PROLOGIS TRUST
Form 424B2
February 21, 2003
**Table of Contents**

Filed Pursuant to Rule 424(b)(2)

Registration Nos. 333-39797 and 333-79813

**Prospectus Supplement**

**February 19, 2003**

**(To Prospectus dated February 19, 2003)**

# $300,000,000

# 5.50% Notes due 2013

The notes will bear interest at the rate of 5.50% per year. Interest on the notes is payable on March 1 and September 1 of each year, beginning on September 1, 2003. The notes will mature on March 1, 2013. We may redeem some or all of the notes at any time and from time to time at our option. The redemption prices are discussed under the heading Description of Notes Optional Redemption.

The notes will be our direct unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. The notes are not subject to any sinking fund.

**Investing in the notes involves risks. See Risk Factors beginning on page 2 of the accompanying prospectus.**

| | Per Note | Total |
|---|---|---|
| Public offering price (1) | 99.801% | $ 299,403,000 |
| Underwriting discount | 0.650% | $ 1,950,000 |
| Proceeds to us (before expenses) | 99.151% | $ 297,453,000 |

(1) Plus accrued interest from February 24, 2003, if settlement occurs after that date.

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

The underwriters expect to deliver the notes to purchasers in book-entry form only through the facilities of The Depository Trust Company on or about February 24, 2003.

---

*Book-Running Manager*

**Banc of America Securities LLC**

---

*Senior Co-Managers*

**ABN AMRO Incorporated**

**Commerzbank Securities**

**JPMorgan**

**Morgan Stanley**

---

*Co-Managers*

**SG Cowen** **Wachovia Securities**

Table of Contents

**You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since that date.**

## TABLE OF CONTENTS

### Prospectus Supplement


| | Page |
|---|---|
| Use Of Proceeds | S-3 |
| Recent Developments | S-3 |
| Description Of Notes | S-4 |
| Underwriting | S-8 |
| Legal Matters | S-9 |


### Prospectus


| | |
|---|---|
| Where You Can Find More Information | ii |
| Forward-Looking Statements | iv |
| ProLogis | 1 |
| Risk Factors | 2 |
| Ratio Information | 7 |
| Use of Proceeds | 7 |
| Description of Debt Securities | 7 |
| Description of Preferred Shares | 20 |
| Description of Common Shares | 26 |
| Federal Income Tax Considerations | 28 |
| Plan of Distribution | 39 |
| Experts | 40 |
| Legal Matters | 40 |


References to we, us, and our in this prospectus supplement and the accompanying prospectus are to ProLogis and its consolidated subsidiaries, unless the context otherwise requires.

Table of Contents

## USE OF PROCEEDS

The net proceeds from the sale of the notes are expected to be approximately $296.9 million, after deducting underwriting discounts and estimated offering expenses. We will use the net proceeds to repay a portion of the borrowings under our revolving credit facilities. We currently have a total commitment of $1.15 billion under our credit facilities. As of February 14, 2003, this commitment is reduced by $22.2 million representing letters of credit outstanding with the lending banks. We have approximately $666.0 million outstanding and an available balance of approximately $466.5 at February 14, 2003. Amounts repaid under the credit facilities may be reborrowed and we expect to make additional borrowings under the credit facilities following this offering for the development and acquisition of industrial distribution properties and for working capital purposes. Our $1.15 billion credit facilities are led by Bank of America, N.A., in the United States, ABN AMRO Bank N.V., in Europe, Royal Bank of Scotland, in Europe, and Sumitomo Mitsui Banking Corporation, in Japan. Bank of America, N.A. and ABN AMRO Bank N.V. are affiliates of certain underwriters participating in this offering. Borrowings under our credit facilities generally bear interest at the interbank offered rate in the relevant market for the currency borrowed plus an applicable margin (generally 0.65% to 0.675% in the United States, 0.75% to 1.00% in Europe, and 1.00% in Japan). Our credit facilities mature at varying times between June 2003 and November 2005 and are generally renewable at our option.

## RECENT DEVELOPMENTS

The following information for the quarter and year ended December 31, 2002 has been derived from our preliminary unaudited results of operations while the information for the year ended December 31, 2001 has been derived from our audited results of operations.

For the quarter ended December 31, 2002, net earnings attributable to common shares were $79.1 million and total revenues were $193.3 million, compared to a net loss attributable to common shares of $46.6 million and total revenues of $52.7 million for the quarter ended December 31, 2001. For the year ended December 31, 2002, net earnings attributable to common shares were $216.2 million and total revenues were $675.0 million, compared to $90.8 million in net earnings attributable to common shares and total revenues of $523.1 million for the year ended December 31, 2001.

Table of Contents

## DESCRIPTION OF NOTES

The following description of the terms of the notes, which are referred to in the accompanying prospectus as the debt securities, supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus, to which reference is hereby made.

### General

The notes constitute a series of debt securities, which are more fully described in the accompanying prospectus, to be issued pursuant to an Indenture, dated as of March 1, 1995, between us and U.S. Bank National Association (formerly State Street Bank and Trust Company), as trustee. We refer to this document as the indenture. The terms of the notes include those provisions contained in the indenture, the terms of which are more fully described in the accompanying prospectus, and those made part of the indenture by reference to the Trust Indenture Act of 1939. The notes are subject to all of these terms, and holders of notes are referred to the indenture and the Trust Indenture Act for a statement of those terms. As of December 31, 2002 we had $1.47 billion of unsecured long-term indebtedness outstanding pursuant to the indenture and aggregate unsecured long-term indebtedness of approximately $1.63 billion.

The notes will initially be limited to $300,000,000 aggregate principal amount. We may in the future, without the consent of holders, issue additional notes on the same terms and conditions and with the same CUSIP number as the notes being offered hereby. The notes will be our direct, unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. However, the notes are subordinated to our secured indebtedness to the extent of the value of the assets securing that indebtedness, including secured indebtedness of our consolidated subsidiaries, and are subordinated to our revolving credit facilities in North America to the extent of the value of the assets pledged to secure borrowings thereunder. In addition, the notes are effectively subordinated to all indebtedness and other liabilities, including revolving credit facilities in Europe and Japan, of our consolidated subsidiaries. As of December 31, 2002, we had approximately $2.23 billion of unsubordinated indebtedness outstanding, including $596.2 million of secured indebtedness. As of December 31, 2002, our consolidated subsidiaries had approximately $505.7 million of indebtedness outstanding.

As of December 31, 2002, our total outstanding indebtedness, including indebtedness of our consolidated subsidiaries, was approximately $2.73 billion.

Reference is made to the section entitled Description of Debt Securities Covenants in the accompanying prospectus for a description of the covenants applicable to the notes. The defeasance and covenant defeasance provisions of the indenture described under Description of Debt Securities Discharge, Defeasance and Covenant Defeasance in the accompanying prospectus will apply to the notes. Each of the covenants described in the accompanying prospectus under the caption Description of Debt Securities Covenants will be subject to defeasance.

Except as set forth under Description of Debt Securities Covenants Limitations on Incurrence of Debt in the accompanying prospectus, the indenture does not contain any provisions that would limit our ability to incur indebtedness or that would afford holders of the notes protection in the event of a highly leveraged or similar transaction involving us or in the event of a change of control.

The notes will be issued only in fully registered form in denominations of $1,000 and integral multiples of $1,000.

**Principal and Interest**

The notes will bear interest at the rate of 5.50% per year and will mature on March 1, 2013. Interest on the notes will accrue from February 24, 2003 and will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003 (each such date being an interest payment date ), to the persons in whose names the notes are registered in the security register on the preceding February 15 or August 15, whether or not a business day, as the case may be (each such date being a regular record date ). Interest on the notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Table of Contents

If any interest payment date or the maturity date falls on a day that is not a business day, the required payment shall be made on the next business day as if it were made on the date the payment was due and no interest shall accrue on the amount so payable for the period from and after the interest payment date or the maturity date, as the case may be, until the next business day. A business day means any day, other than a Saturday or Sunday, or legal holidays on which banks in The City of New York or The City of Boston are not required or authorized by law or executive order to be closed.

**Optional Redemption**

The notes will be redeemable in whole at any time or in part from time to time, at our option, at a redemption price equal to the greater of:

- 100% of the principal amount of the notes to be redeemed; or
- the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the then current Treasury Rate plus 25 basis points.

In each case we will pay accrued and unpaid interest on the principal amount being redeemed to the date of redemption.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term ( Remaining Life ) of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life.

Comparable Treasury Price means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Independent Investment Banker means one of the Reference Treasury Dealers that we appoint to act as the Independent Investment Banker from time to time.

Reference Treasury Dealer means each of Banc of America Securities LLC and its successors, and three other firms that are primary U.S. Government securities dealers (each a Primary Treasury Dealer ) which we specify from time to time; provided, however, that if any of them ceases to be a Primary Treasury Dealer, we will substitute another Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal

amount) quoted in writing to the trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per year equal to: (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue; provided that, if no maturity is within three months before or after the Remaining Life of the notes to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be

interpolated or extrapolated from those yields on a straight line basis, rounding to the nearest month; or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate shall be calculated on the third business day preceding the redemption date.

Notice of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of record of the notes to be redeemed at its registered address. The notice of redemption for the notes will state, among other things, the amount of notes to be redeemed, the redemption date, the redemption price and the place or places that payment will be made upon presentation and surrender of notes to be redeemed. Unless we default in payment of the redemption price, interest will cease to accrue on any notes that have been called for redemption at the redemption date.

If less than all of the notes are to be redeemed at our option, we will notify the trustee under the indenture at least 45 days prior to the redemption date, or any shorter period as may be satisfactory to the trustee, of the aggregate principal amount of the notes to be redeemed and the redemption date. The trustee will select, in the manner as it deems fair and appropriate, the notes to be redeemed. Notes may be redeemed in part in the minimum authorized denomination for notes or in any integral multiple of such amount.

**Book-Entry Procedures**

The Depository Trust Company, New York, New York ( DTC ), will act as securities depository for the notes. The notes will be issued as fully-registered securities registered in the name of Cede & Co., which is DTC s nominee. One fully-registered global note will be issued with respect to the notes.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its direct participants and by The New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others (the indirect participants and together with direct participants, the participants ) such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of notes under the DTC system must be made by or through direct participants, which will receive a credit for the notes on DTC s records. The ownership interest of each actual purchaser of each note, a beneficial owner, will in turn be recorded on the direct and indirect participants records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in notes, except in the event that use of the book-entry system for the notes is discontinued.

The deposit of notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the notes; DTC s records reflect

only the identity of the direct participants to whose accounts the notes are credited, which may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the notes within a series are being redeemed, DTC s practice is to determine by lot the amount of the interest of each direct participant in the series to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the notes. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co. s consenting or voting rights to those direct participants to whose accounts the notes are credited on the record date, which are identified in a listing attached to the omnibus proxy.

Principal and interest payments on the notes will be made to Cede & Co., as nominee of DTC. DTC s practice is to credit direct participants accounts, upon DTC s receipt of funds and corresponding detail information from us, on the applicable payment date in accordance with their respective holdings shown on DTC s records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of the participant and not of DTC or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. is our responsibility, disbursement of the payments to direct participants is the responsibility of DTC, and disbursement of the payments to the beneficial owners shall be the responsibility of direct and indirect participants.

DTC may discontinue providing its services as securities depository with respect to the notes at any time by giving reasonable notice to us. Under these circumstances, in the event that a successor securities depository is not obtained, certificates representing the notes will be printed and delivered.

We may, at any time, decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the notes will be printed and delivered.

The information in this section concerning DTC and DTC s book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

**Same-Day Settlement and Payment**

Settlement for the notes will be made by the purchasers in immediately available funds. All payments of principal and interest will be made by us in immediately available funds or the equivalent, so long as DTC continues to make its Same-Day Funds Settlement System available to us.

Table of Contents

## UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, the underwriters named below have severally agreed to purchase from us, and we have agreed to sell, the principal amount of notes listed opposite their names below at the public offering price less the underwriting discount set forth on the cover page of this prospectus supplement:

| Underwriters | Principal Amount of Notes |
| --- | --- |
| Banc of America Securities LLC | $ 180,000,000 |
| ABN AMRO Incorporated | 24,300,000 |
| Commerzbank Capital Markets Corp. | 24,300,000 |
| J.P. Morgan Securities Inc. | 24,300,000 |
| Morgan Stanley & Co. Incorporated | 24,300,000 |
| SG Cowen Securities Corporation | 11,400,000 |
| Wachovia Securities, Inc. | 11,400,000 |
| Total | $ 300,000,000 |

The underwriting agreement provides that the obligations of the several underwriters to purchase the notes offered hereby are subject to certain conditions and that the underwriters will purchase all of the notes offered by this prospectus supplement if any of these notes are purchased.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at such price less a concession not in excess of 0.400% of the principal amount of the notes. The underwriters may allow, and such dealers may reallow, a concession not in excess of 0.250% of the principal amount of the notes to certain other dealers. After the initial public offering, representatives of the underwriters may change the offering price and other selling terms.

We estimate that our share of total expenses of this offering, excluding the underwriting discount, will be approximately $525,000.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

The notes are a new issue of securities with no established trading market. The notes will not be listed on any securities exchange or on any automated dealer quotation system. The underwriters may make a market in the notes after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

In connection with the offering of the notes, certain of the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the underwriters may overallot in connection with the offering, creating a short position. In addition, the underwriters may bid for, and purchase, the notes in the open market to cover short positions or to stabilize the price of the notes. Any of these activities may stabilize or maintain the market price of the notes above independent market levels, but no representation is made hereby of the magnitude of any effect that the transactions described above may have on the market price of the notes. The underwriters will not be required to engage in these activities, and may engage in these activities, and may end any of these activities at any time without notice.

Several of the underwriters or their affiliates have provided and in the future may continue to provide investment banking and other financial services, including the provision of credit facilities, to us in the ordinary course of business for which they have received and will receive customary compensation. In addition, affiliates of underwriters participating in this offering are lenders under one of our existing credit facilities. Because more than 10% of the proceeds of this offering, not including underwriting compensation, will be received by entities who are affiliated with National Association of Securities Dealers, Inc. members who are participating in this offering, this offering is being conducted in compliance with Rule 2710(c)(8) of the Conduct Rules of the National Association of Securities Dealers, Inc.

## LEGAL MATTERS

The validity of the notes will be passed upon for us by Mayer, Brown, Rowe & Maw, Chicago, Illinois. Certain legal matters will be passed upon for the underwriters by Shearman & Sterling, New York, New York.

Table of Contents

**PROSPECTUS**

# PROLOGIS

## $500,000,000*

## DEBT SECURITIES

## PREFERRED SHARES

## COMMON SHARES

---

We will provide specific terms of these securities in supplements to this prospectus. You should carefully read this prospectus and any supplement before you invest.

---

* Pursuant to Rule 429 under the Securities Act of 1933, this prospectus also relates to an additional $108,029,182 of the debt securities, preferred shares and common shares, which were registered under a previous registration statement.

---

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE**

---

**The date of this Prospectus is February 19, 2003**

**Table of Contents**

**TABLE OF CONTENTS**


| | Page |
|---|---|
| WHERE YOU CAN FIND MORE INFORMATION | ii |
| FORWARD-LOOKING STATEMENTS | iv |
| PROLOGIS | 1 |
| RISK FACTORS | 2 |
| RATIO INFORMATION | 7 |
| USE OF PROCEEDS | 7 |
| DESCRIPTION OF DEBT SECURITIES | 7 |
| DESCRIPTION OF PREFERRED SHARES | 20 |
| DESCRIPTION OF COMMON SHARES | 26 |
| FEDERAL INCOME TAX CONSIDERATIONS | 28 |
| PLAN OF DISTRIBUTION | 39 |
| EXPERTS | 40 |
| LEGAL MATTERS | 40 |

Table of Contents

## WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file reports, proxy statements and other information with the Securities and Exchange Commission. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained at prescribed rates from the Public Reference Room of the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 or by calling the Securities and Exchange Commission at 1-800-SEC-0330. Such material can also be obtained from the Securities and Exchange Commission s worldwide web site at http://www.sec.gov. Our outstanding common shares, Series D cumulative redeemable preferred shares of beneficial interest and Series E cumulative redeemable preferred shares of beneficial interest, are listed on the New York Stock Exchange under the symbols PLD , PLD-PRD and PLD-PRE , respectively, and all such reports, proxy statements and other information filed by us with the New York Stock Exchange may be inspected at the New York Stock Exchange s offices at 20 Broad Street, New York, New York 10005. You can also obtain information about us at our website, http://ir.prologis.com.

We have filed with the Securities and Exchange Commission a registration statement on Form S-3 under the Securities Act of 1933 with respect to our common shares being offered. This prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement. Parts of the registration statement are omitted from this prospectus in accordance with the rules and regulations of the Securities and Exchange Commission. For further information, your attention is directed to the registration statement. Statements made in this prospectus concerning the contents of any documents referred to herein are not necessarily complete, and in each case are qualified in all respects by reference to the copy of such document filed with the Securities and Exchange Commission.

The Securities and Exchange Commission allows us to incorporate by reference the information we file with the Securities and Exchange Commission, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the Securities and Exchange Commission will automatically update and supersede this information.

We incorporate by reference the documents listed below:

(a) Our annual report on Form 10-K for the year ended December 31, 2001, filed on April 5, 2002, as amended by Form 10-K/A filed on April 16, 2002; and

(b) Our quarterly reports on Form 10-Q for the quarters ended March 31, 2002 filed on May 15, 2002, June 30, 2002 filed on August 14, 2002 and September 30, 2002 filed on November 14, 2002; and

(c) Our periodic reports on Form 8-K filed April 23, 2002, April 30, 2002, May 30, 2002, October 15, 2002 and February 19, 2003 and

(d) The description of our common shares and preferred share purchase rights contained or incorporated by reference in our registration statement on Form 8-A filed February 23, 1994.

The Securities and Exchange Commission has assigned file number 1-12846 to the reports and other information that ProLogis files with the Securities and Exchange Commission.

You may request a copy of each of the above-listed ProLogis documents at no cost, by writing or telephoning us at the following address or telephone number.

Investor Relations Department

ProLogis

14100 East 35th Place

Aurora, Colorado 80011

(800) 820-0181

http://ir.prologis.com

ii

Table of Contents

All documents subsequently filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act, prior to the termination of the offering, shall be deemed to be incorporated by reference into this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated herein shall be deemed modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document that is deemed to be incorporated herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is inconsistent with information contained in this document or any document incorporated herein. This prospectus is not an offer to sell these securities in any state where the offer and sale of these securities is not permitted. The information in this prospectus is current as of the date it is mailed to security holders, and not necessarily as of any later date. If any material change occurs during the period that this prospectus is required to be delivered, this prospectus will be supplemented or amended.

Table of Contents

**FORWARD-LOOKING STATEMENTS**

The following statements are or may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934:

(1) statements, including our possible or assumed future results of operations including any forecasts, projections and descriptions of anticipated cost savings or other synergies referred to in such statements, and any such statements incorporated by reference from documents filed with the Securities and Exchange Commission by us, including any statements contained in such documents or this prospectus regarding the development or possible or assumed future results of operations of our businesses, the markets for our services and products, anticipated capital expenditures or competition;

(2) any statements preceded by, followed by or that include the words believes, expects, anticipates, intends or similar expressions; and

(3) other statements contained or incorporated by reference in this prospectus regarding matters that are not historical facts.

Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Shareholders are cautioned not to place undue reliance on such statements, which speak only as of the date the statements were made.

Among the factors that could cause actual results to differ materially are: general economic conditions, competition and the supply of and demand for industrial distribution properties in the combined company s markets, interest rate levels, the availability of financing, potential environmental liability and other risks associated with the ownership, development and acquisition of industrial distribution properties, including risks that tenants will not take or remain in occupancy or pay rent, or that construction or operating costs may be greater than anticipated, inflationary trends, and other risks detailed from time to time in the reports filed with the Securities and Exchange Commission by us.

Except for their ongoing obligations to disclose material information as required by the federal securities laws, we do not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of the filing of this prospectus or to reflect the occurrence of unanticipated events.

**PROLOGIS**

ProLogis is a real estate investment trust that operates a global network of industrial distribution properties. Our business strategy is designed to achieve long-term sustainable growth in cash flow and increase the overall return on equity for our shareholders. Our business is organized into two primary operating segments: property operations and corporate distribution facilities services business, which we refer to as the CDFS business. During 2001 and 2002, we disposed of significant portions of our third operating segment, temperature-controlled distribution operations.

The property operations segment includes the long-term ownership, management and leasing of industrial distribution properties. The property operations segment generates income from rents and reimbursement of property operating expenses from unaffiliated customers. Also, our share of the earnings of eight unconsolidated property funds (which we refer to as the Funds), and the fee income that we receive for managing the properties owned by the Funds, is included in the property operations segment. In addition to these property and asset management fees earned, we earn fees for other services performed on behalf of the Funds, including development and leasing activities.

The CDFS business segment represents the development of industrial distribution properties that are either sold to unaffiliated customers or contributed to property funds in which we maintain an ownership interest and act as manager. Income from the CDFS business segment is primarily generated through the profits realized from the sales or contributions of developed properties. We also earn fees from customers for development activities performed on their behalf and realize profits from sales of land parcels when our development plans no longer include these parcels. These development projects are located in North America, in Europe and in Japan (we completed development of our first project in Asia in 2002). Additionally, we own or control (either through contracts, options or letters of intent) land that we intend to use for the development of distribution properties in North America and Europe. Most of these properties will eventually be contributed to property funds in which we will maintain an ownership interest and which we will manage and others will be sold to unrelated third parties.

We manage our business by utilizing the ProLogis Operating System®, an organizational structure and service delivery system that is built around our customers. The ProLogis Operating System® is made up of the Market Services Group, the Global Services Group, the Global Development Group and the ProLogis Solutions Group. When combined with our international network of distribution properties, the ProLogis Operating System® enables us to meet our customers distribution space needs on a global basis. We believe that by integrating international scope and expertise with strong local presence in our markets we have become an attractive choice for our targeted customer base, which is made up of the largest global users of distribution properties.

We are organized under Maryland law and have elected to be taxed as a real estate investment trust under the Internal Revenue Code. Our world headquarters are located in Aurora, Colorado, our European headquarters are located in Luxembourg, with our European customer service headquarters located in Amsterdam, Netherlands, and our Asian headquarters are located in Tokyo, Japan.

Table of Contents

## RISK FACTORS

ProLogis  operations involve various risks that could adversely affect ProLogis  financial condition, results of operations, cash flow, ability to pay distributions on common shares and the market price of common shares. These risks include, among others:

**General Real Estate Risks**

*General Economic Conditions*

We are exposed to the general economic conditions and the local, regional, national and international conditions that affect the markets in which we own industrial distribution properties. Our operating performance depends on the economic conditions of markets in which our distribution properties are concentrated. While we do not have in excess of 10% of our total portfolio in any one market, we do have significant holdings in Atlanta, Chicago, Dallas/Ft. Worth, Los Angeles, Paris, San Francisco and the United Kingdom. Our operating performance could be adversely affected if conditions in these larger markets, such as an oversupply of distribution space or a reduction in demand for industrial distribution properties, become less favorable relative to other geographic areas. Any material oversupply of distribution space or material reduction of demand for distribution space could adversely affect our operating income and the value of our common shares.

*Risks Particular To Real Estate*

Real property investments are subject to varying degrees of risk. While we seek to minimize these risks through our market research, asset management and property management capabilities, these risks cannot be eliminated. The factors that can affect real estate values include:

- changes in the general economic climate;
- local conditions, such as an oversupply of space or a reduction in demand for industrial real estate in an area;
- the quality and philosophy of management;
- the attractiveness of our properties to potential customers;
- competition from other available properties;
- our ability to provide adequate maintenance and insurance on our properties;
- our ability to control variable operating costs;

governmental regulations, including zoning, usage and tax laws and changes in these laws;

interest rate levels at which we may borrow funds and the availability of funds to us;

potential liability under, and changes in, environmental, zoning and other laws.

*Risks Associated with Concentration of Investments in the Industrial Sector*

Our property operations and CDFS business segments are concentrated in the industrial distribution sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included other types of real estate investments.

*Risks Associated with Development Activities*

We have developed a significant number of distribution properties since our inception and intend to continue to pursue development activities as opportunities arise. Such development activities generally require various government and other approvals. We may not receive such approvals.

**Table of Contents**

We will be subject to risks associated with such development activities. These risks include:

- the risk that development opportunities explored by us may be abandoned with the related investment written off;
- the risk that construction costs of a property may exceed original estimates or may not be concluded on schedule (including the possibility of contract default, the effect of local weather conditions and local or national strikes, or shortages in materials, building supplies or energy and fuel for equipment) which could make the project less profitable than originally estimated; and
- the risk that occupancy rates and rents of a completed project will not make the project as profitable as originally estimated.

*Risks Associated with the Disposition of Properties*

We have disposed of or contributed to property funds a significant number of distribution properties in recent years and we intend to continue to pursue disposition activities as opportunities arise, particularly in our CDFS business segment. Our ability to dispose of properties on advantageous terms is dependent upon several factors, some of which are beyond the control of our management, primarily competition from other owners of properties that are also trying to dispose of their properties. Our ability to complete and lease developed properties will impact our ability to dispose of or contribute these properties. Should we not have sufficient properties available that meet the investment criteria of current or future property funds, then the dispositions could be delayed resulting in adverse effects on our liquidity and on our ability to meet projected earnings levels in a particular reporting period. Failure to meet our projected earnings levels could have an adverse effect on the market price of common shares. Further, our inability to redeploy the proceeds from our divestitures in accordance with our investment strategy could have an adverse affect.

*Risks Associated with Acquisition of Properties*

We acquire distribution properties from time to time. The acquisition of properties involves risks, including the risk that the acquired property will not perform as anticipated. The acquisition of properties also involves the risks that the expected costs for renovation and improvements identified in the pre-acquisition due diligence process prove to be inaccurate. There is, and it is expected that there will continue to be, significant competition for investment opportunities that meet our investment criteria as well as risks associated with obtaining financing for acquisition activities, if necessary.

*Tenant Default*

Our income and distributable cash flow would be adversely affected if a significant number of our tenants are unable to meet their obligations to us. In the event of default by a significant number of tenants, we may incur substantial costs in enforcing our rights as landlord.

*Ability to Renew Leases or Re-let Space as Leases Expire*

Our income and distributable cash flow would be adversely affected if we were unable to lease, on economically favorable terms, a significant amount of space in our distribution properties. We have 22.9 million square feet (out of a total of 107.8 million of occupied square feet) of distribution space with leases that expire in 2003 and the Funds have a combined 4.5 million square feet (out of a total of 77.2 million of occupied square feet) of distribution space with leases that expire in 2003. The number of distribution properties in a market or submarket could adversely affect both our ability to lease distribution space and the rental rates that can be obtained in new leases.

*Real Estate Investments Are Not As Liquid As Other Types Of Assets*

Real estate investments are not as liquid as other types of assets and that may tend to limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. Like other companies qualifying

as REITs under the Code, we must either comply with the safe harbor rules relating to the number of properties disposed of in a year, their tax bases and the cost of improvements made to the properties, or meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, our ability at any time to sell assets, or contribute assets to property funds or other entities in which we have an ownership interest may be restricted.

*Insurance Coverage Does Not Include All Potential Losses*

We and our unconsolidated entities currently carry comprehensive insurance coverage including property, liability, fire, flood, earthquake, terrorism, environmental, extended coverage and rental loss as appropriate for the markets where each entity s facilities and business operations are located. The insurance coverage contains policy specifications and insured limits customarily carried for similar facilities. We believe our properties and the properties of our unconsolidated entities, including our property funds, are adequately insured. However, there are certain losses, including losses from floods and losses from earthquakes, acts of war or riots, and terrorism, that are not generally insured against or that are not generally fully insured against because it is not deemed to be economically feasible or prudent to do so. Should an uninsured loss or a loss in excess of insured limits occur with respect to one or more of our properties, we could experience a significant loss of capital invested and potential revenues in these properties and could potentially remain obligated under any recourse debt associated with the property.

*Potential Environmental Liability*

Under various federal, state and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of hazardous or toxic substances at, on, under or in its property. The costs of removal or remediation of such substances could be substantial. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. We conduct Phase I environmental assessments as part of our due diligence activities. We have not been notified nor are we aware of any environmental condition with respect to our real estate investments that are likely to be material to our financial condition. However, we cannot give any assurance that such conditions do not exist or may not arise in the future. The presence of such substances on our real estate investments could adversely affect our ability to sell such investments or to borrow using such investments as collateral and may also have an adverse effect on our cash flow and, consequently, our ability to pay distributions to our shareholders.

**Financing and Capital Risks**

*Access to Capital*

As a REIT, we are required to distribute at least 90% of our taxable income to our shareholders. Consequently, we are, as are all REITs, dependent on external capital to fund our development and acquisition activities. Due to the reduced availability of direct public debt and public equity capital at favorable prices in the real estate industry during the last several years, we have been accessing private debt and equity capital through the establishment of property funds that acquire properties from us. Our ability to access private debt and equity capital on favorable terms or at all is dependent upon a number of factors, including general market conditions and competition from other real estate companies. Further, we generate significant returns as a result of transfers and contributions to the property funds. To the extent that private capital is not available to acquire properties from us, these earnings may not be realized which could result in an earnings stream that is less predictable than some of our competitors and result in not meeting our projected earnings levels in a particular reporting period. Failure to meet our projected earnings levels could have an adverse effect on the market price of our common shares.

We are obligated to contribute all of the properties we develop within certain specified markets in Europe to ProLogis European Properties Fund, subject to these properties meeting specified investment criteria. The subscription agreements with ProLogis European Properties Fund s investors expired on September 15, 2002 and all commitments were fully funded prior to expiration. No assurance can be given that ProLogis European Properties Fund will be able to obtain additional sources of capital. Our ability to dispose of our development pipeline in Europe will be jeopardized and our ability to meet our projected earnings levels and generate cash flow would be adversely affected should additional equity commitments not be obtained.

**Table of Contents**

We are obligated to contribute all properties developed in North America through December 2003 to ProLogis Macquarie Fund, which we refer to as ProLogis North American Properties Fund V, subject to the property meeting specified investment criteria. Our ability to dispose of our development pipeline in North America will be jeopardized and our ability to meet our projected earnings levels and generate cash flow would be adversely affected should ProLogis North American Properties Fund V not have sufficient funds to acquire the properties.

We are obligated to contribute all properties developed in Japan to PLD/RECO Japan TMK Property Trust, which we refer to as ProLogis Japan Properties Fund, subject to the property meeting specified investment criteria. Our ability to dispose of our development pipeline in Japan will be jeopardized and our ability to meet our projected earnings levels and generate cash flow would be adversely affected should ProLogis Japan Properties Fund not have sufficient funds to acquire the properties.

*Limitations on Debt*

We currently have a policy of incurring debt only, if upon such incurrence, our debt-to-book capitalization ratio, as adjusted, would not exceed 50%. The board of trustees could alter or eliminate this policy without shareholder approval and would do so if, for example, it were necessary in order for us to continue to qualify as a REIT under the Internal Revenue Code. If this policy were changed, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect the cash available for distribution to shareholders.

*Debt Financing*

We are subject to risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest and the risk that we will not be able to refinance existing indebtedness or that the terms of such refinancings will not be as favorable as the terms of the existing indebtedness. There can be no assurance that we will be able to refinance any indebtedness or otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness. Currently, we utilize our short-term borrowing capability (over $1.15 billion available) under six credit agreements in addition to operating cash flow and proceeds from dispositions to fund our development, acquisition and distribution requirements. Our six short-term credit agreements have maturities during 2003 ($551.2 million), 2004 ($203.5 million) and 2005 ($400.0 million). Our ability to refinance these credit agreements in a timely manner and at favorable terms is dependent on several factors, including general economic conditions and interest rate levels.

Our short-term credit agreements bear interest at variable rates. Increases in interest rates
wALIGN="bottom"> 5,012 5,012 5,012

Total comprehensive income

$5,003

**Balance, March 31, 2011**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **29,803,127** | **2,980** | **44,470** | **127,825** | **(457)** | **2,260,996** | **(3,153)** | **171,665** |

Cash Dividends adjustment on common stock

22 22

Foreign currency Translation adjustment, net

197 197 197

Stock base compensation

508 508

Changes in fair value of interest swap

(700) (700) (700)

Stock grants and termination of restricted stock units

24,747 3 (3)

Net Income

6,007 6,007 6,007

Total comprehensive income

$5,504

**Balance, June 30, 2011**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **29,827,874** | **2,983** | **44,975** | **133,854** | **(960)** | **2,260,996** | **(3,153)** | **177,699** |

Stocks issued under ESPP

25,741 3 228 231

Cash Dividends on common stock ($0.05 per share)

(1,379) (1,379)

Foreign currency Translation adjustment, net

(988) (988) (988)

Stock base compensation

455 455

Changes in fair value of interest swap

(601) (601) (601)

Stock options exercised and termination of restricted stock units

(12,459) (2) (205) (207)

Net Income

4,618 4,618 4,618

Total comprehensive income

$3,029

**Balance, September 30, 2011**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **29,841,156** | **$2,984** | **$45,453** | **$137,093** | **$(2,549)** | **2,260,996** | **$(3,153)** | **$179,828** |

See notes to consolidated financial statements

Table of Contents

**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

**For The Nine Months Ended September 30, 2011 and 2010**

**(Unaudited)**

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

**Supplemental schedule on non-cash investing activities:**

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

See notes to consolidated financial statements

Table of Contents

**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(In thousands, except per share data)**

**(Unaudited)**

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

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

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

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

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

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

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

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

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

7

**Table of Contents**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Comprehensive income and its components consist of the following:

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

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

**Table of Contents**

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

Option activity within each plan is as follows:

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

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

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

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

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

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

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

10

Table of Contents

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

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

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

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

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

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

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

**A. PCNB Matters**

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

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

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

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

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

**B. DBCP Cases**

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

**State Matter in Delaware**

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

**State Matter in California**

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

Table of Contents

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

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

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

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

Table of Contents

**Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Numbers in thousands)**

***FORWARD-LOOKING STATEMENTS/RISK FACTORS:***

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

***RESULTS OF OPERATIONS***

***Quarter Ended September 30, 2011***

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

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

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

14

Table of Contents

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

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

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

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

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

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

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

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

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

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

**Table of Contents**

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

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

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

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

***Average Indebtedness and Interest expense***

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

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

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

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

***Nine Months Ended September 30***

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

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

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

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

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

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

17

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

**Table of Contents**

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

***Average Indebtedness and Interest expense***

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

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

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

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

***LIQUIDITY AND CAPITAL RESOURCES***

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

***RECENTLY ISSUED ACCOUNTING GUIDANCE***

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

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

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

***CRITICAL ACCOUNTING POLICIES AND ESTIMATES***

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

**Item 3.** ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

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

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

**Item 4.** ***CONTROLS AND PROCEDURES***

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

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

Table of Contents

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

## PART II. OTHER INFORMATION

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

**Item 1.** ***Legal Proceedings***

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

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

**A. PCNB Matters**

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

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

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

**B. DBCP Cases**

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

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

Table of Contents

**State Matter in Delaware**

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

**State Matter in California**

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

**Item 1A.** ***Risk Factors***

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

Table of Contents

**Item 6.** ***Exhibits***

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

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

Table of Contents

**SIGNATURES**

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

| | |
|---|---|
| | AMERICAN VANGUARD CORPORATION |
| Dated: November 4, 2011 | BY: /s/ ERIC G. WINTEMUTE<br>**Eric G. Wintemute**<br>**Chief Executive Officer and Chairman of the Board** |
| Dated: November 4, 2011 | BY: /s/ DAVID T. JOHNSON<br>**David T. Johnson**<br>**Chief Financial Officer & Principal Accounting Officer** |