and third anniversaries of the date of grant. All options granted are non-assignable and non-transferable.

***Nonstatutory Stock Options (“NSSO”)***

The Company did not grant any non-statutory stock options during the three years ended December 31, 2011.

Option activity within each plan is as follows:

	<u>Incentive Stock Option Plans</u>	<u>Non-Statutory Stock Options Plans</u>	<u>Weighted Average Price Per Share</u>	<u>Exercisable Weighted Average Price Per Share</u>
Balance outstanding, December 31, 2008 ....	1,343,331	48,400	\$ 7.22	\$ 7.18
Options exercised, range from \$3.52- \$3.55.....	(198,000)	—	3.55	
Options expired.....	—	(48,400)	(14.45)	
Balance outstanding, December 31, 2009 ....	1,145,331	—	\$ 7.55	\$ 7.52
Options granted (\$7.50) .....	729,000	—	7.50	
Options exercised (\$3.94) .....	(72,000)	—	3.94	
Options expired.....	(315,000)	—	(7.80)	
Balance outstanding, December 31, 2010 ....	1,487,331	—	\$ 7.65	\$ 7.77
Options granted, range from \$11.32- \$13.24.....	20,000	—	12.28	
Options exercised, range from \$8.10-\$11.30 .....	(48,000)	—	8.63	
Options expired.....	(70,817)	—	12.38	
Balance outstanding, December 31, 2011 ....	1,388,514	—	\$ 7.44	\$ 7.26

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)  
(Dollars in thousands, except per share data)**

Information relating to stock options at December 31, 2011 summarized by exercise price is as follows:

<u>Exercise Price Per Share</u>	<u>Outstanding Weighted Average</u>			<u>Exercisable Weighted Average</u>	
	<u>Shares</u>	<u>Remaining Life (Months)</u>	<u>Exercise Price</u>	<u>Shares</u>	<u>Exercise Price</u>
<b>Incentive Stock Option Plan:</b>					
\$3.67 .....	450,000	12	\$ 3.67	450,000	\$ 3.67
\$7.50 .....	706,000	107	\$ 7.50	83,000	\$ 7.50
\$11.32-\$14.99 .....	232,514	19	\$14.53	212,514	\$ 14.75
	<u>1,388,514</u>		<u>\$ 7.44</u>	<u>745,514</u>	<u>\$ 7.26</u>

The weighted average exercise prices for options granted and exercisable and the weighted average remaining contractual life for options outstanding as of December 31, 2010 and 2011 was as follows:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (Months)</u>	<u>Intrinsic Value (thousands)</u>
<i>As of December 31, 2010:</i>				
<b>Incentive Stock Option Plans:</b>				
Outstanding .....	1,487,331	\$ 7.65	64	\$ 2,966
Expected to Vest .....	1,454,376	\$ 7.65	63	\$ 2,931
Exercisable .....	756,072	\$ 7.77	11	\$ 2,208
<i>As of December 31, 2011:</i>				
<b>Incentive Stock Option Plans:</b>				
Outstanding .....	1,388,514	\$ 7.44	62	\$ 8,494
Expected to Vest .....	1,375,499	\$ 7.44	61	\$ 8,421
Exercisable .....	745,514	\$ 7.26	22	\$ 4,834

The total intrinsic value of options exercised during 2011, 2010 and 2009 was \$4, \$260, and \$895, respectively. Cash received from stock options exercised during 2011, 2010, and 2009 was \$414, \$284, and \$702 respectively.

**Stock Grants**

During 2011, the Company issued a total of 35,640 shares of common and restricted stock to certain employees and non-executive board members. Vesting ranges from immediate to three years from the date of grant. The values of the grants range from \$11.26 to \$12.89 per share based on the publicly traded share prices. The total value of \$411 will be recognized over the related service periods. During 2011, 5,556 shares of common stock granted to employees were forfeited.

During 2010, the Company issued a total of 50,877 shares of common and restricted stock to certain employees and non-executive board members. Vesting ranges from immediate to three years from the date of grant. The values of the grants range from \$6.86 to \$8.32 per share based on the publicly traded share prices. The total value of \$401 will be recognized over the related service periods. During 2010, 22,558 shares of common stock granted to employees were forfeited.

During 2009, the Company issued a total of 135,033 shares of common and restricted stock to certain employees and non-executive board members. Vesting ranges from immediate to three years from the date of the grant. The values of the grants range from \$11.73 to \$11.98 per share based on the publicly traded share prices. The total value of \$1,189 will be recognized over the related service periods. During 2009, 15,206 shares of common stock granted to employees were forfeited.

**AMERICAN VANGUARD CORPORATION  
AND SUBSIDIARIES**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)  
(Dollars in thousands, except per share data)**

A status summary of nonvested shares as of and for the year ending December 31, 2011, is presented below:

	<u>Number of Shares</u>	<u>Weighted Average Grant-Date Fair Value</u>
Nonvested shares at January 1, 2011 .....	202,096	\$ 11.77
Granted.....	35,640	\$ 11.52
Vested .....	(130,540)	\$ 12.00
Forfeited.....	(5,556)	\$ 11.97
Nonvested shares at December 31, 2011.....	<u>101,640</u>	<u>\$ 11.37</u>

**(12) Quarterly Data—Unaudited**

<u>Quarterly Data—2011</u>	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
Net sales.....	\$ 66,033	\$ 80,062	\$ 73,654	\$ 84,680
Gross profit .....	26,910	31,681	30,565	33,912
Net income.....	5,012	6,007	4,618	6,431
Basic net income per share.....	.18	.22	.17	.23
Diluted net income per share .....	.18	.22	.16	.23
 <u>Quarterly Data—2010</u>				
Net sales.....	\$ 45,379	\$ 51,502	\$ 67,565	\$ 62,413
Gross profit .....	17,591	18,563	24,685	25,482
Net income.....	1,827	1,643	3,611	3,903
Basic net income per share.....	.07	.06	.13	.14
Diluted net income per share .....	.07	.06	.13	.14

Note: Totals may not agree with full year amounts due to rounding and separate calculations each quarter.

## EXHIBIT INDEX

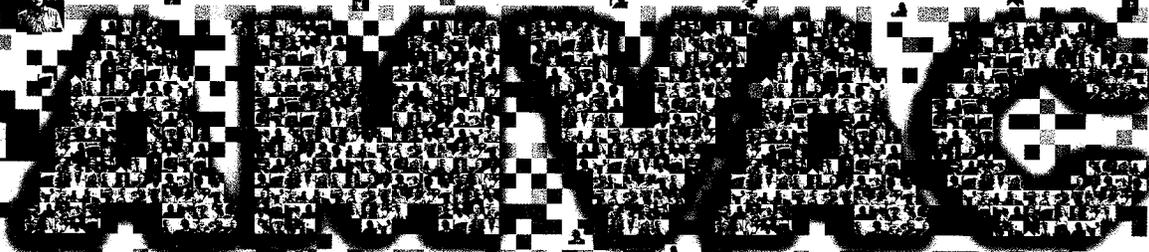
### ITEM 15

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1	Amended and Restated Certificate of Incorporation of American Vanguard Corporation (filed as Exhibit 3.1 to the Company's Form 10-K for the year ended December 31, 2003, which was filed on March 30, 2004 with the Securities Exchange Commission and incorporated herein by reference).
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of American Vanguard Corporation (filed as Exhibit 3.2 to the Company's Form 10-Q/A for the period ended June 30, 2004, which was filed with the Securities Exchange Commission on February 23, 2005 and incorporated herein by reference).
3.3	Amended and Restated Bylaws of American Vanguard Corporation (filed as Exhibit 3.1 to the Company's Form 10-Q for the period ended March 31, 2008, which was filed with the Securities Exchange Commission on May 12, 2008 and incorporated herein by reference.)
4	Form of Indenture (filed as Exhibit 4 to the Company's Registration Statement on Form S-3 (File No. 333-122981) and incorporated herein by reference).
10.1	American Vanguard Corporation Employee Stock Purchase Plan (filed as Appendix B to the Company's Proxy Statement filed with the Securities and Exchange Commission on May 31, 2001 and incorporated herein by reference).
10.2	American Vanguard Corporation Fourth Amended and Restated Stock Incentive Plan (filed as Appendix A to the Company's Proxy Statement filed with the Securities and Exchange Commission on May 11, 2004 and incorporated herein by reference).
10.3	Form of Incentive Stock Option Agreement under the American Vanguard Corporation Fourth Amended and Restated Stock Incentive Plan, (filed as Exhibit 10.3 with the Company's Annual Report on Form 10-K for the period ended December 31, 2004, which was filed with the Securities and Exchange Commission on March 16, 2005 and incorporated herein by reference).
10.4	Form of Non-Qualified Stock Option Agreement under the American Vanguard Corporation Fourth Amended and Restated Stock Incentive Plan, (filed as Exhibit 10.4 with the Company's Annual Report on Form 10-K for the period ended December 31, 2004, which was filed with the Securities and Exchange Commission on March 16, 2005 and incorporated herein by reference).
10.5	Employment Agreement between American Vanguard Corporation and Eric G. Wintemute dated January 15, 2008 (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007, which was filed with the Securities Exchange Commission on March 17, 2008 and incorporated herein by reference).
10.8	Form of Change of Control Severance Agreement, dated effective as of January 1, 2004, between American Vanguard Corporation and its executive and senior officers (filed as Exhibit 10.2 to the Company's Form 10-Q for the period ended March 31, 2004, which was filed with the Securities Exchange Commission on May 10, 2005 and incorporated herein by reference.)
10.9	Form of Amendment of Change of Control Severance Agreement, dated effective as of July 11, 2008, between American Vanguard Corporation and named executive officers and senior officers (filed as Exhibit 99.1 to the Company's Form 8-K, which was filed on July 11, 2008 with the Securities and Exchange Commission and incorporated herein by reference).
10.10	Form of Indemnification Agreement between American Vanguard Corporation and its Directors (filed with the Company's Annual Report on Form 10-K for the period ended December 31, 2004, which was filed with the Securities and Exchange Commission on March 16, 2005 and incorporated herein by reference).
10.11	Description of Compensatory Arrangements Applicable to Non-Employee Directors for 2005 (filed as Exhibit 10.1 to the Company's Form 8-K, which was filed with the Securities and Exchange Commission on June 15, 2005 and incorporated herein by reference).

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.12	American Vanguard Corporation Employee Stock Purchase Plan amended and restated as of June 30, 2011.
10.13	Form of Restricted Stock Agreement between American Vanguard Corporation and named executive officers (filed as Exhibit 99.1 to the Company's Form 8-K, which was filed with the Securities Exchange Commission on July 24, 2008 and incorporated herein by reference).
10.14	Credit Agreement dated as of December 19, 2006 by and among AMVAC Chemical Corporation and certain affiliates and a syndicate of commercial lenders led by the Bank of the West (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the period ended December 31, 2006 which was filed with the Securities Exchange Commission on March 14, 2007 and incorporated herein by reference).
10.15	First Amendment to Credit Agreement dated as of March 5, 2010 by and among AMVAC Chemical Corporation (and certain affiliates) and a syndicate of commercial lenders led by the Bank of the West (filed as Exhibit 10.1 to the Company's Form 8-K, which was filed with the Securities Exchange Commission on March 8, 2010 and incorporated herein by reference).
21	List of Subsidiaries of the Company.*
23	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm.*
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	Certifications Pursuant to 18 U.S.C. Section 1350 as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following materials from American Vanguard Corp's Annual Report on Form 10-K for the year ended December 31, 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.*

\* Filed herewith.

# AMERICAN VANGUARD CORPORATION



## THE FACES OF AMVAC

2011 ANNUAL REPORT

# THE FACES OF AMVAC: CREATING A NEW FUTURE



## Message from the Chairman

Dear Shareholders,

For American Vanguard, 2011 was a year of exceptional growth, record financial performance and continuing organizational development. As we asserted last year, AMVAC was prepared to take advantage of current opportunities and was well-positioned to pursue a world of future possibilities.

In 2011, the efforts of our domestic and international sales, marketing, business development and customer-service personnel contributed to a 34% increase in revenues. Our manufacturing, logistics and regulatory teams did an outstanding job of getting our products to market proficiently. Our finance, information technology and human resource functions handled the substantial administrative workload of a growing enterprise. Through the efforts of these many "Faces of AMVAC," we achieved a doubling of net income, a 12% increase in stockholders' equity and a strong balance sheet that contained \$35 million in cash at year-end.

During 2011, we successfully integrated into our portfolio the products that we acquired in late 2010. We experienced solid market demand for most of our product lines and in most of the crops that we serve. We improved the capacity utilization of our manufacturing facilities, prevailed in our efforts to return the fungicide PCNB to the U.S. market, and attracted additional highly skilled and experienced personnel to join the AMVAC team.

A significant contributor to our recent success and a major lever for expanding our business in the future lies in the U.S. corn market. Global demand for corn has been very strong, causing corn commodity prices to remain relatively high, which encourages farmers to seek maximum harvest output by purchasing the type of yield-enhancing inputs that AMVAC provides. To capitalize on this substantial opportunity, we are promoting our message of Yield Enhancement Solutions (YES) involving our Impact® herbicide and our extensive offering of proven granular-soil insecticides with related proprietary closed-delivery equipment systems.

**YES**  
YIELD ENHANCEMENT SOLUTIONS™

Last summer we were able to arrange a co-marketing agreement with Monsanto to encourage growers to use our Impact® post-emergent herbicide to assist Monsanto's Roundup® general-purpose herbicide to cope with the increasing challenge of glyphosate resistant weeds. We have seen a renewed demand for the use of traditional corn-soil insecticides in conjunction with genetic trait seeds for a yield-enhancing combination of technologies that we have promoted for several years as "The Best of Both Worlds." Increasingly, the marketplace is embracing the wisdom of this philosophy: using all available tools to combat the infestation that reduces yield and inhibits our collective ability to provide the food, fiber and biofuels that our expanding global human population requires.

American Vanguard finds itself in a great place—within a great industry. In a world that must double farm production in the next two decades, and in an industry that must adapt to the ever-changing challenges of Mother Nature, American Vanguard has positioned itself to be a major player. We had the foresight to assemble and defend a portfolio of traditional chemistries that now appears to be very much in demand. We have dedicated ourselves to high-quality, environmentally compliant manufacturing, responsible product stewardship and the advocacy of modern Integrated Pest Management. We are continually creating a corporate culture that is focused on innovation, entrepreneurial initiative and opportunistic growth. We have great confidence in our people and our future prospects. We hope that you share that confidence and benefit from our continued success.

**Eric G. Wintemute**  
Chairman, Chief Executive Officer



Customer-focused sales service is an essential part of our successful growth. From left to right are Glen Anderson, Monique Patino, Rebecca Montano, Dorinda Van Beek, Veronica Plascencia.



The Faces of AMVAC video can be seen on the corporate Amvac web site. Go to [www.amvac-chemical.com](http://www.amvac-chemical.com) or scan this QR code for instant access.

## HISTORICAL FINANCIAL PERFORMANCE

(Dollars in thousands, except earnings and dividend information)

	2011	2010	2009	2008	2007
Net sales	\$304,429	\$226,859	\$205,801	\$236,465	\$212,479
Gross profit	\$123,068	\$86,321	\$56,898	\$100,058	\$91,547
Net income (loss)	\$22,068	\$10,984	\$(5,789)	\$20,019	\$18,728
Earnings (loss) per share	\$0.79	\$0.40	\$(0.21)	\$0.73	\$0.68
Total assets	\$339,141	\$280,179	\$255,268	\$286,937	\$248,581
Long-term debt less current	\$51,917	\$53,710	\$45,432	\$75,748	\$56,155
Stockholders' equity	\$187,072	\$166,437	\$153,087	\$155,943	\$139,739
Shares Outstanding	27,875	27,652	27,120	27,469	27,436
Dividends per share	\$0.080	\$0.030	\$0.060	\$0.080	\$0.070

## DIRECTORS

Eric G. Wintemute  
*Chairman*  
*Elected in 1994*

Carl R. Soderlind  
*Elected in 2000*

Irving J. Thau  
*Elected in 2003*

Lawrence S. Clark  
*Elected in 2006*

John L. Killmer  
*Elected in 2008*

Alfred F. Ingulli  
*Elected in 2010*

Esmail Zirakparvar  
*Elected in 2010*

Deborah Edwards  
*Elected in 2011*

## OFFICERS

### American Vanguard Corporation

Eric G. Wintemute  
*Chief Executive Officer*

David T. Johnson  
*Vice President*  
*Chief Financial Officer*  
*Treasurer*

Timothy J. Donnelly  
*Chief Administrative Officer*  
*General Counsel*  
*Secretary*



### AMVAC Chemical Corporation

Glen D. Johnson  
*Senior Vice President*  
*Director of Business Development*

Jim Lehman  
*Vice President, Sales*

Doug Ashmore  
*Vice President*  
*Director of Manufacturing*

Ian S. Chart  
*Vice President*  
*Director of Regulatory Affairs*

Johann Venter  
*Vice President*  
*Director of Technology*

### GemChem, Inc.

Robert F. Gilbane  
*President*

*Cross-functional teamwork helps drive international growth. From left to right are Charles Van der Mersch, Gerardo Suarez, Nicolas Vincent, Alfredo Pelaez.*

## CORPORATE INFORMATION

### Executive Offices

American Vanguard Corporation  
4695 MacArthur Court  
Suite 1200  
Newport Beach, California 92660  
(949) 260-1200

### Investor Relations

William A. Kuser  
*Director of Investor Relations*  
*and Corporate Communications*  
(949) 260-1200

### Independent Auditors

BDO USA, LLP  
Los Angeles, California

### Operating Subsidiaries

AMVAC Chemical Corporation  
4100 East Washington Boulevard  
Los Angeles, California 90023  
(323) 264-3910

GemChem, Inc.  
95 River Road, Suite B  
Canton, Connecticut 06019  
(860) 693-1331

AMVAC do Brasil Representações Ltda  
Brasil

AMVAC de Costa Rica S.A., Costa Rica  
Quimica AMVAC de Mexico S.A. de C.V.  
Mexico

AMVAC Switzerland GmbH  
Switzerland

AMVAC Chemical UK Ltd.  
United Kingdom

### Annual Meeting

The Annual Meeting of American Vanguard Corporation's stockholders will be held at the Island Hotel located at 690 Newport Center Drive, Newport Beach, California 92660 on Thursday, June 7, 2012 starting at 11:00 a.m. Stockholders of record at the close of business April 16, 2012, are entitled to notice of, and to vote at, the Annual Meeting. Stockholders who plan to attend the Annual Meeting are encouraged to RSVP using the contact information shown on the front page of the proxy statement.

### Form 10-K

Additional copies are available to stockholders, without cost, upon written request to the Chief Financial Officer of the Company at 4695 MacArthur Court, Suite 1200, Newport Beach, California 92660.



American Vanguard believes in a sustainable planet. This annual report is printed on recycled paper.



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