# 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 June 30, 2012**

**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**<br>(State or other jurisdiction<br>of incorporation or organization) | **47-0702918**<br>(I.R.S. Employer<br>Identification No.) |
| **7405 Irvington Road, Omaha NE**<br>(Address of principal executive offices) | **68122**<br>(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 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<br>(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 608,271 shares of its $.01 par value common stock outstanding as of July 16, 2012.

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**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**AMCON Distributing Company and Subsidiaries**

**Condensed Consolidated Balance Sheets**

**June 30, 2012 and September 30, 2011**

| | June 2012 (Unaudited) | September 2011 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $ 568,960 | $ 1,389,665 |
| Accounts receivable, less allowance for doubtful accounts of $1.2 million at both June 2012 and September 2011 | 34,032,935 | 32,963,693 |
| Inventories, net | 49,381,171 | 38,447,982 |
| Deferred income taxes | 1,784,114 | 1,707,889 |
| Prepaid and other current assets | 4,976,295 | 6,073,536 |
| Total current assets | 90,743,475 | 80,582,765 |
| | | |
| Property and equipment, net | 13,128,075 | 13,713,238 |
| Goodwill | 6,349,827 | 6,349,827 |
| Other intangible assets, net | 5,277,225 | 5,550,978 |
| Other assets | 1,289,963 | 1,238,825 |
| | $ 116,788,565 | $ 107,435,633 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 16,060,295 | $ 18,439,446 |
| Accrued expenses | 6,660,965 | 7,153,672 |
| Accrued wages, salaries and bonuses | 2,979,030 | 2,460,558 |
| Income taxes payable | 303,998 | 2,100,180 |
| Current maturities of long-term debt | 1,185,647 | 1,384,625 |
| Total current liabilities | 27,189,935 | 31,538,481 |
| | | |
| Credit facility | 30,080,482 | 20,771,613 |
| Deferred income taxes | 3,842,164 | 2,743,238 |
| Long-term debt, less current maturities | 5,374,586 | 6,194,195 |
| Other long-term liabilities | 338,197 | 429,513 |
| 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 June 2012 and September 2011 | 2,500,000 | 2,500,000 |
| Series B cumulative, convertible preferred stock, $.01 par value 80,000 shares authorized, 62,000 shares outstanding and a total liquidation preference of $1.6 million at both June 2012 and September 2011 | 1,550,000 | 1,550,000 |

| | | |
|---|---|---|
| Shareholders equity: | | |
| Preferred stock, $0.01 par value, 1,000,000 shares authorized, 162,000 shares outstanding and issued in Series A and B referred to above | | |
| Common stock, $.01 par value, 3,000,000 shares authorized, 608,271 shares outstanding at June 2012 and 609,320 shares outstanding at September 2011 | 6,252 | 6,093 |
| Additional paid-in capital | 10,910,595 | 9,981,055 |
| Retained earnings | 35,914,354 | 31,721,445 |
| Treasury stock, 17,000 shares at cost | (918,000) | |
| Total shareholders equity | 45,913,201 | 41,708,593 |
| | $ 116,788,565 | $ 107,435,633 |

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 and nine months ended June 30, 2012 and 2011**

| | For the three months ended June 2012 | For the three months ended June 2011 | For the nine months ended June 2012 | For the nine months ended June 2011 |
|---|---|---|---|---|
| Sales (including excise taxes of $96.1 million and $85.9 million, and $272.7 million and $238.1 million, respectively) | $ 307,112,774 | $ 263,828,199 | $ 866,505,090 | $ 725,388,399 |
| Cost of sales | 287,211,769 | 245,610,146 | 808,750,009 | 673,193,512 |
| Gross profit | 19,901,005 | 18,218,053 | 57,755,081 | 52,194,887 |
| | | | | |
| Selling, general and administrative expenses | 15,845,201 | 13,781,556 | 47,096,958 | 40,378,569 |
| Depreciation and amortization | 552,888 | 519,099 | 1,780,309 | 1,523,815 |
| | 16,398,089 | 14,300,655 | 48,877,267 | 41,902,384 |
| Operating income | 3,502,916 | 3,917,398 | 8,877,814 | 10,292,503 |
| | | | | |
| Other expense (income): | | | | |
| Interest expense | 361,756 | 372,525 | 1,105,707 | 1,020,980 |
| Other (income), net | (47,841) | (73,878) | (292,979) | (141,970) |
| | 313,915 | 298,647 | 812,728 | 879,010 |
| Income from operations before income tax | 3,189,001 | 3,618,751 | 8,065,086 | 9,413,493 |
| Income tax expense | 1,343,000 | 1,791,000 | 3,316,000 | 4,169,000 |
| Net income | 1,846,001 | 1,827,751 | 4,749,086 | 5,244,493 |
| Preferred stock dividend requirements | (66,907) | (70,649) | (201,454) | (218,755) |
| Net income available to common shareholders | $ 1,779,094 | $ 1,757,102 | $ 4,547,632 | $ 5,025,738 |
| | | | | |
| Basic earnings per share available to common shareholders: | $ 2.92 | $ 2.93 | $ 7.38 | $ 8.53 |
| Diluted earnings per share available to common shareholders: | $ 2.37 | $ 2.36 | $ 6.06 | $ 6.81 |
| | | | | |
| Basic weighted average shares outstanding | 608,271 | 599,281 | 615,913 | 589,084 |
| Diluted weighted average shares outstanding | 779,106 | 775,416 | 783,987 | 769,870 |

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 nine months ended June 30, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 4,749,086 | $ 5,244,493 |
| Adjustments to reconcile net income from operations to net cash flows from operating activities: | | |
| Depreciation | 1,496,868 | 1,268,397 |
| Amortization | 283,441 | 255,418 |
| Gain on sale of property and equipment | (28,606) | (37,177) |
| Equity-based compensation | 930,593 | 1,740,969 |
| Net excess tax benefit on equity-based awards | | (125,904) |
| Deferred income taxes | 1,022,701 | 1,521,683 |
| Provision (recoveries) for losses on doubtful accounts | 75,757 | (768,000) |
| Provision for losses on inventory obsolescence | 98,789 | 104,871 |
| Other | (6,034) | (6,033) |
| | | |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,144,999) | 3,044,399 |
| Inventories | (11,031,978) | (20,191,024) |
| Prepaid and other current assets | 1,097,241 | (3,444,459) |
| Other assets | (51,138) | (186,546) |
| Accounts payable | (2,396,748) | 2,598,310 |
| Accrued expenses and accrued wages, salaries and bonuses | (19,827) | (824,500) |
| Income tax payable | (1,796,182) | (1,729,818) |
| Net cash flows from operating activities | (6,721,036) | (11,534,921) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (914,486) | (1,641,035) |
| Proceeds from sales of property and equipment | 48,984 | 64,375 |
| Acquisition | | (13,368,057) |
| Net cash flows from investing activities | (865,502) | (14,944,717) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net borrowings on bank credit agreements | 9,308,869 | 28,533,322 |
| Principal payments on long-term debt | (1,018,587) | (684,108) |
| Repurchase of common stock | (918,000) | |
| Net excess tax benefit on equity-based awards | | 125,904 |
| Dividends paid on convertible preferred stock | (201,454) | (218,755) |
| Dividends on common stock | (354,723) | (325,377) |
| Proceeds from exercise of stock options | 1,180 | 22,391 |
| Withholdings on the exercise of equity-based awards | (51,452) | |
| Net cash flows from financing activities | 6,765,833 | 27,453,377 |
| | | |
| Net change in cash | (820,705) | 973,739 |
| | | |
| Cash, beginning of period | 1,389,665 | 356,735 |
| Cash, end of period | $ 568,960 | $ 1,330,474 |

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

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| | | 2012 | | 2011 |
|---|---|---|---|---|
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid during the period for interest | $ | 1,094,086 | $ | 994,280 |
| Cash paid during the period for income taxes | | 4,089,482 | | 4,377,134 |
| | | | | |
| Supplemental disclosure of non-cash information: | | | | |
| Equipment acquisitions classified as accounts payable | | 28,282 | | 33,233 |
| Issuance of common stock in connection with the vesting and exercise of equity based awards | | 950,562 | | |
| Conversion by holders of Series B Convertible Preferred Stock to common stock | | | | 450,000 |
| | | | | |
| Business acquisition (see Note 2): | | | | |
| Accounts receivable | | | | 8,881,428 |
| Inventory | | | | 4,571,629 |
| Property and equipment | | | | 1,795,859 |
| Prepaid assets | | | | 35,000 |
| Fair value of non-competition agreement | | | | 500,000 |
| Customer relationships intangible assets | | | | 500,000 |
| Goodwill | | | | 200,659 |
| Accrued expenses | | | | (120,000) |
| Note payable | | | | (2,552,090) |
| Amount due under non-competition agreement | | | | (444,428) |

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 programs, services and technology 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 consultative services in the areas of marketing, merchandising, inventory optimization, and information systems which are designed to enhance the ability of 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, and Kraft. 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 ( Chamberlin s ) and Akin s Natural Foods Market ( Akin s ). 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 ( Midwest ).

**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, 2011, 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 June 30, 2012 and June 30, 2011 have been referred to throughout this quarterly report as Q3 2012 and Q3 2011, respectively. The fiscal balance sheet dates as of June 30, 2012, June 30, 2011, and September 30, 2011 have been referred to as June 2012, June 2011, and September 2011, respectively.

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**2. ACQUISITION**

In May 2011, the Company, through its wholly-owned subsidiary, acquired the convenience store distribution assets of L.P. Shanks Company Inc. ( LPS ). LPS was a wholesale distributor to convenience stores in Tennessee, Kentucky, Georgia, Virginia, West Virginia, and North Carolina with annual sales of approximately $200 million. In exchange for certain accounts receivable, inventory, property and equipment, and customer lists of LPS, the Company paid $13.4 million in cash, issued a $2.6 million note payable due to the seller due in quarterly installments over three years and bearing interest at 4% annually, and will also pay a total of $0.5 million over five years in annual installments related to a non-competition agreement with the seller. The Company also entered into warehouse leases with the seller and assumed certain operating leases in conjunction with the transaction. No significant liabilities were assumed in connection with the transaction and the costs incurred to effectuate the acquisition were expensed as incurred. The transaction was funded through the Company s existing credit facility and the issuance of a note payable to the seller. The acquisition expands the Company s strategic footprint in the Southeastern portion of the United States and enhances our ability to service customers in that region.

The following table summarizes the consideration paid for the acquired assets and their related acquisition date fair values. The fair value of the assets acquired have been measured in accordance with Accounting Standards Codification ( ASC ) 805 Business Combinations. In valuing identifiable intangible assets, the Company has estimated the fair value using the discounted cash flows methodology. The acquired assets are reported as a component of our Wholesale Segment.

| **Total Consideration** | | **Amount (in millions)** |
|---|---|---|
| Cash | $ | 13.4 |
| Note payable | | 2.6 |
| Fair value of non-competition agreement | | 0.4 |
| Total fair value of consideration transferred | $ | 16.4 |

**Recognized amounts of identifiable assets acquired**

| | | **Amount (in millions)** | **Weighted Average Amortization Period** |
|---|---|---|---|
| Accounts receivable | $ | 8.9 | |
| Inventory | | 4.6 | |
| Property and equipment | | 1.8 | 5 years |
| Identifiable intangible assets: | | | |
| Non-competition agreement | | 0.5 | 5 years |
| Customer relationships | | 0.5 | 8 years |
| Liabilities | | (0.1) | |
| Total identifiable net assets | | 16.2 | |
| Goodwill | | 0.2 | |
| Total identifiable assets and goodwill | $ | 16.4 | |

Goodwill totaling approximately $0.2 million arose from the acquisition and primarily represents synergies and economies of scale expected to be generated through reductions in selling, general, and administrative expenses. This goodwill has been assigned to the Company s Wholesale Segment and is deductible for tax purposes. No significant measurement adjustments related to this transaction were recorded during the nine months ended June 2012.

The following table sets forth the unaudited actual revenue and earnings included in the Company s statement of operations related to the acquisition and the pro forma revenue and earnings of the combined entity if the acquisition had occurred as of the beginning of the Company s prior fiscal year. These pro forma amounts do not purport to be indicative of the actual results that would have been obtained had the acquisition occurred at that time.

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| (In millions) | | Three months ended June 2012 | | 2011 | | Nine months ended June 2012 | | 2011 |
|---|---|---|---|---|---|---|---|---|
| Revenue Actual results | $ | 307.1 | $ | 263.8 | $ | 866.5 | $ | 725.4 |
| Revenue Supplemental pro forma results | $ | 307.1 | $ | 299.4 | $ | 866.5 | $ | 859.1 |
| Net Income Actual results | $ | 1.8 | $ | 1.8 | $ | 4.8 | $ | 5.2 |
| Net Income Supplemental pro forma results | $ | 1.8 | $ | 1.9 | $ | 4.8 | $ | 5.1 |

**3. CONVERTIBLE PREFERRED STOCK:**

The Company has two series of convertible preferred stock outstanding at June 2012 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 | $ | 1,550,000 |
| Number of shares: | | 100,000 | | 62,000 |
| 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 | | 62,880 |
| 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 is owned by Mr. Christopher Atayan, AMCON s Chief Executive Officer and Chairman of the Board. The Series B Preferred Stock is owned by an institutional investor which has 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.

**4. INVENTORIES**

Inventories consisted of finished goods at June 2012 and September 2011 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 $1.0 million and $0.9 million at June 2012 and September 2011, respectively. These reserves include the Company s obsolescence allowance, which reflects estimated unsalable or non-refundable inventory based upon an evaluation of slow moving and discontinued products.

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**5. GOODWILL AND OTHER INTANGIBLE ASSETS**

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

| | June 2012 | September 2011 |
|---|---|---|
| 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:

| | June 2012 | September 2011 |
|---|---|---|
| Trademarks and tradenames | $ 3,373,269 | $ 3,373,269 |
| Non-competition agreement (less accumulated amortization of $0.1 million at both June 2012 and September 2011) | 391,666 | 466,667 |
| Customer relationships (less accumulated amortization of $0.6 million and $0.4 million at June 2012 and September 2011, respectively) | 1,512,290 | 1,711,042 |
| | $ 5,277,225 | $ 5,550,978 |

Goodwill, trademarks and tradenames are considered to have indefinite useful lives and therefore no amortization has been taken on these assets. At June 2012, 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 these assets was $0.1 million and $0.3 million for the three and nine month periods ended June 2012, and $0.1 million and $0.2 million for the three and nine month periods ended June 2011.

Estimated future amortization expense related to identifiable intangible assets with finite lives is as follows at June 2012:

| **Customer relationships** | **June 2012** |
|---|---|
| Fiscal 2012 (1) | $ 91,247 |
| Fiscal 2013 | 365,000 |
| Fiscal 2014 | 365,000 |
| Fiscal 2015 | 365,000 |
| Fiscal 2016 | 331,667 |
| Thereafter | 386,042 |
| | $ 1,903,956 |

(1) Represents amortization for the remaining three months of Fiscal 2012.

**6. DIVIDENDS:**

The Company paid cash dividends on its common stock and convertible preferred stock issuances totaling $0.2 million and $0.6 million for the three and nine month periods ended June 2012, respectively, and $0.2 million and $0.5 million for the three and nine month periods ended June 2011, respectively.

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**7. 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 June | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Basic | Diluted | Basic | Diluted |
| Weighted average common shares outstanding | 608,271 | 608,271 | 599,281 | 599,281 |
| Weighted average of net additional shares outstanding assuming dilutive options exercised and proceeds used to purchase treasury stock and conversion of preferred stock (1) | | 170,835 | | 176,135 |
| Weighted average number of shares outstanding | 608,271 | 779,106 | 599,281 | 775,416 |
| Income from operations | $ 1,846,001 | $ 1,846,001 | $ 1,827,751 | $ 1,827,751 |
| Deduct: convertible preferred stock dividends (2) | (66,907) | | (70,649) | |
| Net income available to common shareholders | 1,779,094 | 1,846,001 | 1,757,102 | 1,827,751 |
| | | | | |
| Net earnings per share available to common shareholders | $ 2.92 | $ 2.37 | $ 2.93 | $ 2.36 |

(1) Diluted earnings per share calculation includes all stock options, convertible preferred stock, and restricted stock units 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.

| | For the nine months ended June | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Basic | Diluted | Basic | Diluted |
| Weighted average common shares outstanding | 615,913 | 615,913 | 589,084 | 589,084 |
| Weighted average of net additional shares outstanding assuming dilutive options exercised and proceeds used to purchase treasury stock and conversion of preferred stock (1) | | 168,074 | | 180,786 |
| Weighted average number of shares outstanding | 615,913 | 783,987 | 589,084 | 769,870 |
| Income from operations | $ 4,749,086 | $ 4,749,086 | $ 5,244,493 | $ 5,244,493 |
| Deduct: convertible preferred stock dividends (2) | (201,454) | | (218,755) | |
| | 4,547,632 | 4,749,086 | 5,025,738 | 5,244,493 |
| | | | | |
| Net earnings per share available to common shareholders | $ 7.38 | $ 6.06 | $ 8.53 | $ 6.81 |

(1) Diluted earnings per share calculation includes all stock options, convertible preferred stock, and restricted stock units 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.

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**8. DEBT**

The Company primarily finances its operations through a credit facility agreement with Bank of America (the Facility ) and long-term debt agreements with banks.

The Facility included the following significant terms at June 2012:

- 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 maximum loan limit.

- 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.

- 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.

**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 June 2012. 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.

**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.

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**9. 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 June 2012, awards with respect to a total of 109,800 shares, net of forfeitures, had been awarded pursuant to the Omnibus Plan and awards with respect to another 40,200 shares may be awarded under the plan.

**Stock Options**

During the nine month period ended June 2012, the Company issued 6,500 incentive stock options to various employees pursuant to the provisions of the Company s Omnibus Plan. These awards vest in equal installments over a five year service period and had an estimated fair value of approximately $0.1 million using the Black-Scholes option pricing model. The following assumptions were used in connection with the Black-Scholes option pricing calculation:

| | Stock Option Pricing Assumptions |
|---|---|
| Risk-free interest rate | 2.39% |
| Dividend yield | 1.10% |
| Expected volatility | 27.90% |
| Expected life in years | 6 |

The stock options issued by the Company expire ten years from the grant date and include graded vesting schedules up to five years in length. Stock options issued and outstanding at June 2012 are summarized as follows:

| | Exercise Price | Number Outstanding | Remaining Weighted-Average Contractual Life | Weighted-Average Exercise Price | Exercisable Number Exercisable | Exercisable Weighted-Average Exercise Price |
|---|---|---|---|---|---|---|
| Fiscal 2003 | $28.80 | 42 | 0.32 years | $ 28.80 | 42 | $ 28.80 |
| Fiscal 2007 | $18.00 | 25,000 | 4.45 years | $ 18.00 | 25,000 | $ 18.00 |
| Fiscal 2010 | $51.50 | 5,500 | 7.83 years | $ 51.50 | 2,200 | $ 51.50 |
| Fiscal 2012 | $53.80 - $65.97 | 6,500 | 9.33 years | $ 54.74 | | $ |
| | | 37,042 | | $ 29.43 | 27,242 | $ 20.72 |

The following is a summary of stock options activity for the nine months ended June 2012:

| | Number of Shares | | Weighted Average Exercise Price |
|---|---|---|---|
| Outstanding at September 2011 | 30,583 | $ | 24.05 |
| Granted | 6,500 | | 54.74 |
| Exercised | (41) | | 28.80 |
| Forfeited/Expired | | | |
| Outstanding at June 2012 | 37,042 | $ | 29.43 |

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**Restricted Stock Units**

Restricted stock units issued and outstanding at June 2012 are as follows:

| | Restricted Stock Units (1) | Restricted Stock Units (2) | Restricted Stock Units (3) |
|---|---|---|---|
| Date of award: | November 22, 2010 | November 22, 2010 | October 26, 2011 |
| Original number of awards issued: | 38,400 | 12,000 | 15,900 |
| Service period: | 24 months | 36 months | 36 months |
| Estimated fair value of award at grant date: | $ 2,765,000 | $ 864,000 | |