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AMCON DISTRIBUTING CO
Form 8-K
July 18, 2008

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES ACT OF 1934

Date of Report (Date of earliest event reported) July 14, 2008

AMCON DISTRIBUTING COMPANY

(Exact name of registrant as specified in its charter)

| | | |
|--|--------------------------|-----------------------------------|
| DELAWARE | 1-15589 | 47-0702918 |
| ----- | ----- | ----- |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

7405 Irvington Road, Omaha, NE 68122

(Address of principal executive offices) (Zip Code)

(402) 331-3727

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

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On July 14, 2008, the Company refinanced a real estate note payable that is collateralized by two of the Company's distribution facilities (Bismarck, ND and Quincy, IL). The note payable was originally due in April 2009 and had a balance of approximately \$5.6 million at June 2008. The terms of the new note payable include a fixed interest rate of 6.8% with monthly principal and interest installments of \$58,303 due through June 2013. The remaining principal is due at maturity in June 2013.

On July 17, 2008, the Company amended and executed an early renewal of its \$55.0 million credit agreement with Bank of America (the "Facility"), which originally was scheduled to mature in April 2009. The significant changes to the Facility agreement include:

- The Facility bears interest at either the bank's prime rate or at a LIBOR based rate depending on the election made by the Company.
- The Facility matures on June 30, 2011.
- The Facility provides for an additional \$5.0 million of credit available for inventory purchases. These advances bear interest at the bank's prime rate plus one-quarter of one percent (1/4%) per annum and are payable within 45 days of each advance.
- The Facility includes a prepayment penalty equal to one percent (1%) of the prepayment loan limit of \$55.0 million if prepayment occurs on or before June 30, 2009 and one-half of one percent (1/2%) if prepayment occurs subsequent to June 30, 2009 but on or before June 30, 2010.

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On July 18, 2008, AMCON Distributing Company ("AMCON or "Company") issued a press release announcing its financial results for the third fiscal quarter ended June 30, 2008. A copy of the press release is attached to this report as an exhibit and is incorporated herein by reference.

The information in this report (including the exhibit) shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information set forth in this report (including the exhibit) shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

| EXHIBIT NO. | DESCRIPTION |
|-------------|--|
| 99.1 | Press release, dated July 18, 2008, issued by AMCON Distributing Company announcing financial results for the third fiscal quarter ended June 30, 2008 |

SIGNATURE

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

AMCON DISTRIBUTING COMPANY

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(Registrant)

Date: July 18, 2008

By: Andrew C. Plummer

Name: Andrew C. Plummer

Title: Vice President &
Chief Financial Officer

Exhibit 99.1

AMCON DISTRIBUTING COMPANY REPORTS FULLY DILUTED EARNINGS PER SHARE FOR THE
QUARTER ENDED JUNE 30, 2008

NEWS RELEASE

Chicago, IL, July 18, 2008 - AMCON Distributing Company ("AMCON")
(AMEX:DIT), an Omaha, Nebraska based consumer products company is pleased to
announce fully diluted earnings per share of \$1.63 for the third fiscal
quarter ended June 30, 2008.

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"This quarter's performance was exceptional when all the external factors are taken into consideration. We experienced catastrophic floods in our market, all time record fuel prices and an overall declining economy. Despite this adverse background, our team was able to turn in another strong performance. Our corporate focus on delivering superior service to our customers continues to differentiate AMCON and as a result we were able to gain new customers in our wholesale segment and continue to show leadership in retail," said Christopher Atayan, AMCON's Chairman and Chief Executive Officer. "We emphasize fundamentals and that is why we can adapt in difficult conditions. Our banks recognized this and renewed our credit facility one year early."

AMCON reported revenues of \$213.6 million in its Wholesale Distribution business and operating income before depreciation and amortization of \$3.5 million in the third fiscal quarter. AMCON's Retail Health Food business reported revenues of \$9.8 million and operating income before depreciation and amortization of \$0.9 million.

Kathleen Evans, President of AMCON's Wholesale Distribution business commented, "Our managers worked diligently to make sure our customer base in the flood impacted areas experienced minimal disruptions. Clearly the fuel environment is challenging for us, our customers and their retail consumers. We are working closely with our vendors and customers to create value added propositions that we believe enable the consumer to stretch their budget and enhance loyalty."

Eric Hinkfent, President of AMCON's Retail Health Food business commented, "The market for natural products continues to be strong. We are committed to investing in our stores to maintain our position as the quality leader. We were especially pleased with the reintroduction of our website at our Akins subsidiary www.akins.com."

Income from continuing operations before income taxes was \$1.5 million for the third fiscal quarter ended June 30, 2008 compared to \$1.6 million in the comparable period in the prior year. The litigation matters that were resolved in the prior fiscal year have reduced our professional and legal costs during the period with significantly higher fuel costs partially offsetting that decrease. Additionally, interest expense decreased during the period because of lower borrowings and interest rates.

"We are aggressively managing expenses in this tough environment," commented Andrew Plummer AMCON's Chief Financial Officer. "We are especially pleased to announce that we were able to renew our credit facility one year early and extend it for another three years. This is a testament to our conservative financial posture given the tight credit markets. There is a direct correlation between our liquidity and our ability to develop opportunities for our customers."

AMCON is a leading wholesale distributor of consumer products, including beverages, candy, tobacco, groceries, food service, frozen and chilled foods, and health and beauty care products with distribution centers in Illinois, Missouri, Nebraska, North Dakota and South Dakota. Chamberlin's Natural Foods, Inc. and Health Food Associates, Inc., both wholly-owned subsidiaries of The Healthy Edge, Inc., operate health and natural product retail stores in central Florida (6), Kansas, Missouri, Nebraska and Oklahoma (4). The retail stores operate under the names Chamberlin's Market & Cafe and Akins Natural Foods Market.

This news release 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. A number of factors could affect the

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future results of the Company and could cause those results to differ materially from those expressed in the Company's forward-looking statements including, without limitation, availability of sufficient cash resources to conduct its business and meet its capital expenditures needs and the other factors described under Item 1.A. of the Company's Annual Report on Form 10-K. Moreover, past financial performance should not be considered a reliable indicator of future performance. Accordingly, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 with respect to all such forward-looking statements.

Visit AMCON Distributing Company's web site at: www.amcon.com

For Further Information Contact:

Christopher H. Atayan

AMCON Distributing Company

Ph 312-327-1770

Fax: 312-527-3964

AMCON Distributing Company and Subsidiaries
Condensed Consolidated Balance Sheets
June 30, 2008 and September 30, 2007

| | June 2008 (Unaudited) | September 2007 |
|-----------------|--------------------------|-------------------|
| ASSETS | | |
| Current assets: | | |

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| | | |
|--|---------------|------------|
| Cash | \$ 646,696 | \$ 717, |
| Accounts receivable, less allowance for doubtful accounts of \$0.5 million and \$0.3 million, respectively | 25,537,979 | 27,848, |
| Inventories, net | 37,730,061 | 29,738, |
| Deferred income taxes | 1,588,880 | 1,446, |
| Current assets of discontinued operations | 3,485 | 18, |
| Prepaid and other current assets | 4,261,048 | 5,935, |
| | ----- | ----- |
| Total current assets | 69,768,149 | 65,705, |
| Property and equipment, net | 11,080,791 | 11,190, |
| Goodwill | 5,848,808 | 5,848, |
| Other intangible assets, net | 3,373,269 | 3,400, |
| Deferred income taxes | 625,261 | 2,768, |
| Non-current assets of discontinued operations | 2,057,033 | 2,057, |
| Other assets | 1,346,397 | 1,093, |
| | ----- | ----- |
| | \$ 94,099,708 | \$ 92,063, |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,017,107 | \$ 15,253, |
| Accrued expenses | 5,176,143 | 5,293, |
| Accrued wages, salaries and bonuses | 1,654,009 | 2,202, |
| Income taxes payable | 197,407 | 367, |
| Current liabilities of discontinued operations | 4,199,466 | 4,035, |
| Current maturities of credit facility | 3,046,000 | 3,046, |
| Current maturities of long-term debt | 726,548 | 568, |
| | ----- | ----- |
| Total current liabilities | 30,016,680 | 30,767, |
| Credit facility, less current maturities | 35,354,698 | 35,808, |
| Long-term debt, less current maturities | 6,794,247 | 7,123, |
| Noncurrent liabilities of discontinued operations | 6,542,310 | 6,542, |
| Series A cumulative, convertible preferred stock, \$.01 par value 100,000 shares authorized and issued, liquidation preference \$25.00 per share | 2,438,355 | 2,438, |
| Series B cumulative, convertible preferred stock, \$.01 par value 80,000 shares authorized and issued, liquidation preference \$25.00 per share | 1,857,645 | 1,857, |
| Series C cumulative, convertible preferred stock, \$.01 par value 80,000 shares authorized and issued, liquidation preference \$25.00 per share | 1,982,372 | 1,982, |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock, \$0.01 par, 1,000,000 shares authorized, 260,000 shares outstanding and issued in Series A, B and C referred to above | - | - |
| Common stock, \$.01 par value, 3,000,000 shares authorized, 568,564 shares outstanding at June 2008 and 529,436 shares outstanding at September 2007 | 5,686 | 5, |
| Additional paid-in capital | 6,817,726 | 6,396, |
| Retained earnings (deficit) | 2,289,989 | (857, |
| | ----- | ----- |
| Total shareholders' equity | 9,113,401 | 5,543, |
| | ----- | ----- |
| | \$ 94,099,708 | \$ 92,063, |
| | ===== | ===== |

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AMCON Distributing Company and Subsidiaries
 Condensed Consolidated Unaudited Statements of Operations
 for the three and nine months ended June 30, 2008 and 2007

| | For the three months ended June | | For the nine months ended June | |
|--|------------------------------------|------------------------|-----------------------------------|----------------|
| | 2008 | 2007 As Restated/1/ | 2008 | As Restated/1/ |
| Sales (including excise taxes of \$53.6 million and \$54.5 million, and \$151.5 million and \$152.5 million, respectively) | \$ 223,397,392 | \$ 220,072,350 | \$ 624,472,299 | \$ 630,000,000 |
| Cost of sales | 207,135,083 | 203,027,613 | 577,272,429 | 583,000,000 |
| Gross profit | 16,262,309 | 17,044,737 | 47,199,870 | 47,000,000 |
| Selling, general and administrative expenses | 12,959,518 | 12,950,796 | 37,866,602 | 38,000,000 |
| Depreciation and amortization | 340,983 | 450,902 | 1,043,266 | 1,000,000 |
| | 13,300,501 | 13,401,698 | 38,909,868 | 39,000,000 |
| Operating income | 2,961,808 | 3,643,039 | 8,290,002 | 7,000,000 |
| Other expense (income): | | | | |
| Interest expense | 635,523 | 1,176,313 | 2,354,883 | 3,000,000 |
| Other (income), net | (17,958) | (81,510) | (90,437) | 0 |
| | 617,565 | 1,094,803 | 2,264,446 | 3,000,000 |
| Income from continuing operations before income tax expense | 2,344,243 | 2,548,236 | 6,025,556 | 4,000,000 |
| Income tax expense | 857,000 | 995,000 | 2,226,000 | 1,000,000 |
| Income from continuing operations | 1,487,243 | 1,553,236 | 3,799,556 | 2,000,000 |
| Discontinued operations | | | | |
| Gain on disposal of discontinued operations, net of income tax expense of \$0.6 million | - | - | - | 0 |
| Loss from discontinued operations, net of income tax (benefit) of (\$0.1) million and (\$0.1) million, and (\$0.2) million and (\$0.3) million, respectively | (98,441) | (131,740) | (291,881) | 0 |
| (Loss) income on discontinued operations | (98,441) | (131,740) | (291,881) | 0 |
| Net income | 1,388,802 | 1,421,496 | 3,507,675 | 2,000,000 |
| Preferred stock dividend requirements | (104,386) | (104,386) | (314,306) | 0 |
| Net income available to common shareholders | \$ 1,284,416 | \$ 1,317,110 | \$ 3,193,369 | \$ 2,000,000 |

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| | | | | |
|---|----|---------|----|---------|
| Basic earnings (loss) per share available to common shareholders: | | | | |
| Continuing operations | \$ | 2.57 | \$ | 2.75 |
| Discontinued operations | | (0.18) | | (0.25) |
| | | ----- | | ----- |
| Net basic earnings per share available to common shareholders | \$ | 2.39 | \$ | 2.50 |
| | | ===== | | ===== |
| Diluted earnings (loss) per share available to common shareholders: | | | | |
| Continuing operations | \$ | 1.75 | \$ | 1.80 |
| Discontinued operations | | (0.12) | | (0.15) |
| | | ----- | | ----- |
| Net diluted earnings per share available to common shareholders | \$ | 1.63 | \$ | 1.65 |
| | | ===== | | ===== |
| Weighted average shares outstanding: | | | | |
| Basic | | 537,064 | | 527,062 |
| Diluted | | 851,911 | | 862,598 |
| | | | | 536,002 |
| | | | | 850,898 |

AMCON Distributing Company and Subsidiaries
Condensed Consolidated Unaudited Statements of Cash Flows
for the nine months ended June 30, 2008 and 2007

| | 2008 | 2007 |
|---|--------------|----------------------|
| | ----- | As restated ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 3,507,675 | \$ 2,811,1 |
| Deduct: (Loss) income from discontinued operations, net of tax | (291,881) | 315,0 |
| | ----- | ----- |
| Income from continuing operations | 3,799,556 | 2,496,1 |
| Adjustments to reconcile net income from continuing operations to net cash flows from operating activities: | | |
| Depreciation | 1,016,465 | 1,335,1 |
| Amortization | 26,801 | 29,8 |
| (Gain) on sale of property and equipment | (36,417) | (16,6 |
| Stock based compensation | 302,350 | 37,8 |
| Deferred income taxes | 2,000,291 | 1,815,5 |
| Provision (benefit) for losses on doubtful accounts | 238,000 | (93,1 |
| Provision for losses on inventory obsolescence | 118,976 | 148,5 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 2,072,959 | 1,255,2 |
| Inventories | (8,110,310) | (1,500,9 |
| Prepaid and other current assets | 1,674,160 | (1,001,8 |
| Other assets | (253,247) | 96,4 |
| Accounts payable | (236,455) | (2,310,0 |
| Accrued expenses and accrued wages, salaries and bonuses | (666,365) | 563,8 |
| Income tax payable | (170,366) | (13,2 |
| | ----- | ----- |
| Net cash flows from operating activities - continuing operations | 1,776,398 | 2,842,5 |
| Net cash flows from operating activities - discontinued operations | (112,866) | (1,915,0 |
| | ----- | ----- |

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| | | |
|--|--------------|------------|
| Net cash flows from operating activities | 1,663,532 | 927,5 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (667,268) | (345,6 |
| Proceeds from sales of property and equipment | 74,821 | 34,2 |
| | ----- | ----- |
| Net cash flows from investing activities - continuing operations | (592,447) | (311,3 |
| Net cash flows from investing activities - discontinued operations | - | 3,965,3 |
| | ----- | ----- |
| Net cash flows from investing activities | (592,447) | 3,654,0 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net payments on bank credit agreements | (453,482) | (2,956,2 |
| Dividends on preferred stock | (314,306) | (313,1 |
| Dividends on common stock | (45,485) | |
| Proceeds from exercise of stock options | 119,636 | |
| Principal payments on long-term debt | (448,306) | (415,2 |
| | ----- | ----- |
| Net cash flows from financing activities - continuing operations | (1,141,943) | (3,684,6 |
| Net cash flows from financing activities - discontinued operations | - | (789,8 |
| | ----- | ----- |
| Net cash flows from financing activities | (1,141,943) | (4,474,5 |
| | ----- | ----- |
| Net change in cash | (70,858) | 106,9 |
| Cash, beginning of period | 717,554 | 481,1 |
| | ----- | ----- |
| Cash, end of period | \$ 646,696 | \$ 588,1 |
| | ===== | ===== |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for interest | \$ 2,488,101 | \$ 3,729,2 |
| Cash paid during the period for income taxes | 221,076 | 99,0 |
| Supplemental disclosure of non-cash information: | | |
| Buyer's assumption of HNWC lease in connection with the sale of HNWC's assets - discontinued operations | - | (225,5 |
| Acquisition of equipment through capital leases | 277,624 | |

/1/ As previously disclosed in the Company's Fiscal 2007 Annual Report on Form 10-K, during the first quarter of fiscal 2007, the Company changed its inventory valuation method from the Last-In First-Out (LIFO) method to the First-In First-Out (FIFO) method. As required by U.S. generally accepted accounting principles, the change in accounting principle was reflected in the Company's financial statements through the restatement of prior periods. The application of the FIFO method and the restatement of prior fiscal periods, including the three fiscal periods ended June 30, 2007.