

AMCON DISTRIBUTING CO
Form 10-K
November 08, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended September 30, 2011

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

**For the transition period from _____ to
Commission File Number 1-15589**

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
7405 Irvington Road,
Omaha NE
(Address of principal executive offices)

47-0702918
(I.R.S. Employer
Identification No.)

68122
(Zip Code)

Registrant's telephone number, including area code:
(402) 331-3727

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

Title of Each Class	Name of Each Exchange on Which Registered
None	None

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

Common Stock, \$.01 Par Value

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(Title of Class)

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on March 31, 2011 was \$29,039,377, computed by reference to the \$80.20 closing price of such common stock equity on March 31, 2011.

As of November 7, 2011 there were 621,714 shares of common stock outstanding.

Portions of the following document are incorporated by reference into the indicated parts of this report: definitive proxy statement for the December 2011 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A Part III.

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AMCON DISTRIBUTING COMPANY

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PART I

For purposes of this report, unless the context indicates otherwise, all references to "we," "us," "our," "Company," and "AMCON" shall mean AMCON Distributing Company and its subsidiaries. The Company's 2011 and 2010 fiscal years ended September 30, are herein referred to as fiscal 2011 and fiscal 2010, respectively. The fiscal year-end balance sheet dates of September 30, 2011 and September 30, 2010 are referred to herein as September 2011 and September 2010, respectively. This report and the documents incorporated by reference herein, if any, contain forward looking statements, which are inherently subject to risks and uncertainties. See "Forward Looking Statements" under Item 7 of this report.

ITEM 1. BUSINESS

COMPANY OVERVIEW

AMCON Distributing Company was incorporated in Delaware in 1986 and our common stock is listed on NYSE Amex Equities under the symbol "DIT." The Company operates two business segments:

Our wholesale distribution segment ("Wholesale Segment") distributes consumer products in the Central, Rocky Mountain, and Southern regions of the United States. Additionally, our Wholesale Segment provides a full range of programs and services to assist our customers in managing their business and profitability.

Our retail health food segment ("Retail Segment") operates fourteen health food retail stores located throughout the Midwest and Florida.

WHOLESALE SEGMENT

Our wholesale segment is one of the largest wholesale distributors in the United States serving approximately 5,000 retail outlets including convenience stores, grocery stores, liquor stores, drug stores, and tobacco shops. We currently distribute over 14,000 different consumer products, including cigarettes and tobacco products, candy and other confectionery, beverages, groceries, paper products, health and beauty care products, frozen and chilled products and institutional food service products. We also provide a full range of consultative services to our customers in the areas of marketing, merchandising, inventory optimization, and information systems that allow our customers to compete and maximize their profitability. Convenience stores represent our largest customer category. In October 2011, Convenience Store News ranked us as the sixth (6th) largest convenience store distributor in the United States based on annual sales.

Our Wholesale Segment operates six distribution centers located in Illinois, Missouri, Nebraska, North Dakota, South Dakota, and Tennessee. These distribution centers, combined with cross-dock facilities, include approximately 601,000 square feet of permanent floor space. Our principal suppliers include Philip Morris USA, RJ Reynolds, Commonwealth Brands, Lorillard, Proctor & Gamble, Hershey, Mars, Quaker, and Nabisco. We also market private label lines of snuff, water, candy products, batteries, film, and other products. We do not maintain any long-term purchase contracts with these suppliers.

RETAIL SEGMENT

Our retail segment is comprised of fourteen retail health food stores which are operated as Chamberlin's Market & Café and Akin's Natural Foods Market. These stores carry over 30,000 different national and regionally branded and private label products including high-quality natural, organic, and specialty foods consisting of produce, baked goods, frozen foods, nutritional supplements, personal care items, and general merchandise. Chamberlin's, which was first established in 1935, operates six stores in and around Orlando, Florida. Akin's, which was also established in 1935, has a total of eight locations in Oklahoma, Nebraska, Missouri, and Kansas.

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COMPETITIVE STRENGTHS

We believe that we benefit from a number of competitive strengths, including the following:

Industry Experience

The management teams for both of our business segments include substantial depth in the areas of logistics, sales, and marketing. This experience is beneficial for the management of vendor and customer relationships as well as overall operational execution.

Flexible Distribution Capabilities and Customer Service Programs

The size and flexibility of our wholesale distribution operations strategically positions AMCON to service a broad range of customers from independent retail outlets to large multi-location retailers. Our customized customer service programs assist our customers in maximizing vendor promotions and by providing access to private label and custom food services, store layout and design consultation, and overall profitability consulting, all of which have proven particularly popular.

Unique Product Selection

Our retail health foods business prides itself in carrying a broad and superior-quality selection of natural food products and vitamin supplements. The depth of our product set, combined with highly trained and knowledgeable in-store associates, has created a loyal customer following where our stores are sought out destinations, providing a personalized shopping experience.

BUSINESS STRATEGY

We have a three-pronged business strategy to enhance shareholder value. This strategy includes:

Maximizing liquidity.

Reducing debt and investing in information technology and foodservice offerings.

Growing both organically and through acquisitions.

To execute this strategy, the Company has rigorous operational processes in place designed to control costs, manage credit risk, monitor inventory levels, and maintain maximum liquidity. The success of our strategy ultimately resides on our continued ability to provide our customers with unmatched service, unique product offerings, and leading edge technologies.

PRINCIPAL PRODUCTS

The sales of cigarettes represented approximately 72% of the Company's consolidated revenue during both fiscal 2011 and fiscal 2010, while the sales of candy, beverages, food service, groceries, health food products, paper products, health and beauty care products, and tobacco products represented approximately 28% of consolidated revenue in both fiscal 2011 and fiscal 2010.

INFORMATION ON SEGMENTS

Information about our segments is presented in Note 15 to the Consolidated Financial Statements included in this Annual Report.

COMPETITION Wholesale Segment

Our Wholesale Segment is one of the largest distributing companies of its kind within the regions in which we operate. We do, however, have a number of both small and large wholesale distributors operating in the same geographical regions as our Company, resulting in a highly competitive marketplace. Our principal

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competitors are national wholesalers such as McLane Co., Inc. (Temple, Texas), Core-Mark International (San Francisco, California), as well as regional wholesalers such as Eby-Brown LLP (Chicago, Illinois), Farner-Bocken (Carroll, Iowa) and H.T. Hackney (Knoxville, Tennessee) along with a host of smaller grocery and tobacco wholesalers.

Competition within the industry is primarily based on the range and quality of the services provided, pricing, variety of products offered, and the reliability of deliveries. Our larger competitors principally compete on pricing and breadth of product offerings, while our smaller competitors focus on customer service and their delivery arrangements.

We believe our business model positions us to compete with a wide range of competitors including national, regional, and local wholesalers. As the sixth (6th) largest convenience store distributor in the United States based on annual sales (according to Convenience Store News), our wholesale distribution business has sufficient economies of scale to offer competitive pricing as compared to national wholesalers. Additionally, we believe our flexible distribution and support model allows us to provide a high level of customized merchandising solutions. This flexibility in program and service offerings has proven particularly attractive to mid-sized customers looking to expand.

COMPETITION Retail Segment

Natural food and supplement retailing is an intensely competitive business. We face competition from a variety of sales channels including local, regional, and national retailers, specialty supermarkets, membership clubs, farmers' markets, and other natural foods stores, each of which competes with us on the basis of product selection, quality, customer service, and price.

The natural food retail industry is highly fragmented, with more than 12,000 stores operating independently or as part of small retail chains, and more than 36,000 stores when national chains such as Whole Foods Markets, General Nutrition Centers ("GNC"), and Vitamin World are included. The increasing demand for natural products has fueled an expansion by national chains which continue to add new stores and complete acquisitions. Additionally, in recent years conventional supermarkets have begun offering natural food products adding an additional layer of competition.

SEASONALITY

Sales in the wholesale distribution industry are somewhat seasonal and tend to be higher in warm weather months during which our convenience store customers experience increased customer traffic. The warm months generally fall within the Company's third and fourth fiscal quarters. Our retail health food business does not generally experience significant seasonal fluctuations in its business.

GOVERNMENT REGULATION

AMCON is subject to regulation by federal, state and local governmental agencies, including the U.S. Department of Agriculture, the U.S. Food and Drug Administration ("FDA"), the Occupational Safety and Health Administration ("OSHA"), and the U.S. Department of Transportation ("DOT"). These regulatory agencies generally impose standards for product quality and sanitation, workplace safety, and security and distribution policies.

The Company is also subject to state regulations related to the distribution and sale of cigarettes and tobacco products, generally in the form of licensing and bonding requirements. Additionally, both state and federal regulatory agencies have the ability to impose excise taxes on cigarette and tobacco products. In recent years a number of states, as well as the federal government, have increased the excise taxes levied on cigarettes and tobacco products. We expect this trend to continue as legislators look for alternatives to fund budget shortfalls and as a mechanism to discourage tobacco product use.

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ENVIRONMENTAL MATTERS

All of AMCON's facilities and operations are subject to state and federal environmental regulations. The Company believes it is in compliance with all such regulations and is not aware of any violations that could have a material adverse effect on its financial condition or results of operations. Further, the Company has not been notified by any governmental authority of any potential liability or other claim in connection with any of its properties. The costs and effect on the Company to comply with state and federal environmental regulations were not significant in either fiscal 2011 or fiscal 2010.

EMPLOYEES

At September 2011, the Company had 792 full-time and 103 part-time employees, which together serve in the following areas:

Managerial	37
Administrative	103
Delivery	130
Sales & Marketing	313
Warehouse	312
Total Employees	895

Approximately thirty of our wholesale delivery employees in our Quincy, Illinois distribution center are represented by the International Association of Machinists and Aerospace Workers ("IAMAW"). The current labor agreement with the union is effective through December 2011. While the Company believes it has satisfactory relations with its employees and is in negotiations with representatives from the IAMAW, no assurances can be given that the Company will execute a new labor agreement prior to the December 2011.

CORPORATE AND AVAILABLE INFORMATION

The Company's principal executive offices are located at 7405 Irvington Road, Omaha, Nebraska 68122. The telephone number at that address is 402-331-3727 and our website address is www.amcon.com. We provide free access to the various reports we file with the United States Securities and Exchange Commission through our website. These reports include, but are not limited to, our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Please note that any internet addresses provided in this report are for information purposes only and are not intended to be hyperlinks. Accordingly, no information found and/or provided at such internet addresses is intended or deemed to be incorporated by reference herein.

You may also read and copy any materials we file with the Commission at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549 on official business days during the hours of 10:00 a.m. to 3:00 p.m. You can get information about the Public Reference Room by calling 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov which contains reports, proxies and other company information.

ITEM 1A. RISK FACTORS

IN GENERAL

You should carefully consider the risks described below before making an investment decision concerning our securities.

If any of the following risks actually materializes, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline

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substantially. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below and elsewhere in this Annual Report. See "Forward Looking Statements" under Item 7 of this report for a discussion of forward looking statements.

RISK FACTORS RELATED TO THE WHOLESALE BUSINESS

Regulation of Cigarette and Tobacco Products by the FDA May Negatively Impact Our Operations.

In June 2009, the Family Smoking Prevention and Tobacco Control Act was signed into law which granted the FDA the authority to regulate the production, distribution, and marketing of tobacco products in the United States. Specifically, the legislation established an FDA office to regulate changes to nicotine yields, chemicals, flavors, ingredients, and the labeling used to produce and market tobacco products. The FDA office is financed through user fees paid by tobacco companies, which is passed on to wholesale distributors and end consumers in the form of higher costs.

To date, most of the regulatory and compliance burden related to this legislation has fallen upon product manufacturers. However, if the FDA were to impose new regulations impacting wholesale distributors that we are not able to comply with, we could face remedial actions such as fines, suspension of product distribution rights, and/or termination of operations. Further, if the FDA were to issue product bans or product restrictions, our future revenue stream could materially decrease. If any of these items were to occur, our results from operations, cash flow, business, and overall financial condition could be negatively impacted.

Our Sales Volume Is Largely Dependent upon the Distribution of Cigarette Products, Which is a Declining Sales Category.

The distribution of cigarettes represents a significant portion of our business. During fiscal 2011, approximately 72% of our consolidated revenues came from the distribution of cigarettes which generated approximately 27% of our consolidated gross profit. Due to manufacturer price increases, restrictions on advertising and promotions, regulation, higher excise taxes, health concerns, smoking bans, and other factors, the demand for cigarettes may continue to decline. If this occurs, our results from operations, cash flow, business, and overall financial condition could be negatively impacted.

Cigarettes and Other Tobacco Products Are Subject to Substantial Excise Taxes and If These Taxes Are Increased, Our Sales of Cigarettes and Other Tobacco Products Could Decline.

Cigarette and tobacco products are subject to substantial excise taxes. Significant increases in cigarette-related taxes and/or fees have been imposed by both individual states and the federal government in recent years. Further, the new regulatory responsibilities of the FDA are being funded by fees imposed on tobacco companies. These fees have been passed on to wholesale distributors and end consumers in the form of higher prices for cigarette and tobacco products.

Increases in excise taxes and fees imposed by the FDA may reduce the long-term demand for cigarette and tobacco products and/or result in a sales shift from higher margin premium cigarette and tobacco products to lower margin deep-discount brands, while at the same time increasing the Company's accounts receivable risk and inventory carrying costs. If any of these events were to occur, our results from operations, cash flow, liquidity position, and overall financial condition could be negatively impacted.

Divestiture and Consolidation Trends Within the Convenience Store Industry May Negatively Impact Our Operations.

Continued divestitures and consolidations within the convenience store industry reflect a trend that may result in customer losses for us if the acquiring entity is served by another wholesale distributor or we are unable to retain the business. If we were to lose a substantial volume of business because of these trends,

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our results from operations, cash flow, business, and overall financial condition could be negatively impacted.

Volatility in Fuel Prices Could Reduce Profit Margins and Adversely Affect Our Business.

Increases in fuel prices can and do have a negative impact on our profit margins. If fuel prices increase and we are not able to meaningfully pass on these costs to customers, it could adversely impact our results of operations, business, cash flow, and financial condition.

The Wholesale Distribution of Convenience Store Products Is Significantly Affected by Pricing Decisions and Promotional Programs Offered by Manufacturers.

We receive payments from the manufacturers of the products we distribute including allowances, discounts, volume rebates, and other merchandising incentives in connection with various incentive programs. In addition, we receive discounts from states in connection with the purchase of excise stamps for cigarettes. If the manufacturers or states change or discontinue these programs or we are unable to maintain the volume of our sales, our results of operations, business, cash flow, and financial condition could be negatively affected.

Competition Within The Wholesale Distribution Industry May Have an Adverse Effect on Our Business.

The wholesale distribution industry is highly competitive. There are many distribution companies operating in the same geographical regions as our Company. Our Company's principal competitors are national and regional wholesalers, along with a host of smaller grocery and tobacco wholesalers. Most of these competitors generally offer a wide range of products at prices comparable to those offered by our Company. Some of our competitors have substantial financial resources and long-standing customer relationships. Heightened competition may reduce our margins and adversely affect our business. If we fail to successfully respond to these competitive pressures or to implement our strategies effectively, we may lose market share and our results of operations, business, cash flow, and financial condition could suffer.

We Occasionally Purchase Cigarettes From Manufacturers Not Covered by The Tobacco Industry's Master Settlement Agreement ("MSA"), Which May Expose Us to Certain Potential Liabilities and Financial Risks for Which We Are Not Indemnified.

In June 1994, the Mississippi attorney general brought an action against various tobacco industry members on behalf of the state to recover state funds paid for health-care costs related to tobacco use. Subsequently, most other states sued the major U.S. cigarette manufacturers based on similar theories. The cigarette manufacturer defendants settled the first four of these cases with Mississippi, Florida, Texas and Minnesota by separate agreements. These states are referred to as non-MSA states. In November 1998, the major U.S. tobacco product manufacturers entered into the MSA with 46 states, the District of Columbia and certain U.S. territories. The MSA and the other state settlement agreements settled health-care cost recovery actions and monetary claims relating to future conduct arising out of the use of, or exposure to, tobacco products, imposed a stream of future payment obligations on major U.S. cigarette manufacturers and placed significant restrictions on the ability to market and sell cigarettes. The payments required under the MSA resulted in the products sold by the participating manufacturers being priced at higher levels than the products sold by non-MSA manufacturers.

In order to limit our potential tobacco related liabilities, we try to limit our purchases of cigarettes from non-MSA manufacturers for sale in MSA states. The benefits of liability limitations and indemnities we are entitled to under the MSA do not apply to sales of cigarettes manufactured by non-MSA manufacturers. From time-to-time, however, we find it necessary to purchase a limited amount of cigarettes from non-MSA manufacturers. For example, during a transition period while integrating distribution operations from an acquisition we may need to purchase and distribute cigarettes manufactured by non-MSA manufacturers to satisfy the demands of customers of the acquired business. With respect to sales of such

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non-MSA cigarettes, we could be subject to litigation that could expose us to liabilities for which we would not be indemnified.

If the Tobacco Industry's Master Settlement Agreement Is Invalidated, or Tobacco Manufacturers Cannot Meet Their Obligations to Indemnify Us, We Could Be Subject to Substantial Litigation Liability.

In connection with the MSA, we are indemnified by many of the tobacco product manufacturers from which we purchase cigarettes and other tobacco products for liabilities arising from the sale of the tobacco products that they supply to us. However, if litigation challenging the validity of the master settlement agreement were to be successful and all or part of the master settlement agreement is invalidated, we could be subject to substantial litigation due to the sales of cigarettes and other tobacco products, and we may not be indemnified for such costs by the tobacco product manufacturers in the future. In addition, even if we continue to be indemnified by cigarette manufacturers that are parties to the master settlement agreement, future litigation awards against such cigarette manufacturers could be so large as to eliminate the ability of the manufacturers to satisfy their indemnification obligations. Our results of operations, business, cash flow, and overall financial condition could be negatively impacted due to increased litigation costs and potential adverse rulings against us.

We Face Competition From Sales of Deep-Discount Brands and Illicit and Other Low Priced Sales of Cigarettes.

Increased selling prices for cigarettes and higher cigarette taxes have resulted in the growth of deep-discount cigarette brands. Deep-discount brands are brands generally manufactured by companies that are not original participants to the MSA, and accordingly do not have cost structures burdened by master settlement agreement. Since the MSA was signed, the category of deep-discount brands manufactured by smaller manufacturers or supplied by importers has grown substantially. If this growth continues, our results of operations, business cash flows, and overall financial condition would be negatively impacted.

RISK FACTORS RELATED TO THE RETAIL BUSINESS

Increases in Retail Health Food Store Competition May Have an Adverse Effect on Our Business.

In the retail health food business, our primary competitors currently include national natural foods supermarkets, such as Whole Foods Market, specialty supermarkets, regional natural foods stores, small specialty stores, and restaurants. In addition, conventional supermarkets and mass market outlets also offer natural products. Some of these potential competitors may have greater financial or marketing resources than we do and may be able to devote greater resources to sourcing, promoting, and selling their products. Increased competition may have a material adverse effect on our results of operations, business, cash flow, and financial condition as the result of lower sales, lower gross profits and/or greater operating costs such as marketing.

Part of Our Strategy Is to Expand Our Retail Health Food Business Through The Opening of New Stores, If We Are Unsuccessful it May Have an Adverse Effect on Our Business.

Our expansion strategy is dependent on finding suitable locations, and we face intense competition from other retailers for such sites. We also need to be able to open new stores timely and operate them successfully. In addition, our success is dependant on our ability to hire, train and integrate new qualified team members. Our success is also dependent on our ability to adapt our distribution, management information and other operating systems to adequately supply products to new stores at competitive prices so that we can operate the stores in a successful and profitable manner. If we are not able to find and open new store locations and close poor performing stores, this could have a material adverse impact on our results of operations, business, cash flow, and overall financial condition.

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Changes in the Availability of Quality Natural and Organic Products Could Impact Our Business.

There is no assurance that quality natural and organic products including dietary supplements, fresh and processed foods and vitamins will be available to meet our future needs. If conventional supermarkets increase their natural and organic product offerings or if new laws require the reformulation of certain products to meet tougher standards, the supply of these products may be constrained. Any significant disruption in the supply of quality natural and organic products could have a material adverse impact on our overall sales and product costs.

Perishable Food Product Losses Could Materially Impact Our Results.

We believe our stores more heavily emphasize perishable products than conventional supermarket stores. The Company's emphasis on perishable products may result in significant product inventory losses in the event of extended power outages, natural disasters or other catastrophic occurrences.

RISK FACTORS RELATED TO THE OVERALL BUSINESS

A Further Deterioration in Economic Conditions May Negatively Impact Sales in Both Our Business Segments

Our results of operations and financial condition are particularly sensitive to changes in the overall economy, including the level of consumer spending. Further changes in discretionary spending patterns may decrease demand from our convenience store customers and/or impact the demand for natural food products in our retail health food stores as customers purchase cheaper product alternatives.

Additionally, many of our wholesale segment customers are thinly capitalized and their access to credit in the current business environment may be impacted by their ability to operate as a going concern, presenting additional credit risk for the Company. If the economic downturn persists or the economy deteriorates further, it may result in lower sales and profitability as well as customer credit defaults.

Periods of Significant or Prolonged Inflation or Deflation Affect our Product Costs and Profitability

Volatile product costs have a direct impact on our business. Prolonged periods of product cost inflation may have a negative impact on our profit margins and earnings to the extent that we are unable to pass on all or a portion of such product cost increases to our customers, which may have a negative impact on our business and our profitability. In addition, product cost inflation may negatively impact consumer spending decisions, which could adversely impact our sales. Conversely, our business may be adversely impacted by periods of prolonged product cost deflation because we make a significant portion of our non-tobacco sales at prices that are based on the cost of products we sell plus a percentage markup. As a result, our profit levels may be negatively impacted during periods of product cost deflation, even though our gross profit percentage may remain relatively constant.

Technology Dependence Could Have a Material Negative Impact on Our Business

Our ability to decrease costs and increase profits, as well as our ability to serve customers most effectively, depends on the reliability of our technology network. We use software and other technology systems, among other things, to generate and select orders, to load and route trucks and to monitor and manage our business on a day-to-day basis. Any disruption to these computer systems could adversely impact our customer service, decrease the volume of our business and result in increased costs. While the Company has invested and continues to invest in technology initiatives, these measures cannot fully insulate us from a disruption that could result in adverse effects on operations and profits.

Adverse Publicity About Us or Lack of Confidence in The Products We Carry Could Negatively Impact Our Reputation and Reduce Earnings

Maintaining a good reputation and public confidence in the products we distribute is critical to our business. Anything that damages that reputation or the public's confidence in our products, whether or not

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justified, including adverse publicity about the quality, safety or integrity of our products, could quickly and adversely affect our revenues and profits. In addition, such adverse publicity may result in product liability claims, a loss of reputation, and product recalls which would have a material adverse effect on our sales and operations.

Capital Needed for Expansion May Not Be Available.

The acquisition of other distributors or existing retail stores, the opening of new retail stores, and the development of new production and distribution facilities requires significant amounts of capital. In the past, our growth has been funded primarily through proceeds from bank debt, private placements of equity and debt and internally generated cash flow. These and other sources of capital may not be available to us in the future, which could impair our ability to further expand our business.

Covenants in Our Revolving Credit Facility May Restrict Our Ability to React to Changes Within Our Business or Industry.

Our revolving credit facility imposes certain restrictions on us that could increase our vulnerability to general adverse economic and industry conditions by limiting our flexibility in planning for and reacting to changes in our business and industry. Specifically, these restrictions limit our ability, among other things, to incur additional indebtedness, make distributions, pay dividends, issue stock of subsidiaries, make investments, repurchase stock, create liens, enter into transactions with affiliates, merge or consolidate, or transfer and sell our assets.

Failure to Meet Restrictive Covenants in Our Revolving Credit Facility Could Result in Acceleration of the Facility and We May not be Able to Find Alternative Financing.

Under our credit facility, we are required to maintain a minimum debt service ratio if our excess availability falls below 10% of the maximum loan limit as defined in our revolving credit agreement. Our ability to comply with this covenant may be affected by factors beyond our control. If we breach, or if our lender contends that we have breached this covenant or any other restrictions, it could result in an event of default under our revolving credit facility, which would permit our lenders to declare all amounts outstanding thereunder to be immediately due and payable, and our lenders under our revolving credit facility could terminate their commitments to make further extensions of credit under our revolving credit facility.

We May Not Be Able to Obtain Capital or Borrow Funds to Provide Us with Sufficient Liquidity and Capital Resources Necessary to Meet Our Future Financial Obligations.

We expect that our principal sources of funds will be cash generated from our operations and if necessary, borrowings under our revolving credit facility. However, the current and future conditions in the credit markets may impact the availability of capital resources required to meet our future financial obligations, or to provide funds for our working capital, capital expenditures and other needs for the foreseeable future. We may require additional equity or debt financing to meet our working capital requirements or to fund our capital expenditures. We may not be able to obtain financing on terms satisfactory to us, or at all.

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We Depend on Relatively Few Suppliers for a Large Portion of Our Products, and Any Interruptions in the Supply of the Products That We Sell Could Adversely Affect Our Results of Operations and Financial Condition.

We do not have any long-term contracts with our suppliers committing them to provide products to us. Although our purchasing volume can provide leverage when dealing with suppliers, suppliers may not provide the products we sell in the quantities we request or on favorable terms. Because we do not control the actual production of the products we sell, we are also subject to delays caused by interruption in production based on conditions beyond our control. These conditions include job actions or strikes by employees of suppliers, inclement weather, transportation interruptions, and natural disasters or other catastrophic events. Our inability to obtain adequate supplies of the products we sell as a result of any of the foregoing factors or otherwise, could cause us to fail to meet our obligations to our customers.

We Would Lose Business if Cigarette or Other Manufacturers That We Use Decide to Engage in Direct Distribution of Their Products.

In the past, some large manufacturers have decided to engage in direct distribution of their products and eliminate distributors such as our Company. If other manufacturers make similar product distribution decisions in the future, our revenues and profits would be adversely affected and there can be no assurance that we will be able to take action to compensate for such losses.

We May Be Subject to Product Liability Claims Which Could Adversely Affect Our Business.

We may face exposure to product liability claims in the event that the use of products sold by us is alleged to cause injury or illness. With respect to product liability claims, we believe that we have sufficient liability insurance coverage and indemnities from manufacturers. However, product liability insurance may not continue to be available at a reasonable cost, or, if available, may not be adequate to cover all of our liabilities. We generally seek contractual indemnification and insurance coverage from parties supplying the products we sell, but this indemnification or insurance coverage is limited, as a practical matter, to the creditworthiness of the indemnifying party and the insurance limits of any insurance provided by suppliers. If we do not have adequate insurance or if contractual indemnification is not available or if the counterparty cannot fulfill its indemnification obligation, product liability relating to allegedly defective products could materially adversely impact our results of operations, business, cash flow, and overall financial condition.

We Depend on Our Senior Management.

We depend on the continued services and performance of our senior executive officers named in this report under the caption "Executive Officers of the Registrant." With few exceptions, these individuals are not covered by key person life insurance policies and are not bound by employment agreements. The loss of the services of any of these individuals could harm our business.

We Operate in a Competitive Labor Market and a Number of Our Employees Are Covered by Collective Bargaining Agreements.

We compete with other businesses in each of our markets with respect to attracting and retaining qualified employees. A shortage of qualified employees could require us to enhance our wage and benefits packages in order to compete effectively in the hiring and retention of qualified employees or to hire more expensive temporary employees.

In addition, at September 2011 approximately thirty of our delivery drivers in our Wholesale Segment are covered by a collective bargaining agreement with a labor organization, which expires in December 2011. If we were not able to renew our future labor agreements on similar terms, we may be unable to recover labor cost increases through increased prices or may suffer business interruptions as a result of strikes or other work stoppages.

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We Are Subject to Significant Governmental Regulation and If We Are Unable to Comply with Regulations That Affect Our Business or If There Are Substantial Changes in These Regulations, Our Business Could Be Adversely Affected.

As a distributor and retailer of food products, we are subject to regulation by the FDA. Our operations are also subject to regulation by OSHA, the Department of Transportation and other federal, state and local agencies. Each of these regulatory authorities has broad administrative powers with respect to our operations. If we fail to adequately comply with government regulations or regulations become more stringent, we could experience increased inspections, regulatory authorities could take remedial action including imposing fines or shutting down our operations or we could be subject to increased audit and compliance costs. If any of these events were to occur, our results of operations, business, cash flow, and financial condition would be adversely affected.

We cannot predict the impact that future laws, regulations, interpretations or applications, the effect of additional government regulations or administrative orders, when and if promulgated, or disparate federal, state and local regulatory schemes would have on our business in the future. They could, however, require the reformulation of certain products to meet new standards, the recall or discontinuance of certain products not able to be reformulated, additional record keeping, expanded documentation of the properties of certain products, expanded or different labeling and/or scientific substantiation. While we do not manufacture any products, any of the aforementioned items could disrupt the supply levels of inventory that we sell. Any or all of such requirements could have an adverse effect on our results of operations, business, cash flow, and financial condition.

RISK FACTORS RELATED TO OUR COMMON STOCK

The Company Has Very Few Shareholders of Record And, If this Number Drops below 300, the Company Will No Longer Be Obligated to Report under the Securities Exchange Act of 1934 and in Such Case We May Be Delisted from NYSE Amex Equities, Reducing the Ability of Investors to Trade in Our Common Stock.

If the number of owners of record (including direct participants in the Depository Trust Company) of our common stock falls below 300, our obligations to file reports under the Securities Exchange Act of 1934 could be suspended. If we take advantage of this right we will likely reduce administrative costs of complying with public company rules, but periodic and current information updates about the Company would not be available to investors. In addition, the common stock of the Company would be removed from listing on NYSE Amex Equities. This would likely impact investors' ability to trade in our common stock.

We Have Various Mechanisms in Place to Discourage Takeover Attempts, Which May Reduce or Eliminate Our Stockholders' Ability to Sell Their Shares for a Premium in a Change of Control Transaction.

Various provisions of our bylaws and of corporate law may discourage, delay or prevent a change in control or takeover attempt of our company by a third party that is opposed by our management and Board of Directors. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change of control or change in our management and Board of Directors. These provisions include:

classification of our directors into three classes with respect to the time for which they hold office;

supermajority voting requirements to amend the provision in our certificate of incorporation providing for the classification of our directors into three such classes;

non-cumulative voting for directors;

control by our Board of Directors of the size of our Board of Directors;

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limitations on the ability of stockholders to call special meetings of stockholders; and

advance notice requirements for nominations of candidates for election to our Board of Directors or for proposing matters that can be acted upon by our stockholders at stockholder meetings.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The location and approximate square footage of the Company's six distribution centers and fourteen retail stores at September 2011 are set forth below:

Location	Square Feet
Distribution IL, MO, ND, NE, SD, & TN	601,000
Retail FL, KS, MO, NE, & OK	140,900
Total Square Footage	741,900

Our Quincy, Illinois; Bismarck, North Dakota; and Rapid City, South Dakota distribution facilities are owned by our Company, and are subject to first mortgages granted to BMO Harris, NA ("BMO"). The Company leases its remaining distribution facilities, retail stores, offices, and certain equipment under noncancellable operating leases. Management believes that its existing facilities are adequate for the Company's present level of operations, however, larger facilities and additional cross-dock facilities and retail stores may be required if the Company experiences growth in certain market areas.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. (REMOVED AND RESERVED)**EXECUTIVE OFFICERS OF THE REGISTRANT**

Executive officers of our Company are appointed by the Board of Directors and serve at the discretion of the Board. The following table sets forth certain information with respect to all executive officers of our Company.

Name	Age	Position
Christopher H. Atayan	51	Chairman of the Board, Chief Executive Officer, Director
Kathleen M. Evans	64	President, Director
Andrew C. Plummer	37	Vice President, Chief Financial Officer, and Secretary
Eric J. Hinkfent	50	President of Chamberlin's Market and Cafe and Akin's Natural Foods Market

CHRISTOPHER H. ATAYAN has served in various senior executive positions with the Company since 2006, including his service as Chairman of the Board since January 2008 and Chief Executive Officer since 2006, and has been a director of AMCON since 2004. Mr. Atayan has served as the Senior Managing

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Director of Slusser Associates, a private equity and investment banking firm, since 1988, and has been engaged in private equity and investment banking since 1982. He also serves as a consultant to Draupnir LLC.

KATHLEEN M. EVANS has been President of the Company since 1991. Prior to that time, Ms. Evans served as Vice President of the AMCON Corporation from 1985 to 1991. From 1978 to 1985, Ms. Evans acted in various capacities with AMCON Corporation and its operating subsidiaries.

ANDREW C. PLUMMER has served as the Company's Chief Financial Officer and Secretary since January 2007. From 2004 to 2007, Mr. Plummer served the Company in various roles including Acting Chief Financial Officer, Corporate Controller, and Manager of SEC Compliance. Prior to joining AMCON in 2004, Mr. Plummer practiced public accounting, primarily with the accounting firm Deloitte and Touche, LLP.

Although not an executive officer of our Company, Eric J. Hinkefent is an executive officer of two of our subsidiaries. His business experience is as follows:

ERIC J. HINKEFENT has served as President of both Chamberlin's Natural Foods, Inc. and Health Food Associates, Inc. since October 2001. Prior to that time, Mr. Hinkefent served as President of Health Food Associates, Inc.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****MARKET FOR COMMON STOCK**

The Company's common stock trades on NYSE Amex Equities under the trading symbol "DIT". As of October 31, 2011, the closing stock price was \$55.05 and there were 621,714 common shares outstanding. As of that date, the Company had approximately 360 common shareholders of record (including direct participants in the Depository Trust Company). The following table reflects the range of the high and low closing prices per share of the Company's common stock reported by NYSE Amex Equities for fiscal 2011 and 2010.

	Fiscal 2011		Fiscal 2010	
	High	Low	High	Low
4th Quarter	\$ 71.11	\$ 56.03	\$ 62.00	\$ 50.95
3rd Quarter	83.59	66.36	59.75	47.44
2nd Quarter	83.90	74.25	66.00	49.80
1st Quarter	80.50	60.11	78.00	58.26

DIVIDEND POLICY

On a quarterly basis, the Company's Board of Directors evaluates the potential declaration of dividend payments on the Company's common stock. Our dividend policy is intended to return capital to shareholders when it is most appropriate. The Company's revolving credit facility provides that it may not pay dividends on its common shares in excess of \$1.00 per common share on an annual basis.

Our Board of Directors could decide to alter our dividend policy or not pay quarterly dividends at any time in the future. Such an action by the Board of Directors could result from, among other reasons, changes in the marketplace, changes in our performance or capital needs, changes in federal income tax laws, disruptions in the capital markets, or other events affecting our business, liquidity or financial position. The Company paid cash dividends of \$0.4 million, or \$0.72 per common share, during both fiscal 2011 and fiscal 2010.

The Company has Series A and B Convertible Preferred Stock ("Convertible Preferred Stock") outstanding at September 2011 which are not registered under the Securities and Exchange Act of 1934. The Company paid cash dividends on the Series A and Series B Convertible Preferred Stock of \$0.3 million during in fiscal 2011 and fiscal 2010. See Note 3 to Consolidated Financial Statements included in this Annual Report for further information regarding these securities.

REPURCHASE OF COMPANY SHARES

During fiscal 2010, the Company's Board of Directors authorized a share repurchase program which provided for the repurchase of up to 50,000 shares of the Company's common stock. The Company did not repurchase any shares of its common stock during either fiscal 2011 or fiscal 2010.

EQUITY COMPENSATION PLAN INFORMATION

We refer you to Item 12 of this report for the information required by Item 201(d) of SEC Regulation S-K.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements under Item 8 and other information in this report, including Critical Accounting Policies and Cautionary Information included at the end of this Item 7. The following discussion and analysis includes the results of operations for the twelve month periods ended September 2011 and September 2010. For more information regarding our business segments, see Item 1 "Business" of this Annual Report.

Business Update General

Higher food commodity prices, combined with stagnant economic conditions continue to leave retail consumers extremely price sensitive and value conscious. While our businesses have generally remained more resilient than many other distribution and retail formats, we believe the possibility of additional regulatory pressures and higher excise taxes could negatively impact our sales, gross margins, and operating profits moving forward. Additionally, the long-term implications of the new healthcare legislation remains uncertain. Despite these factors, we believe both of our businesses are well positioned to compete within their respective industries. Accordingly, we continue to actively evaluate opportunities to expand both organically and through strategic acquisitions, allowing us to leverage our existing cost structure.

Business Update Wholesale Segment

Convenience stores constitute the largest portion of our Wholesale Segment customer base. Despite sluggish economic conditions, sales in the convenience store retail channel have fared well compared to other retail formats. According to an April 2011 publication by the National Association of Convenience Stores ("NACS"), in-store sales for convenience stores increased 4.4% during the 2010 calendar year, totaling approximately \$576 billion. Additionally, during the 2010 calendar year the total number of convenience stores grew 1.2% to over 146,000 locations, outnumbering all other competing sales retail formats (supermarkets, drug stores, tobacco outlets, and mass merchant/dollar stores) combined. The industry continues to be highly fragmented and dominated by independent operators, although in recent years there has been significant consolidation in mid-sized convenience store chains.

We believe a number of factors have contributed to the continued success of the convenience store channel. The number one service convenience stores provide is "speed". According to a May 2009 publication by the National Association of Convenience Stores ("NACS"), the average time it takes consumers to purchase an item in a convenience store and depart is between 3 and 4 minutes. Additionally, because convenience stores dominate a number of product categories, they have become an unavoidable part of day-to-day life for many Americans. For example, NACS estimates that convenience stores account for approximately 80% of all fuel sales, 64% of all cigarette sales, and 93% of all cold beer sales. Further, it is estimated that three out of four American adults drink coffee on a regular basis, creating a significant source of repeat traffic for convenience stores. While our Company does not sell fuel or beer, we do sell cigarettes, food, coffee and other beverages which are offered by convenience stores and represent some of our best selling product categories.

While the convenience store channel continues to prosper, a number of significant trends and challenges exist for the wholesale distributors who serve them.

Industry consolidation Economies of scale for both convenience stores and wholesale distributors are rapidly becoming a necessary ingredient to a company's ability to compete successfully. Accordingly, both wholesale distributors and convenience stores are consolidating. While this creates opportunities for our

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Company to acquire smaller competitors, we also face a significant risk that our customers may be acquired by convenience store chains not serviced by us.

Demand for cigarettes The sale of cigarettes represented approximately 36% of in-store sales for convenience stores according to an April 2011 publication by NACS and represented approximately 72% of our consolidated revenue during fiscal 2011. The demand for cigarettes has been decreasing since the 1980's due to a general decline in the number of smokers in the United States and the impact of legislative actions such as smoking bans and higher state and federal excise taxes.

Additionally, during fiscal 2009 the manufacturing, distribution, marketing, and sale of cigarette and tobacco products was placed under the authority of the FDA. To date, the regulatory actions undertaken by the FDA have been primarily targeted at cigarette manufacturers and retailers. However, future regulatory actions by the FDA could further depress consumer demand for tobacco products. Based on these factors, we believe the demand for cigarettes will continue to decline.

Food Service In an effort to replace declining cigarette revenues and to counter increased competition from other retail formats, the convenience store industry has been transforming itself in recent years, placing a bigger emphasis on food service. The emphasis on quick-service, restaurant styled offerings such as on-the-go meals, bundled value meal concepts, and expanded beverage and coffee bars, have proven effective in many markets and will be an important category for convenience stores going forward.

Technology Convenience stores increasingly are relying on technology to manage their business and effectively compete. The ability of distributors to provide capabilities such as inventory scanning, electronic price books, sku rationalization, category management, and access to robust management reporting to their convenience store customers is increasingly important.

While the convenience store industry is undergoing a number of structural changes (i.e. consolidation, product diversification, increasing reliance on technology etc.), we believe this retailing channel will remain attractive into the foreseeable future given its established footprint. During the past several years we have proactively implemented initiatives specifically aimed at guiding our customers through these structural shifts. We also believe these same structural changes will create additional opportunities for us to acquire smaller distributors who lack the expertise or resources to offer these expanded services.

Business Update Retail Segment

The retail health food industry continues to grow with sales totaling over \$65 billion during the 2010 calendar year, up 7% from the prior year according to The Natural Foods Merchandiser ("NFM") which is a leading industry trade publication. NFM estimates that approximately 44% of these sales were made through independent natural food retailers such as our retail stores, 36% through conventional mass market retailers, and 20% through all other retail channels (internet, mail order, multi-level marketing etc.).

We believe a number of key factors have influenced the demand for natural products including:

heightened awareness about the role that food and nutrition play in long-term health;

increasing concerns over food safety due to the presence of pesticide residues, growth hormones, and artificial ingredients found in foods purchased through traditional retail outlets;

growing focus on the impact of chemical additives included in consumer products such as household cleaning agents;

the impact of chemicals used in consumer goods on the environment, particularly the potential for water and soil contamination; and

an aging population with a desire to maintain good health and a high quality of life.

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While industry-wide sales have grown, the expansion of mass merchandisers combined with higher food commodity prices have compressed margins in many markets. We believe this trend will continue as the industry matures and the opportunities for new product introductions diminish.

Even so, we believe the long-term sales trend is promising. Natural products continue to gain wider acceptance from main stream consumers, and existing natural products consumers who had traded down in recent years are beginning to return as natural food retailers have added more competitive "bulk" and "make-your-own" product categories. Additionally, natural products customers tended to be better educated and demand a higher level product and dietary knowledge by in-store customer associates, a level of service difficult to deliver for mass merchandisers.

Forward looking, our health food stores will continue to face a highly competitive environment. However, we believe our stores are sufficiently differentiated through our product lines and highly trained store associates to sustain a strong and profitable business. For over 75 years, our health food stores have succeeded with a simple value proposition; helping our customers maintain their commitment to a healthy lifestyle. While consumer tastes and products offering will evolve and change, we feel the value offered by our retail stores will remain in demand.

Significant Events In Fiscal 2011

During fiscal 2011, the Company:

renewed and subsequently expanded its revolving credit line agreement with Bank of America, increasing the total revolving credit limit from \$55 million to \$70 million and providing a April 2014 maturity date.

acquired the distribution assets of LP Shanks Company, Inc. ("LPS"), which was a wholesale distributor to convenience stores in the Southeastern region of the United States with annual sales totaling approximately \$200 million.

Results of Operations

The following table sets forth an analysis of various components of the Company's Statement of Operations as a percentage of sales for fiscal years 2011 and 2010:

	Fiscal Years	
	2011	2010
Sales	100.0%	100.0%
Cost of sales	92.9	92.9
Gross profit	7.1	7.1
Selling, general and administrative expenses	5.4	5.4
Depreciation and amortization	0.2	0.2
Operating income	1.5	1.5
Interest expense	0.1	0.1
Income before income taxes	1.4	1.4
Income tax expense	0.6	0.5
Net income	0.8	0.9
Preferred stock dividend requirements		
Net income available to common shareholders	0.8%	0.9%

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(In millions)	Fiscal Years		Incr (Decr)(2)	% Change(2)
	2011	2010		
CONSOLIDATED:				
Sales(1)	\$ 1,041.6	\$ 1,010.5	\$ 31.1	3.1%
Cost of Sales	967.5	938.8	28.6	3.1
Gross profit	74.2	71.7	2.5	3.4
Gross profit percentage	7.1%	7.1%		
Operating expense	58.6	56.2	2.4	4.3
Operating income	15.6	15.5		0.2
Interest expense	1.4	1.5	(0.1)	(4.7)
Income tax expense	6.3	5.1	(1.1)	22.2
Net income	8.1	9.0	(0.9)	(10.1)
BUSINESS SEGMENTS:				
Wholesale				
Sales(1)	1,003.8	973.8	30.1	3.1
Gross profit	57.9	55.6	2.3	4.2
Gross profit percentage	5.8%	5.7%		
Retail				
Sales	37.8	36.8	1.0	2.8
Gross profit	16.2	16.1	0.1	0.8
Gross profit percentage	42.9%	43.8%		

- (1) Sales are reported net of costs associated with incentives provided to retailers. These incentives totaled \$15.3 million in fiscal 2011 and \$15.7 million in fiscal 2010.
- (2) Amounts calculated based on actual changes in the Consolidated Statement of Operations.

SALES

Changes in sales are driven by two primary components:

- (i) changes to selling prices, which are largely controlled by our product suppliers, and excise taxes imposed on cigarettes and tobacco products by various states; and
- (ii) changes in the volume of products sold to our customers, either due to a change in purchasing patterns resulting from consumer preferences or the fluctuation in the comparable number of business days in our reporting period.

SALES Fiscal 2011 vs. Fiscal 2010

Sales in our Wholesale Segment increased \$30.1 million during fiscal 2011 as compared to fiscal 2010. Significant items impacting sales during fiscal 2011 included a \$75.4 million increase in sales related to our acquisition of LPS in May 2011 and a \$23.2 million increase in sales related to price increases implemented by cigarette manufacturers. These increases were partially offset by a \$51.9 million decrease in sales primarily related to the volume and mix of cigarette cartons sold and a \$16.6 million decrease in sales in our tobacco, beverage, snacks, candy, grocery, health & beauty products, automotive, food service, and store supplies categories ("Other Products").

Sales in our Retail Segment increased approximately \$1.0 million during fiscal 2011 as compared to fiscal 2010. Of this increase, approximately \$0.4 million related to the addition of our new retail store in Tulsa, Oklahoma which opened during the prior fiscal year (Q2 2010) and \$0.6 million related to higher overall sales in our existing retail stores, primarily in our Florida markets stores which have shown improved results coming off the depths of the severe recession in that region.

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GROSS PROFIT Fiscal 2011 vs. Fiscal 2010

Our gross profit does not include fulfillment costs and costs related to the distribution network which are included in selling, general and administrative costs, and may not be comparable to those of other entities. Some entities may classify such costs as a component of cost of sales. Cost of sales, a component used in determining gross profit, for the wholesale and retail segments includes the cost of products purchased from manufacturers, less incentives we receive which are netted against such costs.

Gross profit in our Wholesale Segment increased \$2.3 million in fiscal 2011 as compared to fiscal 2010. Of this increase, approximately \$3.8 million related to our acquisition of LPS and \$1.6 million related to the benefit of manufacturer price increases. Partially offsetting this was a \$3.1 million decrease in gross profit related to lower cigarette and Other Products sales volume and mix.

Gross profit for the Retail Segment increased \$0.1 million in fiscal 2011 as compared to fiscal 2010. Significant items impacting gross profit during the period included a \$0.4 million increase in gross profit related to higher overall sales, partially offset by a \$0.3 million reduction in gross profit principally related to margin compression and the impact of higher food commodity prices.

OPERATING EXPENSE Fiscal 2011 vs. Fiscal 2010

Operating expense includes selling, general and administrative expenses and depreciation and amortization. Selling, general, and administrative expenses include costs related to our sales, warehouse, delivery and administrative departments for all segments. Specifically, purchasing and receiving costs, warehousing costs and costs of picking and loading customer orders are all classified as selling, general and administrative expenses. Our most significant expenses relate to employee and facility costs, equipment leases, transportation costs, fuel costs, insurance, and professional fees.

Operating expenses increased approximately \$2.4 million in fiscal 2011 as compared to fiscal 2010. Significant items impacting operating expenses during fiscal 2011 included a \$3.5 million increase in operating expenses related to servicing our new business acquired as part of the LPS acquisition and \$0.6 million related to higher fuel costs. These items were partially offset by a \$1.7 million net reduction in bad debt expense as compared to the prior fiscal year.

INCOME TAX EXPENSE Fiscal 2011 vs. Fiscal 2010

The effective income tax rate for fiscal 2011 was 43.8% as compared to 36.4% in fiscal 2010. The increase effective tax rates over fiscal 2010 was primarily related to Internal Revenue Service limitations on the deductibility of certain compensation expenses for the current year.

Liquidity and Capital Resources

OVERVIEW

General. The Company requires cash to pay operating expenses, purchase inventory, and make capital investments. In general, the Company finances its cash flow requirements with cash generated from operating activities and credit facility borrowings.

Operating Activities. During fiscal 2011, the Company generated cash of approximately \$16.0 million from operating activities. The cash generated primarily resulted from decreases in accounts receivable and inventory balances (excluding the impact of our LPS acquisition), a net increase in our deferred income tax liability, and higher accounts payable. These items were partially offset by an increase in prepaid assets and cash paid to reduce accrued expenses.

Our variability in cash flows from operating activities is dependent on the timing of inventory purchases and seasonal fluctuations. For example, periodically we have inventory "buy-in" opportunities which offer more favorable pricing terms. As a result, we may have to hold inventory for a period longer than

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the payment terms. This generates a cash outflow from operating activities which we expect to reverse in later periods. Additionally, during the warm weather months, which is our peak time of operations, we generally carry higher amounts of inventory to ensure high fill rates and customer satisfaction.

Investing Activities. The Company used approximately \$15.3 million of cash during fiscal 2011. Of the cash used, approximately \$13.4 million related to our acquisition of LPS and approximately \$1.9 million related to the net impact of capital expenditures and sales of property and equipment.

Financing Activities. The Company generated cash of \$0.3 million from financing activities during fiscal 2011. Of this amount, \$2.0 million related to net borrowings on the Company's credit facility and \$0.1 million was related to the impact of equity-based compensation awards. Partially offsetting these amounts, was \$1.1 million related to payments on long-term debt and \$0.7 million related to dividends on the Company's common and preferred stock.

Cash on Hand/Working Capital. At September 2011, the Company had cash on hand of \$1.4 million and working capital (current assets less current liabilities) of \$49.0 million. This compares to cash on hand of \$0.4 million and working capital of \$39.1 million at September 2010. The increase in working capital as compared to fiscal 2010 is primarily related to the addition of assets to service our new business acquired as part of the LPS acquisition.

CREDIT AGREEMENT

The Company has a credit agreement (the "Facility") with Bank of America, which includes the following significant terms:

April 2014 maturity date and a \$70.0 million revolving credit limit.

Loan accordion allowing the Company to increase the size of the credit facility agreement by \$25.0 million.

A provision providing an additional \$5.0 million of credit advances for certain inventory purchases.

Evergreen renewal clause automatically renewing the agreement for one year unless either the borrower or lender provides written notice terminating the agreement at least 90 days prior to the end of the original term of the agreement or the end of any renewal period.

Prepayment penalty equal to one-half of one percent ($1/2\%$) if the Company prepays the entire Facility or terminates it in year one of the agreement, and one-fourth of one percent ($1/4\%$) if the Company prepays the entire Facility or terminates it in year two of the agreement. The prepayment penalty is calculated based on the original loan amount.

The Facility bears interest at either the bank's prime rate or at LIBOR plus 175 basis points, at the election of the Company.

Lending limits subject to accounts receivable and inventory limitations.

An unused commitment fee equal to one-quarter of one percent ($1/4\%$) per annum on the difference between the maximum loan limit and average monthly borrowings.

Secured by collateral including all of the Company's equipment, intangibles, inventories, and accounts receivable.

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Provides that the Company may not pay dividends on its common stock in excess of \$1.00 per share on an annual basis.

A financial covenant requiring a fixed charge coverage ratio of at least 1.1 as measured by the previous twelve month period then ended only if excess availability falls below 10% of the maximum loan limit as defined in the credit agreement.

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The amount available for use on the Facility at any given time is subject to a number of factors including eligible accounts receivable and inventory balances that fluctuate day-to-day. Based on our collateral and loan limits as defined in the Facility agreement, the credit limit of the Facility at September 2011 was \$61.1 million, of which \$20.8 million was outstanding, leaving \$40.3 million available.

At September 2011, the revolving portion of the Company's Facility balance bore interest based on the bank's prime rate and various short-term LIBOR rate elections made by the Company. The average interest rate was 3.05% at September 2011.

During fiscal 2011, our peak borrowings under the Facility were \$53.5 million and our average borrowings and average availability were \$31.1 million and \$25.4 million, respectively. Our availability to borrow under the Facility generally decreases as inventory and accounts receivable levels increase because of the borrowing limitations that are placed on collateralized assets.

Cross Default and Co-Terminus Provisions

The Company's owned real estate in Bismarck, ND, Quincy, IL, and Rapid City, SD, and certain warehouse equipment in the Rapid City, SD warehouse are financed through term loans with BMO Harris, NA ("BMO") which is also a participant lender on the Company's revolving line of credit. The BMO loans contain cross default provisions which cause all loans with BMO to be considered in default if any one of the loans where BMO is a lender, including the revolving credit facility, is in default. There were no such cross defaults at September 2011. In addition, the BMO loans contain co-terminus provisions which require all loans with BMO to be paid in full if any of the loans are paid in full prior to the end of their specified terms.

Dividends Payments

The Company paid cash dividends of \$448,584 or \$0.72 per common share in fiscal 2011 and \$416,779 or \$0.72 per common share in fiscal 2010. The Company also paid cash dividends on its convertible preferred stock of \$286,397 and \$297,025 in fiscal 2011 and fiscal 2010, respectively.

Other

The Company has issued a letter of credit for \$0.4 million to its workers' compensation insurance carrier as part of its self-insured loss control program.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Liquidity Risk

The Company's liquidity position is significantly influenced by its ability to maintain sufficient levels of working capital. For our Company and industry in general, customer credit risk and ongoing access to bank credit heavily influence liquidity positions.

The Company does not currently hedge its exposure to interest rate risk or fuel costs. Accordingly, significant price movements in these areas can and do impact the Company's profitability.

The Company believes its liquidity position going forward will be adequate to sustain operations. However, a precipitous change in market conditions could materially impact the Company's future revenue stream as well as its ability to collect on customer accounts receivable or secure bank credit.

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OTHER MATTERS Critical Accounting Estimates

GENERAL

The Consolidated Financial Statements of the Company are prepared in accordance with U.S. generally accepted accounting principles, which require the Company to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, net revenue and expenses, and the disclosure of contingent assets and liabilities. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The Company believes that the accounting estimates employed and the resulting balances are reasonable; however, actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of the Consolidated Financial Statements. Our critical accounting estimates are set forth below and have not changed during fiscal 2011.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

NATURE OF ESTIMATES REQUIRED. The allowance for doubtful accounts represents our estimate of uncollectible accounts receivable at the balance sheet date. We monitor our credit exposure on a daily basis and regularly assess the adequacy of our allowance for doubtful accounts. Because credit losses can vary significantly over time, estimating the required allowance requires a number of assumptions that are uncertain.

ASSUMPTIONS AND APPROACH USED. We estimate our required allowance for doubtful accounts using the following key assumptions.

Historical collections Represented as the amount of historical uncollectible accounts as a percent of total accounts receivable.

Specific credit exposure on certain accounts Identified based on management's review of the accounts receivable portfolio and taking into account the financial wherewithal of particular customers that management deems to have a higher risk of collection.

Market conditions We consider a broad range of industry trends and macro-economic issues which may impact the creditworthiness of our customers.

INVENTORIES

NATURE OF ESTIMATES REQUIRED. In our businesses, we carry large quantities and dollar amounts of inventory. Inventories primarily consist of finished products purchased in bulk quantities to be sold to our customers. Given the large quantities and broad range of products we carry, there is a risk that inventory may become impaired because it has become unsaleable or unrefundable, slow moving, obsolete, or because it has been discontinued. The use of estimates is required in determining the salvage value of this inventory.

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ASSUMPTIONS AND APPROACH USED. We estimate our inventory obsolescence reserve at each balance sheet date based on the following criteria:

Slow moving products Items identified as slow moving are evaluated on a case-by-case basis for impairment.

Obsolete/discontinued inventory Products identified that are near or beyond their expiration dates. We may also discontinue carrying certain product lines for our customers. As a result, we estimate the market value of this inventory as if it were to be liquidated.

Estimated salvage value/sales price The salvage value of the inventory is estimated using management's evaluation of the congestion in the distribution channels and experience with brokers and inventory liquidators to determine the salvage value of the inventory.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets consist primarily of property and equipment, goodwill, and intangible assets that were acquired in business combinations. Fixed assets and amortizable identified intangible assets are assigned useful lives ranging from 2 to 40 years. Goodwill is not amortized. Impairment of the Company's long-lived assets are assessed and measured at the reporting units during the Company's fourth fiscal quarter. The Company recorded no impairment charges in either fiscal 2011 or fiscal 2010.

NATURE OF ESTIMATES REQUIRED. Management has to estimate the useful lives of the Company's long lived assets. In regard to the Company's impairment analysis, the most significant assumptions include management's estimate of the annual growth rate used to project future sales and expenses.

ASSUMPTIONS AND APPROACH USED. For property and equipment, depreciable lives are based on our accounting policy which is intended to mirror the expected useful life of the asset. In determining the estimated useful life of amortizable intangible assets, such as customer lists, we rely on our historical experience to estimate the useful life of the applicable asset and consider industry norms as a benchmark. In evaluating the potential impairment of long-lived assets (excluding goodwill), we primarily rely on an undiscounted future cash flow approach for property and equipment and identifiable intangible assets that are amortized, and the income approach (discounted cash flow method) when evaluating indefinite-lived intangible assets, in addition to both public and private company information.

In evaluating the potential impairment of goodwill we assess a range of qualitative factors, including but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the the market for the Company's products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel, and overall financial performance. If after completing this assessment, it is determined that it is more that than likely than not that the fair value of a reporting unit is less than its carrying value, we proceed to a two-step impairment testing methodology using the income approach.

A discounted cash flow methodology requires estimation in (i) forecasting future earnings (ii) determining the discount rate applicable to the earnings stream being discounted, and (iii) computing a terminal value at some point in the future. The forecast of future earnings is an estimate of future financial performance based on current year results and management's evaluation of the market potential for growth. The discount rate is a weighted average cost of capital using a targeted debt-to-equity ratio using the industry average under the assumption that it represents our optimal capital structure and can be achieved in a reasonable time period. The terminal value is determined using a commonly accepted growth model.

INSURANCE

The Company's insurance for workers' compensation, general liability and employee-related health care benefits are provided through high-deductible or self-insured programs. As a result, the Company accrues

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for its workers' compensation liability based upon claim reserves established with the assistance of a third-party administrator, which are then trended and developed. The reserves are evaluated at the end of each reporting period. Due to the uncertainty involved with the realization of claims incurred but unreported, management is required to make estimates of these claims.

ASSUMPTIONS AND APPROACH USED. In order to estimate our reserve for incurred but unreported claims we consider the following key factors:

Employee Health Insurance Claims

Historical claims experience We review loss runs for each month to calculate the average monthly claims experience.

Lag period for reporting claims Based on analysis and consultation with our third party administrator, our experience is such that we have a minimum of a one month lag period in which claims are reported.

Workers' Compensation Insurance Claims

Historical claims experience We review prior years' loss runs to estimate the average annual expected claims and review monthly loss runs to compare our estimates to actual claims.

Lag period for reporting claims We utilize the assistance of our insurance agent to trend and develop reserves on reported claims in order to estimate the amount of incurred but unreported claims. Our insurance agent uses standard insurance industry loss development models.

INCOME TAXES

The Company accounts for its income taxes by recording taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. These expected future tax consequences are measured based on provisions of tax law as currently enacted; the effects of future changes in tax laws are not anticipated. Future tax law changes, such as a change in the corporate tax rate, could have a material impact on our financial condition or results of operations.

On a periodic basis, we assess the likelihood that our deferred tax assets will be recovered from future taxable income and establish a related valuation allowance as appropriate. In performing our evaluation, we consider all available evidence, both positive and negative, to determine whether, based on the weight of the evidence, a valuation allowance is needed. Evidence used includes information about our current financial position and our results of operations for the current and preceding years, as well as all currently available information about future years, including our anticipated future performance, the reversal of deferred tax liabilities and tax planning strategies. When appropriate, we record a valuation allowance against deferred tax assets to offset future tax benefits that may not be realized.

ASSUMPTIONS AND APPROACH USED. In determining whether a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based in part upon management's judgments regarding future events.

In making that estimate we consider the following key factors:

our current financial position;

historical financial information;

future reversals of existing taxable temporary differences;

future taxable income exclusive of reversing temporary differences and carryforwards;

taxable income in prior carryback years; and

tax planning strategies.

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REVENUE RECOGNITION

We recognize revenue in our Wholesale Segment when products are delivered to customers (which generally is the same day products are shipped) and in our retail health food segment when products are sold to consumers. Sales are shown net of returns, discounts, and sales incentives to customers.

NATURE OF ESTIMATES REQUIRED. We estimate and reserve for anticipated sales discounts. We also estimate and provide a reserve for anticipated sales incentives to customers when earned under established program requirements.

ASSUMPTIONS AND APPROACH USED. We estimate the sales reserves using the following criteria:

Sales discounts We use historical experience to estimate the amount of accounts receivable that will not be collected due to customers taking advantage of authorized term discounts.

Volume sales incentives We use historical experience in combination with quarterly reviews of customers' sales progress in order to estimate the amount of volume incentives due to the customers on a periodic basis.

Our estimates and assumptions for each of the aforementioned critical accounting estimates have not changed materially during the periods presented, nor are we aware of any reasons that they would be reasonably likely to change in the future.

BUSINESS COMBINATIONS

NATURE OF ESTIMATES REQUIRED. We allocate the purchase price of acquired companies to the tangible assets acquired, liabilities assumed, and intangible assets acquired, based on their estimated fair values. The excess of the purchase price over these fair values is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

ASSUMPTIONS AND APPROACH USED. Critical estimates in valuing certain intangible assets include but are not limited to the projected growth factors, future expected cash flows, discount rates, potential competitive and regulatory environment developments, and changes in the market for the Company's products and services. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Additionally, estimates associated with the accounting for acquisitions may change as new information becomes available regarding the assets acquired and liabilities assumed.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

During the fourth quarter of fiscal 2011, the Company adopted Financial Accounting Standards Board ("FASB"), Accounting Standards Update ("ASU") 2011-08 ("Testing Goodwill for Impairment") which permits an entity to use an optional qualitative analysis when determining if the fair value of a given reporting unit is less than its carrying value as part of its goodwill impairment testing methodology. The adoption of this standard did not have a material impact on our consolidated results of operations or financial condition.

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections, contains forward-looking statements that are subject to risks and uncertainties and which reflect management's current beliefs and estimates of future economic circumstances, industry conditions, company performance and financial results. Forward-looking statements include information concerning the possible or assumed future results of operations of the

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Company and those statements preceded by, followed by or that include the words "future," "position," "anticipate(s)," "expect," "believe(s)," "see," "plan," "further improve," "outlook," "should" or similar expressions. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties and assumptions. You should understand that the following important factors, in addition to those discussed elsewhere in this document, could affect the future results of the Company and could cause those results to differ materially from those expressed in our forward-looking statements:

increases in state and federal excise taxes on cigarette and tobacco products,

integration risk related to acquisitions or other efforts to expand,

higher commodity prices which could impact food ingredient costs for many of the products we sell,

regulation of cigarette and tobacco products by the FDA, in addition to existing state and federal regulations by other agencies,

potential bans imposed by the FDA on the manufacture, distribution, and sale of certain cigarette and tobacco products such as products including menthol additives,

increases in manufacturer prices,

increases in inventory carrying costs and customer credit risk,

changes in promotional and incentive programs offered by manufacturers,

decreased availability of capital resources

demand for the Company's products, particularly cigarette and tobacco products,

new business ventures or acquisitions,

domestic regulatory and legislative risks,

competition,

poor weather conditions,

increases in fuel prices,

consolidation trends within the convenience store industry,

other risks over which the Company has little or no control, and any other factors not identified herein,

natural disasters and domestic unrest.

Changes in these factors could result in significantly different results. Consequently, future results may differ from management's expectations. Moreover, past financial performance should not be considered a reliable indicator of future performance. Any forward-looking statement contained herein is made as of the date of this document. Except as required by law, the Company undertakes no obligation to publicly update or correct any of these forward-looking statements in the future to reflect changed assumptions, the occurrence of material events or changes in future operating results, financial conditions or business over time.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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<u>Consolidated Balance Sheets as of September 2011 and September 2010</u>	<u>31</u>
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
AMCON Distributing Company
Omaha, Nebraska

We have audited the accompanying consolidated balance sheets of AMCON Distributing Company and subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMCON Distributing Company and subsidiaries as of September 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ MCGLADREY & PULLEN LLP

Omaha, Nebraska
November 8, 2011

Table of Contents**AMCON Distributing Company and Subsidiaries****CONSOLIDATED BALANCE SHEETS**

	September 30,	
	2011	2010
ASSETS		
Current assets:		
Cash	\$ 1,389,665	\$ 356,735
Accounts receivable, less allowance for doubtful accounts of \$1.2 million and \$1.6 million in 2011 and 2010, respectively	32,963,693	27,903,689
Inventories, net	38,447,982	35,005,957
Deferred income taxes	1,707,889	1,905,974
Prepaid and other current assets	6,073,536	3,013,485
 Total current assets	 80,582,765	 68,185,840
Property and equipment, net	13,713,238	11,855,669
Goodwill	6,349,827	6,149,168
Other intangible assets, net	5,550,978	4,807,644
Other assets	1,238,825	1,069,050
	 \$ 107,435,633	 \$ 92,067,371

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 18,439,446	\$ 16,656,257
Accrued expenses	7,153,672	6,007,900
Accrued wages, salaries and bonuses	2,460,558	3,161,817
Income taxes payable	2,100,180	2,366,667
Current maturities of long-term debt	1,384,625	893,291
 Total current liabilities	 31,538,481	 29,085,932
Credit facility	20,771,613	18,816,709
Deferred income taxes	2,743,238	1,075,861
Long-term debt, less current maturities	6,194,195	5,226,586
Other long-term liabilities	429,513	587,479
Series A cumulative, convertible preferred stock, \$.01 par value 100,000 shares authorized and issued, and a total liquidation preference of \$2.5 million at both September 2011 and September 2010.	2,500,000	2,500,000
Series B cumulative, convertible preferred stock, \$.01 par value 80,000 shares authorized, 62,000 shares outstanding at September 30, 2011 and 80,000 shares outstanding at September 30, 2010, and a total liquidation preference of \$1.6 million and \$2.0 million at September 2011 and September 2010, respectively.	1,550,000	2,000,000

Commitments and contingencies

(Note 13)

Shareholders' equity:

Preferred stock, \$0.01 par value,
1,000,000 shares authorized,
162,000 and 180,000 shares
outstanding and issued in Series A
and B referred to above

Common stock, \$0.01 par value,
3,000,000 shares authorized,
609,320 shares outstanding at
September 2011 and 577,432 shares
outstanding at September 2010

	6,093	5,774
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Additional paid-in capital	9,981,055	8,376,640
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Retained earnings	31,721,445	24,392,390
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Total shareholders' equity	41,708,593	32,774,804
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	\$ 107,435,633	\$ 92,067,371
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**AMCON Distributing Company and Subsidiaries****CONSOLIDATED STATEMENTS OF OPERATIONS**

	Fiscal Years Ended September	
	2011	2010
Sales (including excise taxes of \$340.6 million and \$335.8 million, respectively)	\$ 1,041,631,892	\$ 1,010,538,035
Cost of sales	967,467,852	938,830,204
Gross profit	74,164,040	71,707,831
Selling, general and administrative expenses	56,374,612	54,445,189
Depreciation and amortization	2,234,814	1,736,817
	58,609,426	56,182,006
Operating income	15,554,614	15,525,825
Other expense (income):		
Interest expense	1,433,790	1,504,899
Other (income), net	(225,212)	(85,886)
	1,208,578	1,419,013
Income from operations before income tax expense	14,346,036	14,106,812
Income tax expense	6,282,000	5,141,000
Net income	8,064,036	8,965,812
Preferred stock dividend requirements	(286,397)	(297,025)
Net income available to common shareholders	\$ 7,777,639	\$ 8,668,787
Basic earnings per share available to common shareholders:	\$ 13.09	\$ 15.36
Diluted earnings per share available to common shareholders:	\$ 10.44	\$ 11.99
Basic weighted average shares outstanding	594,185	564,355
Diluted weighted average shares outstanding	772,589	747,862

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**AMCON Distributing Company and Subsidiaries****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	Common Stock		Additional Paid in Capital	Retained Earnings	Total
	Shares	Amount			
Balance, October 1, 2009	573,232	\$ 5,732	\$ 7,617,494	\$ 16,140,382	\$ 23,763,608
Dividends on common stock, \$0.72 per share				(416,779)	(416,779)
Dividends on convertible preferred stock				(297,025)	(297,025)
Compensation expense on equity-based awards			486,294		486,294
Issuance of stock in connection with equity-based awards	4,200	42	131,711		131,753
Net excess tax benefit on equity-based awards			141,141		141,141
Net income				8,965,812	8,965,812
Balance, September 30, 2010	577,432	5,774	8,376,640	24,392,390	32,774,804
Dividends on common stock, \$0.72 per share				(448,584)	(448,584)
Dividends on convertible preferred stock				(286,397)	(286,397)
Compensation expense on equity-based awards			992,657		992,657
Conversion of Series B Convertible Preferred Stock to common stock by holders	18,255	183	449,817		450,000
Issuance of stock in connection with equity-based awards	13,633	136	22,255		22,391
Net excess tax benefit on equity-based awards			139,686		139,686
Net income				8,064,036	8,064,036
Balance, September 30, 2011	609,320	\$ 6,093	\$ 9,981,055	\$ 31,721,445	\$ 41,708,593

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**AMCON Distributing Company and Subsidiaries****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Fiscal Years Ended September	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 8,064,036	\$ 8,965,812
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	1,850,231	1,459,156
Amortization	384,583	277,661
Gain on sale of property and equipment	(45,848)	(32,996)
Equity-based compensation	1,851,457	486,294
Net excess tax benefit on equity-based awards	(139,686)	(141,141)
Deferred income taxes	1,865,462	(385,258)
(Recoveries) provision for losses on doubtful accounts	(437,757)	686,426
Provision for losses (recoveries) on inventory obsolescence	114,000	(74,083)
Other	(8,045)	75,083
Changes in assets and liabilities, net of effect of business acquisition:		
Accounts receivable	4,259,181	(196,917)
Inventories	1,015,604	1,535,651
Prepaid and other current assets	(3,025,051)	(1,289,549)
Other assets	(169,775)	(42,655)
Accounts payable	1,810,710	1,395,362
Accrued expenses and accrued wages, salaries and bonuses	(1,256,553)	(857,039)
Income taxes payable	(126,801)	(1,476,450)
Net cash flows from operating activities	16,005,748	10,385,357
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,988,139)	(1,920,655)
Proceeds from sales of property and equipment	94,525	71,606
Acquisition	(13,368,057)	(3,099,836)
Net cash flows from investing activities	(15,261,671)	(4,948,885)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (payments) on bank credit agreements	1,954,904	(4,017,019)
Principal payments on long-term debt	(1,093,147)	(931,722)
Proceeds from exercise of stock options	22,391	131,753
Net excess tax benefit on equity-based awards	139,686	141,141
Dividends paid on convertible preferred stock	(286,397)	(297,025)
Dividends on common stock	(448,584)	(416,779)
Net cash flow from financing activities	288,853	(5,389,651)
Net change in cash	1,032,930	46,821
Cash, beginning of year	356,735	309,914
Cash, end of year	\$ 1,389,665	\$ 356,735

The accompanying notes are an integral part of these consolidated financial statements.

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AMCON Distributing Company and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Fiscal Years Ended September	
	2011	2010
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 1,419,636	\$ 1,506,661
Cash paid during the year for income taxes	4,543,338	7,002,708
Supplemental disclosure of non-cash information:		
Conversion Series B Convertible Preferred Stock to common stock by holders	\$ 450,000	\$
Equipment acquisitions classified as accounts payable	10,685	38,206
Business acquisition (see Note 2):		
Accounts receivable	\$ 8,881,428	\$
Inventory	4,571,629	1,981,498
Property and equipment	1,795,859	122,978
Prepaid asset	35,000	
Fair value of non-competition agreement	500,000	
Customer relationships intangible asset	500,000	1,620,000
Goodwill	200,659	300,360
Accrued expenses	(120,000)	
Note payable	(2,552,090)	(500,000)
Amount due under non-competition agreement	(444,428)	
Contin		