AMCON DISTRIBUTING CO
Form 10-Q
January 21, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2013

OR

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

For the transition period from to

Commission File Number 1-15589

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**47-0702918** (I.R.S. Employer Identification No.)
7405 Irvington Road, Omaha NE (Address of principal executive offices)	**68122** (Zip code)

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

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 x No o

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

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.

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

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

The Registrant had 611,432 shares of its $.01 par value common stock outstanding as of January 20, 2014.

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1st Quarter

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

AMCON Distributing Company and Subsidiaries

Condensed Consolidated Balance Sheets

December 31, 2013 and September 30, 2013

		December 2013 (Unaudited)		September 2013
ASSETS				
Current assets:				
Cash	$	326,390	$	275,036
Accounts receivable, less allowance for doubtful accounts of $1.2 million and $1.1 million at December 2013 and September 2013, respectively		32,092,060		28,383,205
Inventories, net		50,987,078		46,125,187
Deferred income taxes		1,437,481		1,831,933
Prepaid and other current assets		7,032,830		5,001,992
Total current assets		91,875,839		81,617,353
Property and equipment, net		13,527,259		13,088,859
Goodwill		6,349,827		6,349,827
Other intangible assets, net		4,729,728		4,820,978
Other assets		433,084		497,882
	$	116,915,737	$	106,374,899
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities:				
Accounts payable	$	15,847,759	$	15,859,636
Accrued expenses		5,438,389		6,714,444
Accrued wages, salaries and bonuses		2,272,813		2,754,136
Income taxes payable		253,329		1,922,351
Current maturities of long-term debt		781,123		998,788
Total current liabilities		24,593,413		28,249,355
Credit facility		28,749,737		14,841,712
Deferred income taxes		3,417,396		3,327,010
Long-term debt, less current maturities		3,992,481		4,076,892
Other long-term liabilities		237,385		239,396
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 December 2013 and September 2013.		2,500,000		2,500,000
Series B cumulative, Convertible Preferred Stock, $.01 par value 80,000 shares authorized, 16,000 shares issued and outstanding at both December 2013 and September 2013, and a total liquidation preference of $0.4 million at both December 2013 and September 2013.		400,000		400,000

Shareholders equity:				
Preferred stock, $0.01 par value, 1,000,000 shares authorized, 116,000 shares outstanding and issued in Series A and B referred to above				
Common stock, $.01 par value, 3,000,000 shares authorized, 611,432 shares outstanding at December 2013 and 623,115 shares outstanding at September 2013		6,677		6,543
Additional paid-in capital		13,610,519		12,502,135
Retained earnings		44,651,003		43,532,812
Treasury stock at cost		(5,242,874)		(3,300,956)
Total shareholders equity		53,025,325		52,740,534
	$	116,915,737	$	106,374,899

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

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AMCON Distributing Company and Subsidiaries

Condensed Consolidated Unaudited Statements of Operations

for the three months ended December 31, 2013 and 2012

		2013		2012
Sales (including excise taxes of $97.3 million and $98.0 million at December 2013 and December 2012, respectively)	$	305,625,557	$	302,218,321
Cost of sales		285,984,494		282,988,532
Gross profit		19,641,063		19,229,789
Selling, general and administrative expenses		16,492,263		15,848,472
Depreciation and amortization		624,040		593,862
		17,116,303		16,442,334
Operating income		2,524,760		2,787,455
Other expense (income):				
Interest expense		301,995		316,052
Other (income), net		(30,231)		(61,349)
		271,764		254,703
Income from operations before income tax expense		2,252,996		2,532,752
Income tax expense		965,000		1,070,000
Net income		1,287,996		1,462,752
Preferred stock dividend requirements		(49,177)		(59,291)
Net income available to common shareholders	$	1,238,819	$	1,403,461
Basic earnings per share available to common shareholders	$	1.99	$	2.26
Diluted earnings per share available to common shareholders	$	1.73	$	1.90
Basic weighted average shares outstanding		622,226		622,277
Diluted weighted average shares outstanding		744,568		767,957

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

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AMCON Distributing Company and Subsidiaries

Condensed Consolidated Unaudited Statements of Cash Flows

for the three months ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,287,996	$ 1,462,752
Adjustments to reconcile net income from operations to net cash flows from operating activities:		
Depreciation	532,790	502,612
Amortization	91,250	91,250
Gain on sale of property and equipment	(7,704)	(70,631)
Equity-based compensation	342,160	327,476
Deferred income taxes	484,838	419,627
Provision for losses on doubtful accounts	130,000	105,000
Provision for losses on inventory obsolescence	38,803	71,603
Other	(2,011)	(2,011)
Changes in assets and liabilities:		
Accounts receivable	(3,838,855)	241,773
Inventories	(4,900,694)	(11,412,393)
Prepaid and other current assets	(2,030,838)	(878,343)
Other assets	64,798	56,705
Accounts payable	995	(2,021,716)
Accrued expenses and accrued wages, salaries and bonuses	(928,307)	(500,789)
Income tax payable	(1,669,022)	(1,569,182)
Net cash flows from operating activities	(10,403,801)	(13,176,267)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(985,678)	(330,228)
Proceeds from sales of property and equipment	9,320	139,040
Net cash flows from investing activities	(976,358)	(191,188)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on bank credit agreements	13,908,025	16,025,449
Principal payments on long-term debt	(302,076)	(292,345)
Repurchase of common stock and Series B Convertible Preferred Stock	(1,941,918)	(2,572,085)
Dividends paid on convertible preferred stock	(49,177)	(59,291)
Dividends on common stock	(120,628)	(117,428)
Proceeds from exercise of stock options		1,180
Withholdings on the exercise of equity-based awards	(62,713)	(74,610)
Net cash flows from financing activities	11,431,513	12,910,870
Net change in cash	51,354	(456,585)
Cash, beginning of period	275,036	491,387
Cash, end of period	$ 326,390	$ 34,802

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

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		2013		2012
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest	$	274,796	$	279,667
Cash paid during the period for income taxes		2,149,184		2,219,555
Supplemental disclosure of non-cash information:				
Equipment acquisitions classified as accounts payable	$	60,332	$	64,042
Issuance of common stock in connection with the vesting and exercise of equity-based awards		1,154,869		1,389,258
Conversion by holder of Series B Convertible Preferred Stock to common stock				100,000
Common stock acquired with other consideration				760,871

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

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AMCON Distributing Company and Subsidiaries

Notes to Condensed Consolidated Unaudited Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

AMCON Distributing Company and Subsidiaries (AMCON or the Company) operate 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 sixteen 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 4,500 retail outlets including convenience stores, grocery stores, liquor stores, drug stores, and tobacco shops. We currently distribute over 16,000 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 foodservice 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 2013, Convenience Store News ranked us as the seventh (7th) 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 602,000 square feet of permanent floor space. Our principal suppliers include Altria, RJ Reynolds, Commonwealth Brands, Lorillard, Hershey, Kellogg s, Kraft, and Mars. We also market private label lines of water, candy products, batteries, film, and other products. The Company does not maintain long term purchase contracts with its suppliers.

RETAIL SEGMENT

Our Retail Segment is a specialty retailer of natural/organic groceries and dietary supplements which focuses on providing high quality products at affordable prices, with an exceptional level of customer service and nutritional consultation. All of the products carried in our stores must meet strict quality and ingredient guidelines, and include offerings such as gluten-free and antibiotic-free groceries and meat products, as well as products containing no artificial colors, flavors, preservatives, or partially hydrogenated oils. We design our retail sites in an efficient and flexible small-store format, which emphasizes a high energy and shopper-friendly environment.

We operate within the natural products retail industry, which is a subset of the large and stable U.S. grocery industry. This industry includes conventional, natural, gourmet and specialty food markets, mass and discount retailers, warehouse clubs, health food stores, dietary supplement retailers, drug stores, farmers markets, mail order and online retailers, and multi-level marketers. According to The Natural Foods Merchandiser, a leading industry trade publication, retail sales in the natural foods industry exceeded $80 billion during the 2012 calendar year.

Our Retail Segment operates sixteen retail health food stores as Chamberlin s Market & Café and Akin s Natural Foods Market. These stores carry over 32,000 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 established in 1935, operates six stores in and around Orlando, Florida. Akin s, which was also established in 1935, has a total of ten locations in Arkansas, Kansas, Missouri, Nebraska, and Oklahoma.

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FINANCIAL STATEMENTS

The Company s fiscal year ends on September 30. The results for the interim period included with this Quarterly Report may not be indicative of the results which could be expected for the entire fiscal year. All significant intercompany transactions and balances have been eliminated in consolidation. Certain information and footnote disclosures normally included in our annual financial statements prepared in accordance with generally accepted accounting principles (GAAP) have been condensed or omitted. In the opinion of management, the accompanying condensed consolidated unaudited financial statements (financial statements) contain all adjustments necessary to fairly present the financial information included herein, such as adjustments consisting of normal recurring items. The Company believes that although the disclosures contained herein are adequate to prevent the information presented from being misleading, these financial statements should be read in conjunction with the Company s annual audited consolidated financial statements for the fiscal year ended September 30, 2013, as filed with the Securities and Exchange Commission on Form 10-K. For purposes of this report, unless the context indicates otherwise, all references to we , us , our , the Company , and AMCON shall mean AMCON Distributing Company and its subsidiaries. Additionally, the three month fiscal periods ended December 31, 2013 and December 31, 2012 have been referred to throughout this quarterly report as Q1 2014 and Q1 2013, respectively. The fiscal balance sheet dates as of December 31, 2013, December 31, 2012, and September 30, 2013 have been referred to as December 2013, December 2012, and September 2013, respectively.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Company is currently evaluating the impact of implementing the following new accounting standard:

In July 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists , which states that entities should present the unrecognized tax benefit as a reduction of the deferred tax asset for a net operating loss (NOL) or similar tax loss or tax credit carryforward rather than as a liability when the uncertain tax position would reduce the NOL or other carryforward under the tax law. The Company will be required to adopt this new standard on a prospective basis in the first interim reporting period of fiscal 2015, however, early adoption is permitted as is a retrospective application.

2. CONVERTIBLE PREFERRED STOCK

The Company has two series of convertible preferred stock outstanding at December 2013 as identified in the following table:

		Series A		Series B
Date of issuance:		June 17, 2004		October 8, 2004
Optionally redeemable beginning		June 18, 2006		October 9, 2006
Par value (gross proceeds):	$	2,500,000	$	400,000
Number of shares outstanding at December 2013:		100,000		16,000
Liquidation preference per share:	$	25.00	$	25.00
Conversion price per share:	$	30.31	$	24.65
Number of common shares in which to be converted:		82,481		16,227

Dividend rate:	6.785%	6.37%

The Series A Convertible Preferred Stock (Series A) and Series B Convertible Preferred Stock (Series B), (collectively, the Preferred Stock), are convertible at any time by the holders into a number of shares of AMCON common stock equal to the number of preferred shares being converted multiplied by a fraction equal to $25.00 divided by the conversion price. The conversion prices for the Preferred Stock are subject to customary adjustments in the event of stock splits, stock dividends, and certain other distributions on the Common Stock. Cumulative dividends for the Preferred Stock are payable in arrears, when, and if declared by the Board of Directors, on March 31, June 30, September 30 and December 31 of each year.

In the event of a liquidation of the Company, the holders of the Preferred Stock are entitled to receive the liquidation preference plus any accrued and unpaid dividends prior to the distribution of any amount to the holders of the Common Stock. The shares of Preferred Stock are optionally redeemable by the Company beginning on various dates, as listed in the above table, at redemption prices equal to 112% of the liquidation preference. The redemption prices decrease 1% annually thereafter until the redemption price equals the liquidation preference, after which date it remains the liquidation preference. The Preferred Stock is redeemable at the liquidation value and at the option of the holder. The Series A Preferred Stock and 8,000 shares of the Series B Preferred Stock are owned by Mr. Christopher Atayan, AMCON s Chief Executive Officer and Chairman of the Board. The Series B Preferred Stock holders have the right to elect one member of our Board of Directors, pursuant to the voting rights in the Certificate of Designation creating the Series B. Christopher H. Atayan was first nominated and elected to this seat in 2004.

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3. INVENTORIES

At December 2013 and September 2013, inventories consisted of finished goods and are stated at the lower of cost determined on a First-in First-out (FIFO) basis or market. The wholesale distribution and retail health food segment inventories consist of finished products purchased in bulk quantities to be redistributed to the Company s customers or sold at retail. Finished goods included total reserves of approximately $0.9 million and $0.8 million at December 2013 and September 2013, respectively. These reserves include the Company s obsolescence allowance, which reflects estimated unsaleable or non-refundable inventory based upon an evaluation of slow moving and discontinued products.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill by reporting segment of the Company consisted of the following:

	December 2013	September 2013
Wholesale Segment	$ 4,436,950	$ 4,436,950
Retail Segment	1,912,877	1,912,877
	$ 6,349,827	$ 6,349,827

Other intangible assets of the Company consisted of the following:

	December 2013	September 2013
Trademarks and tradenames	$ 3,373,269	$ 3,373,269
Non-competition agreement (less accumulated amortization of approximately $0.3 million at December 2013 and $0.2 million at September 2013)	241,667	266,667
Customer relationships (less accumulated amortization of $1.0 million and $0.9 million at December 2013 and September 2013, respectively)	1,114,792	1,181,042
	$ 4,729,728	$ 4,820,978

Goodwill, trademarks, and tradenames are considered to have indefinite useful lives and therefore no amortization has been taken on these assets. At December 2013, identifiable intangible assets considered to have finite lives were represented by customer relationships and the value of a non-competition agreement acquired as part of acquisitions. The customer relationships are being amortized over eight years and the value of the non-competition agreement is being amortized over five years. These intangible assets are evaluated for accelerated attrition or amortization adjustments if warranted. Amortization expense related to identifiable intangible assets was $0.1 million during both Q1 2014 and Q1 2013.

Estimated future amortization expense related to identifiable intangible assets with finite lives is as follows at December 2013:

		December 2013
Fiscal 2014 (1)	$	273,750
Fiscal 2015		365,000
Fiscal 2016		331,667
Fiscal 2017		265,000
Fiscal 2018		79,375
Thereafter		41,667
	$	1,356,459

(1) Represents amortization for the remaining nine months of Fiscal 2014.

5. DIVIDENDS

The Company paid cash dividends on its common stock and convertible preferred stock totaling $0.2 million during both Q1 2014 and Q1 2013.

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6. EARNINGS PER SHARE

Basic earnings per share available to common shareholders is calculated by dividing net income less preferred stock dividend requirements by the weighted average common shares outstanding for each period. Diluted earnings per share available to common shareholders is calculated by dividing income from operations less preferred stock dividend requirements (when anti-dilutive) by the sum of the weighted average common shares outstanding and the weighted average dilutive options, using the treasury stock method.

	For the three months ended December			
	2013		2012	
	Basic	Diluted	Basic	Diluted
Weighted average common shares outstanding	622,226	622,226	622,277	622,277
Weighted average of net additional shares outstanding assuming dilutive options exercised and proceeds used to purchase treasury stock and conversion of preferred stock (1)		122,342		145,680
Weighted average number of shares outstanding	622,226	744,568	622,277	767,957
Net income	$ 1,287,996	$ 1,287,996	$ 1,462,752	$ 1,462,752
Deduct: convertible preferred stock dividends (2)	(49,177)		(59,291)	
Net income available to common shareholders	$ 1,238,819	$ 1,287,996	$ 1,403,461	$ 1,462,752
Net earnings per share available to common shareholders	$ 1.99	$ 1.73	$ 2.26	$ 1.90

(1) Diluted earnings per share calculation includes all stock options, convertible preferred stock, and restricted stock deemed to be dilutive.

(2) Diluted earnings per share calculation excludes dividends for convertible preferred stock deemed to be dilutive, as those amounts are assumed to have been converted to common stock of the Company.

7. DEBT

The Company primarily finances its operations through a credit facility provided under an agreement with Bank of America (the Facility). The Facility included the following significant terms at December 2013:

- A July 2018 maturity date without a penalty for prepayment.

- $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 $10.0 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 any original or renewal term of the agreement.

• The Facility bears interest at either the bank s prime rate, or at LIBOR plus 125 - 175 basis points depending on certain credit facility utilization measures, 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.

• A financial covenant requiring a fixed charge coverage ratio of at least 1.0 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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• Provides that the Company may not pay dividends on its common stock in excess of $1.00 per share on an annual basis. There is, however, no limit on common stock dividends if certain excess availability measurements have been maintained for the thirty day period immediately prior to the payment of any such dividends or distributions and if immediately after giving effect to any such dividend or distribution payments the Company has a Fixed Charge Coverage Ratio of at least 1.10 to 1.0 as defined in the credit facility agreement.

Cross Default and Co-Terminus Provisions

The Company s owned real estate in Bismarck, ND, Quincy, IL, and Rapid City, SD, is financed through a term loan with BMO Harris, NA (BMO) which is also a participant lender on the Company s revolving line of credit. The BMO loan contains cross default provisions which cause the loan with BMO to be considered in default if the loans where BMO is a lender, including the revolving credit facility, is in default. There were no such cross defaults at December 2013. In addition, the BMO loan 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.

Other

AMCON has issued a letter of credit in the amount of approximately $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.

8. EQUITY-BASED INCENTIVE AWARDS

Omnibus Plan

The Company has an Omnibus Incentive Plan (the Omnibus Plan) which provides for equity incentives to employees. The Omnibus Plan was designed with the intent of encouraging employees to acquire a vested interest in the growth and performance of the Company. The Omnibus Plan permits the issuance of up to 150,000 shares of the Company s common stock in the form of stock options, restricted stock awards, restricted stock units, performance share awards as well as awards such as stock appreciation rights, performance units, performance shares, bonus shares, and dividend share awards payable in the form of common stock or cash. The number of shares issuable under the Omnibus Plan is subject to customary adjustments in the event of stock splits, stock dividends, and certain other distributions on the Company s common stock. At December 2013, awards with respect to a total of 147,700 shares, net of forfeitures, had been awarded pursuant to the Omnibus Plan and awards with respect to another 2,300 shares may be awarded under the plan.

Stock Options

The stock options issued by the Company expire ten years from the grant date and include graded vesting schedules ranging between three and five years. Stock options issued and outstanding at December 2013 are summarized as follows:

	Exercise Price	Number Outstanding	Remaining Weighted-Average Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Exercisable Weighted-Average Exercise Price
Fiscal 2007	$18.00	25,000	2.95 years	$ 18.00	25,000	$ 18.00
Fiscal 2010	$51.50	5,500	6.33 years	$ 51.50	3,300	$ 51.50
Fiscal 2012	$53.80 - $65.97	6,500	7.84 years	$ 54.74	2,500	$ 54.29
Fiscal 2013	$62.33	8,000	8.82 years	$ 62.33	1,600	$ 62.33
		45,000		$ 35.28	32,400	$ 26.40

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Restricted Stock Units

During Q1 2014, the Company issued 17,900 restricted stock unit awards to members of its management team pursuant to the provisions of the Company s Omnibus Plan. Nonvested restricted stock units at December 2013 are as follows:

	Restricted Stock Units(1)	Restricted Stock Units(2)	Restricted Stock Units(3)
Date of award:	October 26, 2011	October 23, 2012	October 22, 2013
Original number of awards issued:	15,900	15,000	17,900
Service period:	36 months	36 months	36-60 months
Estimated fair value of award at grant date	$ 855,000	$ 935,000	$ 1,486,000
Awards outstanding at December 2013	5,300	10,000	17,900
Fair value of non-vested awards at December 2013:	$ 424,000	$ 799,000	$ 1,431,000

(1) 10,600 of the restricted stock units were vested as of December 2013. The remaining 5,300 restricted stock units will vest on October 25, 2014.

(2) 5,000 of the restricted stock units were vested as of December 2013. The remaining 10,000 restricted stock units will vest in equal amounts on October 23, 2014 and October 23, 2015.

(3) 14,000 restricted stock units will vest in equal amounts on October 22, 2014, October 22, 2015, and October 22, 2016. The remaining 3,900 restricted stock units will vest in equal amounts on October 22, 2014, October 22, 2015, October 22, 2016, October 22, 2017, and October 22, 2018.

There is no direct cost to the recipients of the restricted stock units, except for any applicable taxes. The recipients of the restricted stock units are entitled to the customary adjustments in the event of stock splits, stock dividends, and certain other distributions on the Company s common stock. All cash dividends and/or distributions payable to restricted stock recipients will be held in escrow until all the conditions of vesting have been met.

The restricted stock units provide that the recipients can elect, at their option, to receive either common stock in the Company, or a cash settlement based upon the closing price of the Company s shares, at the time of vesting. Based on these award provisions, the compensation expense recorded in the Company s Condensed Statement of Operations reflects the straight-line amortized fair value based on the period end closing price.

	Number of Shares	Weighted Average Fair Value
Nonvested restricted stock units at September 2013	29,600	$ 81.89

Granted	17,900		83.03
Vested	(14,300)		80.68
Expired			
Nonvested restricted stock units at December 2013	33,200	$	79.93

<u>All Equity-Based Awards (stock options and restricted stock units)</u>

Net income before income taxes included compensation expense of approximately $0.3 million during both Q1 2014 and Q1 2013 related to the amortization of all equity-based compensation awards. Total unamortized compensation expense related to these awards at December 2013 and December 2012 was approximately $2.5 million and $1.9 million, respectively.

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9. BUSINESS SEGMENTS

AMCON has two reportable business segments: the wholesale distribution of consumer products and the retail sale of health and natural food products. The retail health food stores operations are aggregated to comprise the Retail Segment because such operations have similar economic characteristics, as well as similar characteristics with respect to the nature of products sold, the type and class of customers for the health food products and the methods used to sell the products. Included in the Other column are intercompany eliminations, and assets held and charges incurred by our holding company. The segments are evaluated on revenues, gross margins, operating income (loss), and income before taxes.

	Wholesale Segment	Retail Segment	Other	Consolidated
THREE MONTHS ENDED DECEMBER 2013:				
External revenue:				
Cigarettes	$ 221,151,811	$	$	$ 221,151,811
Confectionery	18,203,191			18,203,191
Health food		8,523,278		8,523,278
Tobacco, food service & other	57,747,277			57,747,277
Total external revenue	297,102,279	8,523,278		305,625,557
Depreciation	403,342	128,510	938	532,790
Amortization	91,250			91,250
Operating income (loss)	3,795,962	52,190	(1,323,392)	2,524,760
Interest expense	43,797	60,776	197,422	301,995
Income (loss) from operations before taxes	3,759,523	(3,628)	(1,502,899)	2,252,996
Total assets	103,144,703	13,564,621	206,413	116,915,737
Capital expenditures	918,542	67,136		985,678
THREE MONTHS ENDED DECEMBER 2012:				
External revenue:				
Cigarettes	$ 221,730,182	$	$	$ 221,730,182
Confectionery	17,956,072			17,956,072
Health food		8,704,643		8,704,643
Tobacco, food service & other	53,827,424			53,827,424
Total external revenue	293,513,678	8,704,643		302,218,321
Depreciation	408,743	92,932	937	502,612
Amortization	91,250			91,250
Operating income (loss)	3,802,737	371,798	(1,387,080)	2,787,455
Interest expense	55,132	58,968	201,952	316,052
Income (loss) from operations before taxes	3,753,457	317,770	(1,538,475)	2,532,752
Total assets	103,284,807	12,358,555	187,260	115,830,622
Capital expenditures	293,650	36,578		330,228

10. COMMON STOCK REPURCHASE

During Q1 2014, the Company repurchased 25,057 shares of its common stock from an independent third party for cash totaling approximately $1.9 million. All repurchased shares are recorded in treasury stock at cost. Subsequent to the share repurchase, the Company s Board of Directors reauthorized additional repurchases of up to 50,000 shares of its common stock.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, 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 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 si 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,
- increasing health care costs and the potential impact on discretionary consumer spending,
- changes in laws and regulations and ongoing compliance with the Patient Protection and Affordable Care Act,
- the expansion of large and well capitalized national and regional health food retail store chains,
- 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 or restrictions imposed by the FDA on the manufacture, distribution, and sale of certain cigarette and tobacco products,
- 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,
- the opening of new health food retail stores,
- domestic regulatory and legislative risks,
- competition,

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- poor weather conditions,
- increases in fuel prices,
- consolidation trends within the retail health food, convenience store, and wholesale distribution industries,
- natural disasters and domestic unrest,
- other risks over which the Company has little or no control, and any other factors not identified herein.

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.

CRITICAL ACCOUNTING ESTIMATES

Certain accounting estimates used in the preparation of the Company s financial statements require us to make judgments and estimates and the financial results we report may vary depending on how we make these judgments and estimates. Our critical accounting estimates are set forth in our annual report on Form 10-K for the fiscal year ended September 30, 2013, as filed with the Securities and Exchange Commission. There have been no significant changes with respect to these policies during our fiscal quarter ended December 2013.

FIRST FISCAL QUARTER 2014 (Q1 2014)

The following discussion and analysis includes the Company s results of operations for the three months ended December 2013 and December 2012.

Wholesale Segment

Our Wholesale Segment is one of the largest wholesale distributors in the United States serving approximately 4,500 retail outlets including convenience stores, grocery stores, liquor stores, drug stores, and tobacco shops. We currently distribute over 16,000 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 foodservice 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 2013, Convenience Store News ranked us as the seventh (7th) 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 602,000 square feet of permanent floor space. Our principal suppliers include Altria, RJ Reynolds, Commonwealth Brands, Lorillard, Hershey, Kellogg s, Kraft, and Mars. We also market private label lines of water, candy products, batteries, film, and other products. The Company does not maintain long term purchase contracts with its suppliers.

Retail Segment

Our Retail Segment is a specialty retailer of natural/organic groceries and dietary supplements which focuses on providing high quality products at affordable prices, with an exceptional level of customer service and nutritional consultation. All of the products carried in our stores must meet strict quality and ingredient guidelines, and include offerings such as gluten-free and antibiotic-free groceries and meat products, as well as products containing no artificial colors, flavors, preservatives, or partially hydrogenated oils. We design our retail sites in an efficient and flexible small-store format, which emphasizes a high energy and shopper-friendly environment.

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We operate within the natural products retail industry, which is a subset of the large and stable U.S. grocery industry. This industry includes conventional, natural, gourmet and specialty food markets, mass and discount retailers, warehouse clubs, health food stores, dietary supplement retailers, drug stores, farmers markets, mail order and online retailers, and multi-level marketers. According to The Natural Foods Merchandiser, a leading industry trade publication, retail sales in the natural foods industry exceeded $80 billion during the 2012 calendar year.

Our Retail Segment operates sixteen retail health food stores as Chamberlin s Market & Café and Akin s Natural Foods Market. These stores carry over 32,000 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 established in 1935, operates six stores in and around Orlando, Florida. Akin s, which was also established in 1935, has a total of ten locations in Arkansas, Kansas, Missouri, Nebraska, and Oklahoma.

Business Update Wholesale Segment

The demand for convenience shopping in the United States remains strong. Competition, however, remains brisk as various other retail sales channels such as drug stores, dollar stores, and quick-service restaurants continue to pursue many of the same customers traditionally serviced by convenience stores, our largest customer segment.

Much of our efforts in the coming year will be focused on enhancing our merchandising programs to improve sales turnover and profit margins. Categories such as snacks and fresh bakery items have recently experienced a tremendous wave of innovation around flavors, healthy alternatives, and consumer friendly packing (i.e. non-spill or resealable containers). Additionally, items such as gourmet sandwiches and wraps, specialty drinks and juices, and yogurts offer new growth areas and alternatives to declining cigarette sales.

In an effort to further differentiate our Company from price-only competition, we will also be emphasizing our services around store re-imaging and technology. Store re-imaging has become more important as customer expectations around store design and layout, lighting, color schemes, and cleanliness standards are being lifted industry-wide by the most progressive convenience store chains. We also see technology as an effective way to counter price only competition and will be focused on developing new customer facing technologies such as mobile applications that provide information about product specials or the ability to place orders remotely.

While the convenience store distribution industry is consolidating, it still remains largely fragmented. As one of the largest distributors in the industry, we feel our Company is well positioned to capitalize on the ongoing consolidation trends. Accordingly, we have made identifying strategic growth opportunities a top priority for the coming years.

Business Update Retail Segment

The growing demand for natural products has attracted a wide range of well financed competitors, creating a highly competitive operating environment. Regional and national retailers such as Whole Foods Market, Trader Joe s, Sprouts Farmers Market, Natural Grocers, Vitamin Shoppe, and General Nutrition Center (GNC) have all engaged in aggressive new store expansion strategies, often opening new retail sites in close proximity to our existing stores. Additionally, the purchase of consumer health products over the internet continues to grow and compete with brick and mortar retailers. Our Midwestern United States stores in particular have experienced an increase in competition over the past year which has pressured sales and gross profit. We expect this highly competitive environment to persist and potentially accelerate into the foreseeable future.

Organic sales growth will remain a top priority for our management team in the coming year. We continue to develop and enhance our marketing and promotional activities to assist in customer retention and attract a new generation of younger customers who are increasingly embracing natural foods and products.

For over 75 years, our health food stores have succeeded with a simple value proposition; helping our customers maintain good health. While consumer tastes and product offerings will evolve and change over time, we believe our customer focused philosophy will remain attractive.

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RESULTS OF OPERATIONS

	For the three months ended December			
	2013	2012	Incr (Decr)	% Change
CONSOLIDATED:				
Sales (1)	$ 305,625,557	$ 302,218,321	$ 3,407,236	1.1
Cost of sales	285,984,494	282,988,532	2,995,962	1.1
Gross profit	19,641,063	19,229,789	411,274	2.1
Gross profit percentage	6.4%	6.4%		
Operating expense	17,116,303	16,442,334	673,969	4.1
Operating income	2,524,760	2,787,455	(262,695)	(9.4)
Interest expense	301,995	316,052	(14,057)	(4.4)
Income tax expense	965,000	1,070,000	(105,000)	(9.8)
Net income	1,287,996	1,462,752	(174,756)	(11.9)
BUSINESS SEGMENTS:				
Wholesale				
Sales	$ 297,102,279	$ 293,513,678	$ 3,588,601	1.2
Gross profit	16,005,570	15,562,002	443,568	2.9
Gross profit percentage	5.4%	5.3%		
Retail				
Sales	$ 8,523,278	$ 8,704,643	$ (181,365)	(2.1)
Gross profit	3,635,493	3,667,787	(32,294)	(0.9)
Gross profit percentage	42.7%	42.1%		

(1) Sales are reported net of costs associated with incentives provided to retailers. These incentives totaled $4.9 million in Q1 2014 and $4.6 million in Q1 2013.

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 Q1 2014 vs. Q1 2013

Sales in our Wholesale Segment increased $3.6 million during Q1 2014 as compared to Q1 2013. Significant items impacting sales during Q1 2014 included a $5.9 million increase in sales related to price increases implemented by cigarette manufacturers and a $4.2 increase in sales related to higher sales in our tobacco, beverage, snacks, candy, grocery, health & beauty products, automotive, food service, and store supplies categories (Other Products). These increases were partially offset by a $6.5 million decrease in sales related to the volume and mix of cigarette cartons sold.

Sales in our Retail Segment decreased $0.2 million in Q1 2014 as compared to Q1 2013. During Q1 2014, our Akin s retail stores experienced lower sales due to increased competition from national and regional health food chains. This decrease in sales was partially offset by revenue generated at our two new retail health food stores which were opened during the second half of our prior fiscal year (fiscal 2013).

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GROSS PROFIT   Q1 2014 vs. Q1 2013

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 $0.4 million in Q1 2014 as compared to Q1 2013. This increase in gross profit was primarily related to higher sales volume in our Other Products categories. Gross profit in our Retail Segment for Q1 2014 was approximately the same as that for Q1 2013.

OPERATING EXPENSE   Q1 2014 vs. Q1 2013

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 costs, facility and equipment leases, transportation costs, fuel costs, insurance, and professional fees.

Our Q1 2014 operating expenses increased $0.7 million as compared to Q1 2013. Significant items impacting operating costs during the period included a $0.6 million increase in insurance and employee costs and a $0.4 million increase in operating expenses related to our two new retail health food stores which were opened during the second half of the prior fiscal year (fiscal 2013). These increases were partially offset by a $0.3 million decrease in other operating expenses.

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 Q1 2014, the Company used cash of approximately $10.4 million for operating activities. Significant uses of cash during Q1 2014 included increases in accounts receivable, inventory, prepaid and other current assets, and decreases in accrued expenses and income taxes payable. These uses of cash were partially offset by the impact of net earnings.

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 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 $1.0 million of cash during Q1 2014 for investing activities, primarily related to capital expenditures for property and equipment.

- Financing Activities. The Company generated cash of $11.4 million from financing activities during Q1 2014. Of this amount, approximately $13.9 million related to net borrowings on the Company s credit facility. This was partially offset by $0.3 million related to repayments on long-term debt, $1.9 million related to a repurchase of the Company s common stock, $0.2 million related to dividends on the Company s common and preferred stock, and $0.1 million related to equity-based awards.

- Cash on Hand/Working Capital. At December 2013, the Company had cash on hand of $0.3 million and working capital (current assets less current liabilities) of $67.3 million. This compares to cash on hand of $0.3 million and working capital of $53.4 million at September 2013.

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CREDIT AGREEMENT

The Company primarily finances its operations through a credit agreement (the Facility) with Bank of America. The Facility included the following significant terms at December 2013:

- A July 2018 maturity date without a penalty for prepayment.
- $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 $10.0 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 any original or renewal term of the agreement.
- The Facility bears interest at either the bank s prime rate, or at LIBOR plus 125 - 175 basis points depending on certain credit facility utilization measures, 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.

- A financial covenant requiring a fixed charge coverage ratio of at least 1.0 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.

- Provides that the Company may not pay dividends on its common stock in excess of $1.00 per share on an annual basis. There is, however, no limit on common stock dividends if certain excess availability measurements have been maintained for the thirty day period immediately prior to the payment of any such dividends or distributions and if immediately after giving effect to any such dividend or distribution payments the Company has a Fixed Charge Coverage Ratio of at least 1.10 to 1.0 as defined in the credit facility agreement.

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 December 2013 was $69.6 million, of which $28.7 million was outstanding, leaving $40.9 million available.

At December 2013, 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 1.91% at December 2013.

During Q1 2014, our peak borrowings under the Facility were $54.0 million, and our average borrowings and average availability under the Facility were $39.1 million and $29.9 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.

<u>Cross Default and Co-Terminus Provisions</u>

The Company s owned real estate in Bismarck, ND, Quincy, IL, and Rapid City, SD, is financed through a term loan with BMO Harris, NA (BMO) which is also a participant lender on the Company s revolving line of credit. The BMO loan contains cross default provisions which cause the loan with BMO to be considered in default if the loans where BMO is a lender, including the revolving credit facility, is in default. There were no such cross defaults at December 2013. In addition, the BMO loan 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.

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Dividends Payments

The Company paid cash dividends on its common stock and convertible preferred stock totaling $0.2 million during both Q1 2014 and Q1 2013.

Contractual Obligations

There have been no significant changes to the Company s contractual obligations as set forth in the Company s annual report on Form 10-K for the fiscal period ended September 30, 2013.

OTHER

AMCON has issued a letter of credit in the amount of approximately $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 operating environment could materially impact the Company s future revenue stream as well as its ability to collect on customer accounts receivable or secure bank credit.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in company reports filed or submitted under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15(b) and 15d-15(b) under the Exchange Act, an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2013 was made under the supervision and with the participation of our senior management, including our principal executive officer and principal financial officer. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

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Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures will prevent all errors and fraud. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management s override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control that occurred during the fiscal quarter ended December 31, 2013, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the Company s risk factors as previously disclosed in Item 1A Risk Factors of the Company s annual report on Form 10-K for the fiscal year ended September 30, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 22, 2013, the Company awarded 17,900 restricted stock units (RSUs) under the AMCON Distributing Company 2007 Omnibus Incentive Plan (the Plan), including 13,000 RSUs to three executives of our Company (namely: Christopher H. Atayan, Andrew C. Plummer, and Philip E. Campbell), 1,000 RSUs to independent non-executive directors of the Company, and 3,900 RSUs to thirteen other employees of the Company. The RSUs provide the award recipient with the right to receive, subject to being employed on the applicable vesting date, (i) an amount of cash equal to the per share fair market value of our Company s common stock as of the vesting date multiplied by the number of shares underlying the RSUs then becoming vested and held by the award recipient or (ii) a number of shares of common stock equal to the whole number of shares underlying the RSUs then becoming vested and held by the award recipient, as elected by the award recipient.

Subject to earlier forfeiture under certain limited circumstances, the 14,000 RSUs awarded to the three executives and independent non-executive directors of the Company will vest evenly over three years with one-third vesting on October 22, 2014, October 22, 2015, and October 22, 2016. The remaining 3,900 RSUs issued to thirteen other Company employees will vest evenly over five years with one-fifth vesting on October 22, 2014, October 22, 2015, October 22, 2016, October 22, 2017, and October 22, 2018. If all RSUs were to fully vest and be settled in shares of our Company s common stock, a total of 17,900 shares of our Company s common stock would be issued.

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On October 23, 2013, our Company issued a total of 4,867 shares of common stock, par value $.01 per share, pursuant to the settlement of restricted stock units previously awarded under the Plan to four executives of our company (namely: Christopher H. Atayan, Andrew C. Plummer, Eric J. Hinkefent, and Philip E. Campbell).

On October 25, 2013, our Company issued a total of 4,976 shares of common stock, par value $.01 per share, pursuant to the settlement of restricted stock units previously awarded under the Plan to four executives of our company (namely: Christopher H. Atayan, Andrew C. Plummer, Eric J. Hinkefent, and Philip E. Campbell).

On November 22, 2013, our Company issued a total of 3,531 shares of common stock, par value $.01 per share, pursuant to the settlement of restricted stock units previously awarded under the Plan to four executives of our company (namely: Christopher H. Atayan, Andrew C. Plummer, Eric J. Hinkefent, and Philip E. Campbell).

The securities described above in this item were issued for services and in furtherance of the Plan s purpose of encouraging employees of our company and its affiliates to acquire a proprietary and vested interest in the growth and performance of our company. The securities were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for transactions not involving any public offering. Our company received no payment in connection with such issuances. No underwriters were involved with the issuance of the securities described in this item and no commissions were paid in connection with such issuances. There was no advertisement or general solicitation made in connection with the issuance of the securities described in this item.

The following table summarizes the purchases made by or on behalf of our Company or certain affiliated purchasers of shares of our common stock during the quarterly period ended December 31, 2013:

Period	**(a) Total Number of Shares (or Units) Purchased**	**(b) Average Price Paid per Share (or Unit)**	**(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs**	**(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs ***
October 1-31, 2013				50,000
November 1-30, 2013	25,057	$ 77.50	25,057	24,943
December 1-31, 2013				50,000
Total	25,057	$ 77.50	25,057	50,000

* On December 20, 2013 the Company s Board of Directors authorized additional purchases of up to 50,000 shares of the Company s common stock in open market or negotiated transactions. Management was given discretion to determine the number and pricing of the shares to be purchased, as well as, the timing of any such purchases.

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Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not applicable.

Item 6. Exhibits

(a) Exhibits

31.1 Certification by Christopher H. Atayan, Chief Executive Officer and Chairman, furnished pursuant to section 302 of the Sarbanes-Oxley Act

31.2 Certification by Andrew C. Plummer, Vice President, Chief Financial Officer, and Principal Financial Officer furnished pursuant to section 302 of the Sarbanes-Oxley Act

32.1 Certification by Christopher H. Atayan, Chief Executive Officer and Chairman, furnished pursuant to section 906 of the Sarbanes-Oxley Act

32.2 Certification by Andrew C. Plummer, Vice President, Chief Financial Officer, and Principal Financial Officer furnished pursuant to section 906 of the Sarbanes-Oxley Act

101	Interactive Data File (filed herewithin electronically)

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SIGNATURES

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

	AMCON DISTRIBUTING COMPANY (registrant)
Date: January 21, 2014	/s/ Christopher H. Atayan Christopher H. Atayan, Chief Executive Officer and Chairman
Date: January 21, 2014	/s/ Andrew C. Plummer Andrew C. Plummer, Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)