AMCON DISTRIBUTING CO
Form 10-K/A
January 28, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K/A
(Amendment No. 1)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2009

o **TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 1-15589

(Exact name of registrant as specified in its charter)

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 Par Value

(Title of Class)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of 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 þ   No o

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on March 31, 2009 was $8,581,881, computed by reference to the $25.01 closing price of such common stock equity on March 31, 2009.

As of November 2, 2009 there were 573,232 shares of common stock outstanding.

Portions of the following document are incorporated by reference into the indicated parts of this report: None.

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EXPLANATORY NOTE

This amendment on Form 10-K/A amends our Annual Report on Form 10-K for the fiscal year ended September 30, 2009, as filed with the Securities and Exchange Commission on November 6, 2009, and is being filed for the purpose of providing the disclosures required by Part III of Form 10-K, including Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence) and Item 14 (Principal Accounting Fees and Services). At the time of filing of our original Annual Report on Form 10-K for the fiscal year ended September 30, 2009, it was anticipated that the disclosures required by Part III of Form 10-K would be incorporated therein by reference to various disclosures being made in the Proxy Statement to be used in connection with our 2010 Annual Meeting of Shareholders. That Proxy Statement will not be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended September 30, 2009, and therefore this amendment on Form 10-K/A is being filed in accordance with General Instruction G(3) to Form 10-K to provide the disclosures required by Part III of Form 10-K that were to have been incorporated by reference from the Proxy Statement.

This amendment on Form 10-K/A is not intended to revise any other information presented in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009 as originally filed and all such other information in the original filing, which remains unchanged, has not been updated to reflect events occurring subsequent to the original filing date. This amendment speaks as of the date of our original Annual Report on Form 10-K for the fiscal year ended September 30, 2009, except for certain certifications, which speak as of their respective dates and the filing date of this amendment. This amendment should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of our original Annual Report on Form 10-K for the fiscal year ended September 30, 2009, including any amendments to those filings.

AMCON DISTRIBUTING COMPANY

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PART I

For purposes of this report, unless the context indicates otherwise, all references to we, us, our, Company, and AMCON shall mean AMCON Distributing Company and its subsidiaries. The wholesale distribution segment of our Company will be separately referred to as ADC. The Retail Health Food Segment of our Company will be separately referred to as Retail .

The Company s 2009 and 2008 fiscal years ended September 30, are herein referred to as fiscal 2009 and fiscal 2008, respectively. The fiscal year-end balance sheet dates of September 30, 2009 and September 30, 2008 are referred to herein as September 2009 and September 2008, respectively.

This report and the documents incorporated by reference herein, if any, contain forward looking statements, which are inherently subject to risks and uncertainties. See Forward Looking Statements under Item 7 of this report.

ITEM 1. *BUSINESS*

COMPANY OVERVIEW

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

Our wholesale distribution segment distributes consumer products in the Central and Rocky Mountain regions of the United States.

Our retail health food segment operates thirteen health food retail stores located throughout the Midwest and Florida.

WHOLESALE DISTRIBUTION SEGMENT

ADC serves approximately 4,200 retail outlets including convenience stores, grocery stores, liquor stores, drug stores, and tobacco shops. In October 2009, Convenience Store News ranked ADC as the eighth (8th) largest convenience store distributor in the United States based on annual sales.

ADC distributes approximately 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.

ADC operates five distribution centers located in Illinois, Missouri, Nebraska, North Dakota and South Dakota. These distribution centers, combined with two cross-dock facilities, contain a total of approximately 487,000 square feet of floor space. ADC s principal suppliers include Philip Morris USA, RJ Reynolds Tobacco, Proctor & Gamble, Hershey, Mars, Quaker, and Nabisco. ADC also markets private label lines of tobacco, snuff, water, candy products, batteries, film, and other products. ADC does not maintain any long-term purchase contracts with these suppliers.

RETAIL HEALTH FOOD SEGMENT

The Company s retail health food stores, which are operated as Chamberlin s Market & Café (Chamberlin s or CNF) and Akin s Natural Foods Market (Akin s or ANF), carry over 30,000 different national and regionally branded and private label products. These products include 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 seven locations in Oklahoma, Nebraska, Missouri, and Kansas.

The retail health food industry has significantly grown over the past decade as the demand for non-processed natural products (pesticide-free, hormone-free, and non-genetically modified) has grown. We believe this growth is attributable to a number of factors, including:

- heightened awareness about the role that food and nutrition play in long-term health,
- increasing concerns over food safety due to the presence of pesticide residues, growth hormones, and artificial ingredients found in foods purchased through traditional retail outlets,
- growing focus on the impact of chemical additives included in consumer products such as household cleaning agents,
- an aging population with a desire to maintain good health and quality of life.

COMPETITIVE STRENGTHS

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

Industry Experience

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

Flexible Distribution Capabilities and Customer Service Programs

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

Unique Product Selection

Our retail health foods segment prides itself in carrying a unique and superior-quality selection of natural food products and vitamin supplements, which cannot be found in many mainstream retail outlets. Our unique product set, combined with highly trained and knowledgeable in-store associates, has created a loyal customer following in which our stores are sought out destinations, providing a personalized shopping experience.

BUSINESS STRATEGY

We have a three-pronged business strategy to drive growth and create shareholder value in which we seek to:

- organically grow our wholesale distribution business in the regions in which we operate.
- pursue strategic acquisition opportunities within the wholesale distribution industry.
- judiciously expand our retail health food segment through opportunistic new store openings.

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

PRINCIPAL PRODUCTS

Sales of cigarettes represented 71% and 70% of the Company s consolidated revenue in fiscal 2009 and fiscal 2008, respectively. Sales of candy, beverages, food service, groceries, health food products, paper products, health and beauty care products, and tobacco products represented approximately 29% and 30% of consolidated revenue in fiscal 2009 and fiscal 2008, respectively.

DIVESTITURES

As discussed further in Note 2 to the Consolidated Financial Statements included in this Annual Report, in May 2009 Trinity Springs, Inc. (TSI), a wholly owned subsidiary and former component of the Company s beverage segment, completed the sale of its operating assets.

INFORMATION ON SEGMENTS

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

COMPETITION Wholesale Distribution Segment

ADC is one of the largest distribution companies of its kind within the regions in which we operate. However, there are a number of both small and large wholesale distributors operating in the same geographical regions as ADC, resulting in a highly competitive marketplace. ADC s principal competitors are national wholesalers such as McLane Co., Inc. (Temple, Texas) and Core-Mark International (San Francisco, California), as well as regional wholesalers such as Eby-Brown LLP (Chicago, Illinois) and Farner-Bocken (Carroll, Iowa), along with a host of smaller grocery and tobacco wholesalers.

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

ADC believes its business model is uniquely positioned to compete with a wide range of competitors including national, regional, and local wholesalers. As the eighth (8th) largest convenience store distributor in the United States based on annual sales (according to Convenience Store News), ADC has sufficient economies of scale to offer competitive pricing as compared to national wholesalers, while its flexible distribution and support model allows it to provide superior customer service and customized merchandising solutions, which have proven particularly attractive to our smaller customers.

COMPETITION Retail Health Food Segment

The natural food retail industry is highly fragmented, with more than 12,000 stores operating independently or as part of small retail chains. Whole Foods Market, a large natural food chain that we compete with, continues to expand through new store openings and acquisitions. Additionally, conventional supermarkets and mass market outlets are increasing their emphasis on the sale of natural food products.

SEASONALITY

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

GOVERNMENT REGULATION

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

The Company is also subject to state regulations related to the distribution and sale of cigarettes and tobacco products, generally in the form of licensing and bonding requirements. Additionally, both state and federal regulatory agencies have the ability to impose excise taxes on cigarette and tobacco products. During fiscal 2009, a number of states as well as the federal government, increased the excise taxes levied on cigarettes and tobacco

products. We expect this trend to continue as legislators look for alternatives to fund budget shortfalls among other considerations.

ENVIRONMENTAL MATTERS

All of the Company s facilities and operations are subject to state and federal environmental regulations. The Company believes it is in compliance with all such regulations and is not aware of any violations that could have a material adverse effect on its financial condition or results of operations. Further, the Company has not been notified by any governmental authority of any potential liability or other claim in connection with any of its properties. The costs and effect on the Company to comply with state and federal environmental regulations were not significant in either fiscal 2009 or fiscal 2008.

EMPLOYEES

At September 2009, the Company had 678 full-time and 123 part-time employees in the following areas:

Managerial	35
Administrative	97
Delivery	100
Sales & Marketing	298
Warehouse	271
Total Employees	801

All of ADC s delivery employees in the Quincy, Illinois distribution center, representing approximately 4% of employees company-wide, are represented by the International Association of Machinists and Aerospace Workers. The current labor agreement with the union is effective through December 2011.

CORPORATE AND AVAILABLE INFORMATION

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

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

ITEM 1A. *RISK FACTORS*

IN GENERAL

You should carefully consider the risks described below before making an investment decision concerning our securities. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually materializes, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline substantially. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below and elsewhere in this Annual Report. See Forward Looking Statements under Item 7 of this report for a discussion of forward looking statements.

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RISK FACTORS RELATED TO THE WHOLESALE BUSINESS

Regulation of Cigarette and Tobacco Products by the U.S. Food and Drug Administration (FDA) May Negatively Impact Our Operations.

In June 2009, legislation was signed into law which provided the FDA with broad new authority to regulate the manufacture, distribution, and sale of cigarette and tobacco products. While we believe most of the new regulatory burden will fall upon product manufacturers, the FDA may also impose new regulations on wholesale distributors. In one of its first major regulatory actions, the FDA banned the manufacture, shipment, and sale of certain flavored cigarettes effective September 22, 2009.

If the FDA were to impose additional regulations and we could not comply with such regulations, we could face remedial actions such as fines, suspension of product distribution rights, and/or termination of operations. Further, if the FDA were to expand product bans our future revenue stream could materially decrease. If any of these items were to occur, our results from operations, cash flow, business, and overall financial condition could be negatively impacted.

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

The distribution of cigarettes represents a significant portion of our business. During fiscal 2009, approximately 71% of our consolidated revenues came from the distribution of cigarettes which generated approximately 27% of our consolidated gross profit. Due to manufacturer price increases, restrictions on advertising and promotions, regulation, higher excise taxes, health concerns, smoking bans, and other factors, the demand for cigarettes in the United States may continue to decline. If this occurs, our results from operations, cash flow, business, and overall financial condition could be negatively impacted.

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

Cigarette and tobacco products are subject to substantial excise taxes. Significant increases in cigarette-related taxes and/or fees have been imposed by both individual states and the federal government. Most recently (April 2009), the federal excise taxes imposed on cigarette and tobacco products was increased dramatically. The new regulatory responsibilities of the FDA may also be funded by further increases in federal excise taxes.

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

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

Continued divestitures and consolidations within the convenience store industry reflect a trend that may result in customer losses for us if the acquiring entity is served by another wholesale distributor or we are unable to retain the business. If we were to lose a substantial volume of business because of these trends, our results from operations, cash flow, business, and overall financial condition could be negatively impacted.

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

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

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

We receive payments from the manufacturers of the products we distribute including allowances, discounts, volume rebates, and other merchandising incentives in connection with various incentive programs. In addition, we receive

discounts from states in connection with the purchase of excise stamps for cigarettes. If the manufacturers or states change or discontinue these programs or we are unable to maintain the volume of our sales, our results of operations, business, cash flow, and financial condition could be negatively affected.

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

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

We Purchase Cigarettes from Manufacturers Covered by the Industry s Master Settlement Agreement, Which Results in Competition from Lower Priced Sales of Cigarettes Produced by Manufacturers Who Do Not Participate in the Master Settlement Agreement.

Increased selling prices and higher cigarette taxes have resulted in the growth of deep-discount cigarette brands. Deep-discount brands are brands generally manufactured by companies that are not original participants to the master settlement agreement, and accordingly, do not have cost structures burdened with master settlement agreement related payments to the same extent as the original participating manufacturers. Since the master settlement agreement was signed in November 1998, the category of deep-discount brands manufactured by smaller manufacturers or supplied by importers has grown substantially.

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

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

RISK FACTORS RELATED TO THE RETAIL BUSINESS

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

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

lower gross profits and/or greater operating costs such as marketing.

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

Our expansion strategy is dependent on finding suitable locations, and we face intense competition from other retailers for such sites. We also need to be able to open new stores timely and operate them successfully. In addition, our success is dependant on our ability to hire, train and integrate new qualified team members. Our success is also dependent on our ability to adapt our distribution, management information and other operating systems to

adequately supply products to new stores at competitive prices so that we can operate the stores in a successful and profitable manner. If we are not able to find and open new store locations and close poor performing stores, this could have a material adverse impact on our results of operations, business, cash flow, and overall financial condition.

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

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

Perishable Food Product Losses Could Materially Impact Our Results.

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

RISK FACTORS RELATED TO THE OVERALL BUSINESS

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

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

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

Capital Needed for Expansion May Not Be Available.

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

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

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

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

Under our credit facility, we are required to meet certain financial ratios and tests. Our ability to comply with these covenants may be affected by factors beyond our control. If we breach, or if our lender contends that we have breached, any of these covenants or restrictions, it could result in an event of default under our revolving credit facility, which would permit our lenders to declare all amounts outstanding thereunder to be immediately due and payable, and our lenders under our revolving credit facility could terminate their commitments to make further extensions of credit under our revolving credit facility.

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

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

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

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

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

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

We Depend on Our Senior Management and Key Personnel.

We depend on the continued services and performance of our senior management and other key personnel, particularly Christopher H. Atayan, AMCON s Chief Executive Officer and Chairman of the Board, and Andrew C. Plummer, AMCON s Chief Financial Officer and Vice President. While we maintain key person life insurance policies and have employment agreements with certain key personnel, the loss of service from any of our executive officers or key employees could harm our business.

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

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

In addition, at September 2009 approximately 4% or approximately thirty employees were covered by a collective bargaining agreement with a labor organization, which expires in December 2011. If we were not able to renew our future labor agreements on similar terms, we may be unable to recover labor cost increases through increased prices or may suffer business interruptions as a result of strikes or other work stoppages.

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

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

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

RISK FACTORS RELATED TO OUR COMMON STOCK

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

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

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

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

- classification of our directors into three classes with respect to the time for which they hold office;
- supermajority voting requirements to amend the provision in our certificate of incorporation providing for the classification of our directors into three such classes;
- non-cumulative voting for directors;

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

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

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

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ITEM 1B. *UNRESOLVED STAFF COMMENTS*

Not applicable.

ITEM 2. *PROPERTIES*

The location and approximate square footage of the Company s five distribution centers and thirteen retail stores at September 2009 are set forth below:

Location	Square Feet
Distribution IL, MO, ND, NE & SD	487,000
Retail FL, KS, MO, NE & OK	132,600
Total Square Footage	619,600

Our Quincy, Illinois, Bismarck, North Dakota and Rapid City, South Dakota distribution facilities are owned by ADC. Our Quincy, Bismarck and Rapid City distribution centers are subject to first mortgages by Marshall & Ilsley Bank (M&I). The Company leases its remaining distribution facilities, retail stores, offices, and certain equipment under noncancellable operating and capital leases. Management believes that its existing facilities are adequate for the Company s present level of operations, however, larger facilities and additional cross-dock facilities and retail stores may be required if the Company experiences growth in certain market areas.

ITEM 3. *LEGAL PROCEEDINGS*

None.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 2009.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age	Position
Christopher H. Atayan	49	Chairman of the Board, Chief Executive Officer, Director
Kathleen M. Evans	62	President, Director
Andrew C. Plummer	35	Vice President, Chief Financial Officer, and Secretary
Philip E. Campbell	48	Senior Vice President of Planning and Compliance
Eric J. Hinkefent	48	President of Chamberlin s Market and Cafe and Akin s Natural Foods Market

CHRISTOPHER H. ATAYAN has served as the Company s Chairman of the Board since January 2008, its Chief Executive Officer since October 2006, and has been a director of the Company since 2004. From March 2006 to October 2006, he served the Company in various capacities including Vice Chairman and Chief Corporate Officer. Mr. Atayan is also a consultant to Draupnir LLC (the parent of Draupnir Capital, LLC.), has served as the Senior Managing Director of Slusser Associates, a private equity and investment banking firm, since 1988, and has been engaged in private equity and investment banking since 1982.

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

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

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PHILIP E. CAMPBELL has served as the Senior Vice President of Planning and Compliance for the Company since January 2007 and has provided consulting services for the Company since 2004. Prior to that time, Mr. Campbell held senior management roles in a number of companies including Franchise Concepts, Inc. where he served as Chief Financial Officer from 2001 to 2004.

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

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

PART II

ITEM 5. *MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

MARKET FOR COMMON STOCK

The Company s common stock trades on NYSE Amex Equities (formerly the American Stock Exchange) under the trading symbol DIT . As of October 26, 2009, the closing stock price was $68.00 and there were 573,228 common shares outstanding. As of that date, the Company had approximately 360 common shareholders of record (including direct participants in the Depository Trust Company). The following table reflects the range of the high and low closing prices per share of the Company s common stock reported by NYSE Amex Equities for fiscal 2009 and 2008.

	Fiscal 2009		Fiscal 2008	
	High	Low	High	Low
4th Quarter	$ 63.63	$ 39.35	$ 31.25	$ 24.50
3rd Quarter	44.25	25.01	34.00	27.75
2nd Quarter	28.00	16.50	36.38	29.00
1st Quarter	24.50	14.00	44.00	26.74

DIVIDEND POLICY

On a quarterly basis, the Company s Board of Directors evaluates the potential declaration of dividend payments on the Company s common stock. Our dividend policy is intended to return capital to shareholders when it is most appropriate. The Company s revolving credit facility provides that it may not pay dividends on its common shares in excess of $0.72 per common share on an annual basis.

Our Board of Directors could decide to alter our dividend policy or not pay quarterly dividends at any time in the future. Such an action by the Board of Directors could result from, among other reasons, changes in the marketplace, changes in our performance or capital needs, changes in federal income tax laws, disruptions in the capital markets, or other events affecting our business, liquidity or financial position.

The Company paid cash dividends of $228,242 or $0.40 per common share, in fiscal 2009, and $90,970 or $0.16 per common share, in fiscal 2008.

The Company has Series A and B Convertible Preferred Stock (Convertible Preferred Stock) outstanding at September 2009 which are not registered under the Securities and Exchange Act of 1934. The Company paid cash dividends on all series of Convertible Preferred Stock of $347,025 and $419,839 during fiscal 2009 and fiscal 2008, respectively. See Note 3 to Consolidated Financials Statements included in this Annual Report for further information regarding these securities.

COMPANY REPURCHASE OF SHARES

The Company did not repurchase shares of its common stock during fiscal 2009 or fiscal 2008. As described in the Notes to the Consolidated Financial Statements, on October 27, 2009 the Board of Directors authorized a share repurchase program which provides for the repurchase of up to 50,000 shares of AMCON s common stock. The shares may be purchased from time to time in open market or in negotiated transactions.

EQUITY COMPENSATION PLAN INFORMATION

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

ITEM 6. *SELECTED FINANCIAL DATA*

Not applicable.

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

Overview

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements under Item 8 and other information in this report, including Critical Accounting Policies and Cautionary Information included at the end of this Item 7. The following discussion and analysis includes the results of operations for our continuing operations for the twelve month periods ended September 2009 and September 2008.

A separate discussion of our discontinued operations has been presented within this Item 7. Accordingly, the sales, gross profit, selling, general and administrative, depreciation and amortization, direct interest, other expenses, and income tax benefit for discontinued operations have not been included in our analysis of continuing operations. For more information regarding our business segments, see Item 1 Business of this Annual Report.

Business Update General

Economic conditions continue to impact consumer confidence and discretionary spending patterns across the states in which we operate. Customers in both of our businesses are increasingly value-conscious and price-sensitive. Accordingly, we have undertaken a number of initiatives designed to highlight the value propositions we offer customers in a number of areas such as exclusive product offerings and the delivery of customized technology solutions at competitive prices.

Forward looking, we believe that a combination of economic and regulatory factors and the potential of higher fuel prices could adversely affect our sales, gross margins, and operating profits into the foreseeable future. However, we are hopeful that our conservative strategy of cost containment, aggressively targeting new business, and maintaining maximum liquidity, will position us well to capture market share, execute strategic acquisitions and open new retail stores and ultimately increase shareholder value.

Business Update Wholesale Distribution Segment

The wholesale distribution industry is mature and continues to be intensely competitive. We expect future sales and profitability will be pressured by a number of prominent trends:

Declining revenue streams: Historically, cigarette and tobacco products have represented one of the largest sales categories for convenience stores and their distributors alike. Recent legislative actions such as excise tax increases, smoking bans, as well as a general decline in the number of smokers in the United States, has decreased demand for these products.

In April 2009, significant increases in the federal excise taxes were imposed on cigarette and tobacco products in conjunction with the State Children s Health Insurance Program law (SCHIP). Additionally, in June 2009 new legislation was signed into law which provided the FDA with broad new authority to regulate the manufacture, distribution, marketing, and sale of cigarette and tobacco products. In one of its first major regulatory actions, the FDA banned the manufacture, shipment, and sale of certain flavored cigarettes effective September 22, 2009.

On a long-term basis, we believe these factors will reduce the demand for cigarette and tobacco products, while at the same time increasing the Company s inventory carrying costs and customer credit risk.

Gross Profit Erosion: Efforts to retain and capture market share have prompted aggressive pricing and have resulted in gross profit erosion industry-wide.

We believe the long-term implications of these trends may be detrimental to smaller distributors. A combination of declining revenue streams, gross profit erosion, and limited access to credit and/or new capital may force many distributors from the market, resulting in substantial industry consolidation. As one of the nation s largest wholesale distributors, we believe the Company is well positioned to capitalize on these trends and expand our strategic footprint.

Business Update Retail Health Food Segment

Sales in our retail health food segment have been negatively impacted by weaknesses in both of our geographic markets. In particular, sales in our Florida stores have been hurt by the severe economic downturn in that state, in addition to increased competition from other natural food chains.

In the near term, our retail segment faces a challenging operating environment as consumer behavior has been adversely impacted by the recession. In response, we have worked to better align our cost structure to demand, while reemphasizing the value choices found throughout our stores, such as our private label offerings and other product lines unique to our stores.

Despite the impact of the recession, we believe the long-term prospects for this segment remain attractive and we will continue to pursue growth through ongoing evaluations of potential new locations. If health food retailers can demonstrate value and provide consumers with affordable choices, we believe overall demand for natural food products will rebound as the current adverse economic conditions dissipate.

Significant Events In Fiscal 2009

During fiscal 2009, the Company:

- recorded income from continuing operations after income taxes of $8.5 million, a $2.9 million increase over fiscal 2008.

- recorded net income available to common shareholders of $12.4 million, an increase of $7.5 million over fiscal 2008.

- benefited by approximately $5.8 million in additional gross profit as a result of price increases implemented by cigarette and tobacco manufacturers.

- successfully completed the sale of TSI s operating assets while simultaneously settling $2.7 million, plus accrued interest, in TSI related party notes for approximately $0.8 million. The Company recognized pre-tax gains of $4.7 million and $2.7 million, respectively, related to the transactions.

- fully redeemed its Series C Convertible Preferred Stock for $2.0 million plus accrued and unpaid dividends, reducing potential shareholder dilution that could have resulted from the conversion of such preferred stock into 146,842 common shares.

- reduced total borrowings on its revolving credit facility to $22.8 million, a $12.4 million decrease as compared to September 2008.

- reduced total long-term debt for continuing and discontinued operations to $6.5 million, a $8.5 million decrease as compared to September 2008.

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Results of Operations

The following table sets forth an analysis of various components of the Company s Statement of Operations as a percentage of sales for fiscal years 2009 and 2008:

	Fiscal Years	
	2009	**2008**
Sales	100.0%	100.0%
Cost of sales	92.5	92.5
Gross profit	7.5	7.5
Selling, general and administrative expenses	5.7	6.0
Depreciation and amortization	0.1	0.2
Operating income	1.7	1.3
Interest expense	0.2	0.3
Income from continuing operations before income taxes	1.5	1.0
Income tax expense	0.6	0.4
Income from continuing operations	0.9	0.6
Income from discontinued operations, net of tax	0.5	
Net income	1.4	0.6
Preferred stock dividend requirements		
Net income available to common shareholders	1.4%	0.6%

	Fiscal Years		Incr	
(In millions)	**2009**	**2008**	**(Decr)/2/**	**% Change/2/**
CONSOLIDATED:				
Sales/1/	$ 907.9	$ 860.5	$ 47.5	5.5%
Cost of Sales	839.8	795.8	44.0	5.5
Gross profit	68.1	64.7	3.5	5.4
Gross profit percentage	7.5%	7.5%		
Operating expense	52.8	53.0	(0.3)	(0.5)
Operating income	15.4	11.7	3.7	32.0
Interest expense	1.6	3.0	(1.4)	(45.5)
Income tax expense	5.4	3.2	2.2	68.0
Income from continuing operations	8.5	5.6	2.9	51.9
BUSINESS SEGMENTS:				
Wholesale				

Sales/1/	871.3	821.3	50.1	6.1
Gross profit	52.8	48.4	4.5	9.3
Gross profit percentage	6.1%	5.9%		
Retail				
Sales	36.6	39.2	(2.6)	(6.6)
Gross profit	15.3	16.3	(1.0)	(6.3)
Gross profit percentage	41.8%	41.7%		

/1/ Sales are reported net of costs associated with incentives provided to retailers. These incentives totaled $15.8 million in fiscal 2009 and $15.4 million in fiscal 2008.

/2/ Amounts calculated based on actual change in the Consolidated Statement of Operations.

SALES Fiscal 2009 vs. Fiscal 2008 (Continuing Operations)

Changes in sales are driven by two primary components:

(i) changes to selling prices, which are largely controlled by our product suppliers, and state and federal excise taxes imposed on cigarettes and tobacco products; 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 in our wholesale distribution segment increased $50.1 million in fiscal 2009 as compared to fiscal 2008. This change included a $42.3 million increase in cigarette sales and a net $7.8 million increase in sales of tobacco, beverages, snacks, candy, grocery, health & beauty products, automotive, food service, and store supplies categories (Other Products).

Significant items impacting our fiscal 2009 wholesale segment sales included:

$78.1 million increase in cigarette sales due to price increases implemented by manufacturers, partially offset by a $35.8 million decrease in cigarette sales, primarily resulting from a reduction in cigarette cartons sold as compared fiscal 2008. According to studies by the American Wholesale Marketers Association, the demand for cigarettes has been declining since 1980. During fiscal 2009, we believe the collective impact of economic conditions, smoking bans, and a dramatic increase in the federal excise taxes imposed on cigarettes, accelerated declining demand trends for cigarettes. We expect that overall demand for cigarettes will continue to decline into the foreseeable future based on the aforementioned considerations and the prospect of more restrictive FDA regulations, which may include aggressive bans on the sale of certain cigarette and tobacco products.

$7.8 million net increase in our Other Products category sales as compared to fiscal 2008. This increase was primarily the result of higher tobacco and confectionary sales.

Sales in our retail health food segment decreased approximately $2.6 million in fiscal 2009 as compared to fiscal 2008. This decrease was primarily related to lower sales volumes in our highly perishable and refrigerated food categories, particularly in our Florida retail stores, which have been impacted by a severe regional economic downturn and increased competition from other natural food chains.

GROSS PROFIT Fiscal 2009 vs. Fiscal 2008 (Continuing Operations)

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 $4.5 million in fiscal 2009 as compared to the same prior year period. During fiscal 2009, our wholesale gross profit benefitted by approximately $5.8 million primarily due to improved margins resulting from price increases by cigarette and tobacco manufacturers. Offsetting this increase, was $1.3 million decrease in gross profit primarily due to the net impact of lower cigarette carton volumes and changes in both promotional allowances and product mix sold.

The Company has benefitted over the past fiscal year from improved profit margins on cigarette and tobacco products. On a long-term basis, however, we believe our gross profit margins will revert back to historical norms based on declining demand trends and competitive pressures industry-wide.

Gross profit for the retail health segment decreased $1.0 million in fiscal 2009 as compared to fiscal 2008. This decrease was primarily related to lower sales volume.

OPERATING EXPENSE Fiscal 2009 vs. Fiscal 2008 (Continuing Operations)

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.

Operating expenses decreased approximately $0.3 million in fiscal 2009 as compared to fiscal 2008. Significant items impacting operating expenses included a $1.5 million increase in compensation costs and a $0.4 million increase in health insurance costs. These items were offset by a $1.5 million decrease in fuel costs, a $0.2 million decrease in depreciation expense, and a $0.5 million reduction in other operating expenses.

INTEREST EXPENSE Fiscal 2009 vs. Fiscal 2008 (Continuing Operations)

Fiscal 2009 interest expense decreased $1.4 million as compared to fiscal 2008. This change was principally related to lower interest rates and average borrowings on the Company s credit facility. In fiscal 2009, the Company s average interest rates and average borrowings on its revolving credit facility were 2.7% and $4.2 million lower, respectively, as compared to fiscal 2008.

DISCONTINUED OPERATIONS (Fiscal 2009 vs. Fiscal 2008)

In May 2009, Trinity Springs, Inc. (TSI), a wholly owned subsidiary and former component of the Company s beverage segment, and Crystal Paradise Holdings, Inc. (CPH) closed a transaction whereby CPH exchanged a $5.0 million note receivable (plus $0.1 million of accrued interest) which it held and was due from TSI, for the operating assets of TSI. The Company will have no continuing involvement in the related operating assets and has recorded a $4.7 million pre-tax gain ($3.0 million after tax) in conjunction with the transaction, which included the recognition of a $1.5 million deferred gain attributable to a previously executed Mutual Release and Settlement Agreement between AMCON, TSI, and CPH. The $4.7 million gain has been reflected in the Statement of Operations as a component of discontinued operations.

Simultaneous with the closing of the CPH transaction discussed above, the Company fully settled and satisfied $2.7 million in related party notes payable and accrued interest totaling $0.8 million due from TSI, in exchange for cash payments of approximately $0.8 million. The Company has recorded a $2.7 million pre-tax gain ($1.7 million after tax) related to this transaction, which has been reflected in the Statements of Operations as a component of discontinued operations.

A summary of discontinued operations is as follows (dollars in millions):

	Year Ended September	
	2009	2008
Operating loss	$ (0.1)	$ (0.2)
Interest expense	(0.2)	(0.2)
Gain on asset disposal and debt settlement	7.4	
Income tax expense (benefit)	2.6	(0.1)
Gain (loss) from discontinued operations	4.5	(0.3)

Liquidity and Capital Resources

OVERVIEW

Operating Activities. 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. During fiscal 2009, the Company generated cash of approximately $17.9 million from operating activities. The cash generated resulted from higher overall earnings, reductions in inventory and prepaid asset balances, and increases in accrued expenses and income taxes payable. These items were partially offset by an increase in accounts receivable.

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 $1.6 million of cash during fiscal 2009 for investing activities, primarily related to capital expenditures for property and equipment.

Financing Activities. The Company used cash of $16.5 million for financing activities during fiscal 2009. Of this amount, $12.4 million related to net payments on the Company s credit facility, $2.0 million related to the redemption of the Company s Series C Convertible Preferred Stock, $0.8 million related to principal payments on long-term debt, $0.6 million related to dividends on the Company s common and preferred stock, and $0.8 million related to principal payments on long-term debt classified as discontinued operations. Offsetting these items was $0.1 million in proceeds received from the exercise of stock options.

Cash on Hand/Working Capital. As of September 2009, the Company had cash on hand of $0.3 million and working capital (current assets less current liabilities) of $35.7 million. This compares to cash on hand of $0.5 million and working capital of $38.9 million at September 2008. During the fiscal year the Company paid down its revolving credit facility by $12.4 million with earnings and cash generated through improved inventory management which had the impact of reducing working capital.

CREDIT AGREEMENT

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

A June 2011 maturity date.

A $55.0 million revolving credit limit, plus the outstanding balance on Term Note A. Term Note A had an outstanding balance of $0.2 million at September 30, 2009.

The Facility bears interest at either the bank s prime rate or at LIBOR plus 250 basis points, at the election of the Company.

The Facility provides for an additional $5.0 million of credit available for certain inventory purchases. These advances bear interest at the bank s prime rate plus one-quarter of one-percent (1/4%) per annum and are payable within 45 days of each advance.

Lending limits subject to accounts receivable and inventory limitations, and 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.

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 $0.72 per share on an annual basis.

The Facility includes a prepayment penalty equal to one-half of one percent (1/2%) of the original maximum loan limit ($60.4 million) if the Company prepays the entire Facility or terminates the credit agreement on or before June 30, 2010.

The Facility includes a financial covenant which requires the Company to maintain a minimum debt service ratio of 1.0 to 1.0 as measured by the previous twelve month period then ended. The Company was in compliance with this covenant at September 2009.

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 Company s availability was approximately $30.1 million at September 2009

and the outstanding balance on the revolving portion of the Facility was $22.7 million. The resulting credit limit on the Facility at September 30, 2009 was $52.8 million.

At September 2009, the revolving portion of the Company s Facility balance bore interest based on various short-term LIBOR rate elections made by the Company. These LIBOR interest rate elections had an average rate of 2.82% at September 2009.

During fiscal 2009, our peak borrowings under the Facility were $38.4 million and our average borrowings and average availability were $31.2 and $19.5 million, respectively. Our availability to borrow under the Facility generally decreases as inventory and accounts receivable levels go up because of the borrowing limitations that are placed on collateralized assets.

CROSS DEFAULT AND CO-TERMINUS PROVISIONS

The Company s owned real estate in Bismarck, ND, Quincy, IL, and Rapid City, SD, and certain warehouse equipment in the Rapid City, SD warehouse is financed through term loans with Marshall and Ilsley Bank (M&I), which is also a participant lender on the Company s revolving line of credit. The M&I loans contain cross default provisions which cause all loans with M&I to be considered in default if any one of the loans where M&I is a lender, including the revolving credit facility, is in default. In addition, the M&I loans contain co-terminus provisions which require all loans with M&I to be paid in full if any of the loans are paid in full prior to the end of their specified terms.

REDEMPTION OF SERIES C CONVERTIBLE PREFERRED STOCK

In February 2009, the holder of the Company s Series C Convertible Preferred Stock (Series C) redeemed all 80,000 shares of the issuance. The Series C issuance had been outstanding since 2006, paid a dividend of 6.00% per annum, and was convertible into 146,842 shares of common stock. The Company paid the liquidation value, or $2.0 million, plus accumulated and unpaid dividends to fully redeem all of the outstanding shares. The redemption was funded by our credit facility and satisfied all of the Company s obligations under the Series C Convertible Preferred Stock Agreement.

DIVIDEND PAYMENTS

The Company paid cash dividends of $228,242, or $0.40 per common share, in fiscal 2009, and $90,970 or $0.16 per common share, in fiscal 2008.

During fiscal 2009, the Company had Series A, B, and C Convertible Preferred Stock (Convertible Preferred Stock) outstanding. In February 2009, the Series C Convertible Preferred Stock was fully redeemed at the election of the holder. The Company paid cash dividends related to the Convertible Preferred Stock of $347,025 and $419,839, respectively, during fiscal 2009 and fiscal 2008.

OTHER

The Company has several capital leases for office and warehouse equipment. At September 2009, the outstanding balances on the capital leases totaled approximately $0.2 million.

The Company has issued a letter of credit for $0.5 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.

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The Company s credit facility with Bank of America expires in June 2011. We believe the Company continues to have a strong working relationship with that financial institution and has maintained compliance with all related debt covenants. The Company also aggressively monitors its customer credit risk to limit exposure in that area.

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

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

OTHER MATTERS Critical Accounting Estimates

GENERAL

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

The Company believes the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of the Consolidated Financial Statements. Our critical accounting estimates are set forth below and have not changed during fiscal 2009.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

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

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

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

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

INVENTORIES

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

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

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

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

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets consist primarily of fixed assets and intangible assets that were acquired in business combinations. Fixed assets and amortizable identified intangible assets are assigned useful lives ranging from 2 to 40 years. Goodwill is not amortized. Impairment of segment reporting units is measured in the Company s fourth fiscal quarter. The reporting units are valued using after-tax cash flows from operations (less capital expenditures) discounted to present value. The Company recorded no impairment charges in either fiscal 2009 or fiscal 2008.

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

ASSUMPTIONS AND APPROACH USED. For fixed assets, depreciable lives are based on our accounting policy which is intended to mirror the expected useful life of the asset. In determining the estimated useful life of amortizable intangible assets, such as customer lists, we rely on our historical experience to estimate the useful life of the applicable asset and consider Industry norms as a benchmark. In evaluating potential impairment of long-lived assets, we primarily use an income based approach (discounted cash flow method) in addition to both public and private company information. A discounted cash flow methodology requires estimation in (i) forecasting future earnings (ii) determining the discount rate applicable to the earnings stream being discounted, and (iii) computing a terminal value at some point in the future.

The forecast of future earnings is an estimate of future financial performance based on current year results and management s evaluation of the market potential for growth. The discount rate is a weighted average cost of capital using a targeted debt-to-equity ratio using the Industry average under the assumption that it represents our optimal capital structure and can be achieved in a reasonable time period. The terminal value is determined using a commonly accepted growth model.

INSURANCE

The Company s insurance for workers compensation, general liability and employee-related health care benefits are provided through high-deductible or self-insured programs. As a result, the Company accrues for its workers compensation liability based upon claim reserves established with the assistance of a third-party administrator, which are then trended and developed. The reserves are evaluated at the end of each reporting period. Due to the uncertainty involved with the realization of claims incurred but unreported, management is required to make estimates of these claims.

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

Employee Health Insurance Claims

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

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

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Workers   Compensation Insurance Claims

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

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

INCOME TAXES

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

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

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

In making that estimate we consider the following key factors:

our current financial position;

historical financial information;

future reversals of existing taxable temporary differences;

future taxable income exclusive of reversing temporary differences and carryforwards;

taxable income in prior carryback years; and

tax planning strategies.

REVENUE RECOGNITION

We recognize revenue in our wholesale segment when products are delivered to customers (which generally is the same day products are shipped) and in our retail health food segment when products are sold to consumers. Sales are

shown net of returns, discounts, and sales incentives to customers.

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

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

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

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

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

Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162. This statement, which the Company adopted during the fourth fiscal quarter of 2009, modified Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (FASB ASC), also known collectively as the Codification, is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the SEC. Nonauthoritative guidance and literature would include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issue Papers and Technical Practice Aids and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. It is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. In accordance with this statement, all accounting references in these financial statements have been updated, and therefore SFAS references have been replaced with FASB ASC references.

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

FASB ASC 860 *(Accounting for Transfers of Financial Assets)* requires additional disclosures regarding the transfer and derecognition of financial assets and eliminates the concept of qualifying special-purpose entities. This pronouncement is effective for fiscal years beginning after November 15, 2009 (fiscal 2011 for the Company).

FASB ASC 810 *(Amendments to FASB Interpretation: Consolidation of Variable Interest Entities)* eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and requires ongoing qualitative reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. Additionally, this pronouncement requires additional disclosures about an enterprise s involvement in variable interest entities and is effective for fiscal periods beginning after November 15, 2009 (fiscal 2011 for the Company).

Accounting Standards Update No. 2009-05 (ASU 2009-05), (Measuring Liabilities at Fair Value) provides amendments to FASB ASC Topic 820, Fair Value Measurements and Disclosure for the fair value measurement of liabilities and is effective for the first interim or annual period after the ASU s issuance (fiscal 2010 for the Company).

FASB ASC 260-10 *(Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities)* provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, companies are required to retrospectively adjust their earnings per share data (including any amounts related to interim periods, summaries of earnings, and selected financial data) to conform to this pronouncement. This pronouncement is effective for fiscal years beginning after December 15, 2008 (fiscal 2010 for the Company).

FASB ASC 350-30 *(Determination of the Useful Life of Intangible Assets)* requires companies estimating the useful life of a recognized intangible asset to consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, to consider assumptions that market participants would use

about renewal or extension. This pronouncement is effective for fiscal years beginning after December 15, 2008 (fiscal 2010 for the Company).

FASB ASC 820 (*Fair Value Measurements*) delays the effective date of certain fair value measurements to fiscal years beginning after November 15, 2008 (fiscal 2010 for the Company) for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Assets and liabilities subject to this deferral include goodwill, intangible assets, and long-lived

assets measured at fair value for impairment assessments, and nonfinancial assets and liabilities initially measured at fair value in a business combination. The Company s nonfinancial assets and liabilities were subject to this delay at September 2009.

FASB ASC 810 (transitional: ASC 810-10-65-1) *(Noncontrolling Interest in Consolidated Financial Statements)* establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This pronouncement is effective for fiscal years beginning on or after December 15, 2008 (fiscal 2010 for the Company).

FASB ASC 805 *(Business Combinations revised)* establishes principles and requirements regarding how an acquirer in a business combination recognizes and measures the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree. This pronouncement is effective for fiscal years beginning on or after December 15, 2008 (fiscal 2010 for the Company).

FASB ASC 805-20 *(Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise From Contingencies)* addresses application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This pronouncement is effective for assets or liabilities arising from contingencies in business combinations for fiscal years beginning on or after December 15, 2008 (fiscal 2010 for the Company).

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K, including Management s Discussion and Analysis of Financial Condition and Results of Operations and other sections, contains forward-looking statements that are subject to risks and uncertainties and which reflect management s current beliefs and estimates of future economic circumstances, industry conditions, company performance and financial results. Forward-looking statements include information concerning the possible or assumed future results of operations of the Company and those statements preceded by, followed by or that include the words future, position, anticipate(s), expect, believe(s), see, plan, further improve, ou similar expressions. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties and assumptions. You should understand that the following important factors, in addition to those discussed elsewhere in this document, could affect the future results of the Company and could cause those results to differ materially from those expressed in our forward-looking statements:

increases in state and federal excise taxes on cigarette and tobacco products, including recent increases in federal excise taxes imposed in connection with the State Children s Health Insurance Program (SCHIP) law,

regulation of cigarette and tobacco products by the U.S. Food and Drug Administration (FDA), in addition to existing state and federal regulations by other agencies,

potential bans imposed by the FDA on the manufacture, distribution, and sale of certain cigarette and tobacco products,

increases in manufacturer prices,

increases in inventory carrying costs and customer credit risk,

changes in promotional and incentive programs offered by manufacturers,

decreased availability of capital resources

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

new business ventures or acquisitions,

domestic regulatory and legislative risks,

competition,

poor weather conditions,

- increases in fuel prices,
- consolidation trends within the convenience store industry,
- other risks over which the Company has little or no control, and any other factors not identified herein.

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

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Not applicable.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
AMCON Distributing Company
Omaha, Nebraska

We have audited the consolidated balance sheets of AMCON Distributing Company and subsidiaries as of September 30, 2009 and 2008, and the related consolidated statements of operations, shareholders equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMCON Distributing Company and subsidiaries as of September 30, 2009 and 2008, and the results of their operations and their cash flows for the years ended September 30, 2009 and 2008, in conformity with U.S. generally accepted accounting principles.

We were not engaged to examine management s assessment of the effectiveness of AMCON Distributing Company s internal control over financial reporting as of September 30, 2009, included in the accompanying Management s Report on Internal Control Over Financial Reporting and, accordingly, we do not express an opinion thereon.

/s/ McGLADREY & PULLEN LLP

Omaha, Nebraska
November 6, 2009

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AMCON Distributing Company and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	September 30, 2009	September 30, 2008
ASSETS		
Current assets:		
Cash	$ 309,914	$ 457,681
Accounts receivable, less allowance for doubtful accounts of $0.9 million and $0.8 million in 2009 and 2008, respectively	28,393,198	27,198,414
Inventories, net	34,486,027	37,330,969
Deferred income taxes	1,701,568	1,260,609
Current assets of discontinued operations		18,947
Prepaid and other current assets	1,728,576	3,519,650
Total current assets	66,619,283	69,786,270
Property and equipment, net	11,256,627	10,907,541
Goodwill	5,848,808	5,848,808
Other intangible assets, net	3,373,269	3,373,269
Deferred income taxes		234,171
Non-current assets of discontinued operations		2,032,047
Other assets	1,026,395	1,123,252
	$ 88,124,382	$ 93,305,358
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 15,222,689	$ 14,738,214
Accrued expenses	6,768,924	5,275,697
Accrued wages, salaries and bonuses	3,257,832	2,636,699
Income taxes payable	3,984,258	313,021
Current liabilities of discontinued operations		4,041,837
Current maturities of credit facility	177,867	3,046,000
Current maturities of long-term debt	1,470,445	787,128
Total current liabilities	30,882,015	30,838,596
Credit facility, less current maturities	22,655,861	32,155,005
Deferred income taxes	1,256,713	
Long-term debt, less current maturities	5,066,185	6,525,881
Noncurrent liabilities of discontinued operations		6,542,310
Series A cumulative, convertible preferred stock, $.01 par value 100,000 authorized and issued, liquidation preference $25.00 per share	2,500,000	2,438,355
	2,000,000	1,857,645

Series B cumulative, convertible preferred stock, $.01 par value 80,000 authorized and issued, liquidation preference $25.00 per share		
Series C cumulative, convertible preferred stock, $.01 par value 80,000 authorized and issued at September 30, 2008, liquidation preference $25.00 per share		1,982,372
Commitments and contingencies (Note 13)		
Shareholders equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, 180,000 shares outstanding and issued in Series A and B at September 2009 and 260,000 shares outstanding and issued in Series A, B and C at September 2008 referred to above		
Common stock, $0.01 par value, 3,000,000 shares authorized, 573,232 shares outstanding at September 2009 and 570,397 shares outstanding at September 2008	5,732	5,704
Additional paid-in capital	7,617,494	6,995,948
Retained earnings	16,140,382	3,963,542
Total shareholders equity	23,763,608	10,965,194
	$ 88,124,382	$ 93,305,358

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

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AMCON Distributing Company and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended September	
	2009	**2008**
Sales (including excise taxes of $263.7 million and $206.8 million, respectively)	$ 907,953,044	$ 860,451,122
Cost of sales	839,813,225	795,774,780
Gross profit	68,139,819	64,676,342
Selling, general and administrative expenses	51,539,775	51,631,324
Depreciation and amortization	1,216,089	1,386,218
	52,755,864	53,017,542
Operating income	15,383,955	11,658,800
Other expense (income):		
Interest expense	1,627,373	2,986,215
Other income, net	(104,259)	(114,613)
	1,523,114	2,871,602
Income from continuing operations before income tax expense	13,860,841	8,787,198
Income tax expense	5,367,000	3,194,000
Income from continuing operations	8,493,841	5,593,198
Discontinued operations (Note 2)		
Gain on asset disposal and debt settlement, net of income tax expense of $2.7 million	4,666,264	
Loss from discontinued operations, net of income tax benefit of $0.1 million and $0.2 million, respectively	(186,370)	(260,952)
Income (loss) on discontinued operations	4,479,894	(260,952)
Net income	12,973,735	5,332,246
Dividends on convertible preferred stock	(568,653)	(419,839)
Net income available to common shareholders	$ 12,405,082	$ 4,912,407
Basic earnings (loss) per share available to common shareholders:		
Continuing operations	$ 14.45	$ 9.65
Discontinued operations	8.16	(0.49)
Net basic earnings per share available to common shareholders	$ 22.61	$ 9.16

Diluted earnings (loss) per share available to common shareholders:				
Continuing operations	$	10.87	$	6.57
Discontinued operations		5.74		(0.31)
Net diluted earnings per share available to common shareholders	$	16.61	$	6.26
Weighted average shares outstanding:				
Basic		548,616		536,319
Diluted		781,265		851,298

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

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AMCON Distributing Company and Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Common Stock		Additional Paid in	Retained Earnings	
	Shares	Amount	Capital	(Deficit)	Total
Balance, September 30, 2007	529,436	$ 5,295	$ 6,396,131	$ (857,895)	$ 5,543,531
Dividends on common stock, $0.16 per share				(90,970)	(90,970)
Dividends on convertible preferred stock				(419,839)	(419,839)
Compensation expense on stock-based incentive plans			435,250		435,250
Issuance of stock in connection with stock-based incentive plans	40,961	409	147,975		148,384
Net excess tax benefit on stock-based incentive plans			16,592		16,592
Net income				5,332,246	5,332,246
Balance, September 30, 2008	570,397	5,704	6,995,948	3,963,542	10,965,194
Dividends on common stock, $0.40 per share				(228,242)	(228,242)
Dividends on convertible preferred stock				(568,653)	(568,653)
Compensation expense on stock-based incentive plans			531,600		531,600
Issuance of stock in connection with stock-based incentive plans	2,835	28	87,701		87,729
Net excess tax benefit on stock-based incentive plans			2,245		2,245
Net income				12,973,735	12,973,735
Balance, September 30, 2009	573,232	$ 5,732	$ 7,617,494	$ 16,140,382	$ 23,763,608

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

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AMCON Distributing Company and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended September	
	2009	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,973,735	$ 5,332,246
Deduct: Income (loss) from discontinued operations, net of tax	4,479,894	(260,952)
Income from continuing operations	8,493,841	5,593,198
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:		
Depreciation	1,216,089	1,359,417
Amortization		26,801
Loss (gain) on sale of property and equipment	24,915	(39,619)
Stock based compensation	531,600	435,250
Net excess tax benefit on equity-based awards	(2,245)	(16,592)
Deferred income taxes	1,049,925	2,719,652
Provision for losses on doubtful accounts	124,574	505,000
Provision for losses on inventory obsolescence	299,155	101,998
Changes in assets and liabilities:		
Accounts receivable	(1,319,358)	145,524
Inventories	2,545,787	(7,694,240)
Prepaid and other current assets	1,791,074	2,415,558
Other assets	96,857	(30,102)
Accounts payable	(80,446)	(515,348)
Accrued expenses and accrued wages, salaries and bonuses	2,113,154	415,879
Income taxes payable	3,673,482	(38,160)
Net cash flows from operating activities continuing operations	20,558,404	5,384,216
Net cash flows from operating activities discontinued operations	(2,673,712)	(230,042)
Net cash flows from operating activities	17,884,692	5,154,174
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,673,432)	(845,156)
Proceeds from sales of property and equipment	107,255	86,209
Net cash flows from investing activities	(1,566,177)	(758,947)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments on bank credit agreements	(12,367,277)	(3,653,175)
Principal payments on long-term debt	(788,712)	(656,092)
Proceeds from exercise of stock options	87,729	148,384
Net excess tax benefit on equity-based awards	2,245	16,592
Redemption of Series C convertible preferred stock	(2,000,000)	

Dividends paid on convertible preferred stock	(347,025)	(419,839)
Dividends on common stock	(228,242)	(90,970)
Net cash flows from financing activities continuing operations	(15,641,282)	(4,655,100)
Net cash flows from financing activities discontinued operations	(825,000)	
Net cash flow from financing activities	(16,466,282)	(4,655,100)
Net change in cash	(147,767)	(259,873)
Cash, beginning of year	457,681	717,554
Cash, end of year	$ 309,914	$ 457,681

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AMCON Distributing Company and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Fiscal Years	
	2009	**2008**
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,719,895	$ 3,116,098
Cash paid during the year for income taxes	3,249,594	354,508
Supplemental disclosure of non-cash information:		
Constructive dividends on Series A, B and C Convertible Preferred Stock	$ 221,628	
Acquisition of equipment through capital leases	12,333	277,624
Equipment acquisitions classified as accounts payable	11,580	
TSI disposition discontinued operations:		
Property and equipment, net	$ (2,032,047)	
Accrued expenses	(925,452)	
Long-term debt	(6,945,548)	
Deferred gain on CPH settlement	(1,542,312)	

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Company Operations:

AMCON Distributing Company and Subsidiaries (AMCON and the Company) is primarily engaged in the wholesale distribution of consumer products in the Central and Rocky Mountain regions of the United States. In addition, the Company operates thirteen retail health food stores in Florida and the Midwest.

AMCON s wholesale distribution business (ADC) includes five distribution centers that sell approximately 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. The Company distributes products primarily to retailers such as convenience stores, discount and general merchandise stores, grocery stores, drug stores, and gas stations. In addition, the Company services institutional customers, including restaurants and bars, schools, sports complexes, as well as other wholesalers.

AMCON also operates six retail health food stores in Florida under the name Chamberlin s Market & Café (Chamberlin s) and seven in the Midwest under the name Akin s Natural Foods Market (Akin s). These stores carry natural supplements, groceries, health and beauty care products and other food items.

The Company s operations are subject to a number of factors which are beyond the control of management, such as changes in manufacturers cigarette pricing, state excise tax increases, or the opening of competing retail stores in close proximity to the Company s retail stores. While the Company sells a diversified product line, it remains dependent upon cigarette sales which represented approximately 71% of revenue and 27% of gross profit in fiscal 2009 and 70% of revenue and 22% of gross profit in fiscal 2008.

(b) Accounting Period:

The Company s fiscal year ends on September 30 and the fiscal years ended September 30, 2009 and September 30, 2008 have been included herein.

(c) Principles of Consolidation and Basis of Presentation:

The Consolidated Financial Statements include the accounts of AMCON and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

(d) Cash and Accounts Payable:

AMCON utilizes a cash management system under which an overdraft is the normal book balance in the primary disbursing accounts. Overdrafts included in accounts payable at fiscal 2009 and fiscal 2008 totaled approximately $1.2 million and $1.9 million, respectively, and reflect checks drawn on the disbursing accounts that have been issued but have not yet cleared through the banking system. The Company s policy has been to fund these outstanding checks as they clear with borrowings under its revolving credit facility (see Note 8). These outstanding checks (book overdrafts) are classified as cash flows from operating activities in the Consolidated Statements of Cash Flows.

(e) Accounts Receivable:

Accounts receivable consist primarily of amounts due to the Company from its normal business activities. An allowance for doubtful accounts is maintained to reflect the expected uncollectibility of accounts receivable based on past collection history, evaluation of impact of economic conditions on our customers, and specific risks identified in the portfolio. The Company determines the past due status of trade receivables based on contractual terms with each customer.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(f) Inventories:

Inventories consisted of finished goods at September 2009 and 2008 and are stated at the lower of cost, determined on a 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 include total reserves of approximately $0.9 million and $0.6 million at September 2009 and September 2008, 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.

(g) Prepaid Expenses and Other Current Assets:

A summary of prepaid expenses and other current assets is as follows (in millions):

	September 2009	September 2008
Prepaid expenses	$ 1.0	$ 1.1
Prepaid inventory	0.7	2.4
	$ 1.7	$ 3.5

Prepaid inventory represents inventory in-transit that has been paid for but not received.

(h) Property and Equipment:

Property and equipment are stated at cost less accumulated depreciation or amortization. Major renewals and improvements are capitalized and charged to expense over their useful lives through depreciation or amortization charges. Repairs and maintenance are charged to expense in the period incurred. The straight-line method of depreciation is used to depreciate assets over the estimated useful lives as follows:

	Years
Buildings	40
Warehouse equipment	5-7
Furniture, fixtures and leasehold improvements	2-12
Vehicles	5

Costs and accumulated depreciation applicable to assets retired or sold are eliminated from the accounts, and the resulting gains or losses are reported as a component of operating income. Amortization expense related to capital leases has been included as a component of depreciation expense in the statement of operations.

(i) Long-Lived Assets:

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Long-lived assets are reviewed annually during our fourth fiscal quarter for impairment and are reported at the lower of the carrying amount or fair value less the cost to sell. The Company recorded no impairment charges in either fiscal 2009 or fiscal 2008.

(j) Goodwill, Intangible and Other Assets:

Goodwill consists of the excess purchase price paid in business acquisitions over the fair value of assets acquired. At September 2009, intangible assets consisted of tradenames assumed in acquisitions and other assets primarily consisted of the cash surrender value of life insurance policies.

The Company employs the non-amortization approach to account for purchased goodwill and intangible assets having indefinite useful lives. Under a non-amortization approach, goodwill and intangible assets having indefinite useful lives are not amortized into results of operations, but instead are reviewed at least annually for impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company performs its annual impairment testing of goodwill and other intangible assets during the fourth fiscal quarter of each year. If the recorded value of goodwill and intangible assets having indefinite useful lives is determined to exceed their fair value, the asset is written down to its fair value and a charge is taken against the results of operations in that period. AMCON considers its tradenames to have indefinite lives. The Company did not record impairment charges related to goodwill or intangible assets during fiscal 2009 or fiscal 2008.

The benefit related to increases in the cash surrender value of split dollar life insurance policies are recorded as a reduction to insurance expense. The cash surrender value of life insurance policies is limited to the lesser of the cash value or premiums paid in accordance with regulatory guidance.

(k) Debt Issuance Costs:

The costs related to the issuance of debt are capitalized in other assets and amortized on an effective interest method to interest expense over the terms of the related debt agreements.

(l) Revenue Recognition:

AMCON recognizes revenue when title passes to our customers. In our wholesale distribution segment, this occurs when products are delivered to customers (which generally is the same day products are shipped) and in our retail health food segment when products are sold to consumers. Sales are shown net of returns and discounts.

(m) Insurance:

The Company s workers compensation, general liability, and employee-related health care benefits are provided through high-deductible or self-insurance programs. As a result, the Company accrues for its workers compensation and general liability based upon a claim reserve analysis. The Company has issued a letter of credit in the amount of $0.5 million to its workers compensation insurance carrier as part of its loss control program. The reserve for incurred, but not reported, employee health care benefits is based on approximately one month of claims, calculated using the Company s historical claims experience rate, plus specific reserves for large claims. The reserves associated with the exposure to these liabilities are reviewed by management for adequacy at the end of each reporting period.

(n) Income Taxes:

The Company uses the asset and liability method to calculate deferred income taxes. Deferred tax assets and liabilities are recognized on temporary differences between financial statement and tax bases of assets and liabilities using enacted tax rates. The effect of tax rate changes on deferred tax assets and liabilities is recognized in income during the period that includes the enactment date.

(o) Stock-Based Compensation:

The Company recognizes expense for its share-based compensation based on the fair value of the awards that are granted. The fair value of the stock options is estimated at the date of grant using the Black-Scholes option pricing model. Option pricing methods require the input of highly subjective assumptions, including the expected stock price volatility. The fair value of restricted stock awards is based on the Company s stock price on the date of grant. Measured compensation cost is recognized ratably over the vesting period of the related share-based compensation award and is reflected in our Consolidated Statement of Operations under selling, general and administrative

expenses.

(p) Customer Sales Incentives:

The Company provides sales rebates or discounts to customers. These incentives are recorded as a reduction of sales revenue as earned by the customer.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(q) Per-share results:

Basic earnings or loss per share data are based on the weighted-average number of common shares outstanding during each period. Diluted earnings or loss per share data are based on the weighted-average number of common shares outstanding and the effect of all dilutive potential common shares including stock options and conversion features of the Company s preferred stock issuances.

(r) Use of Estimates:

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) Recently Issued Accounting Standards:

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

FASB ASC 860 *(Accounting for Transfers of Financial Assets)* requires additional disclosures regarding the transfer and derecognition of financial assets and eliminates the concept of qualifying special-purpose entities. This pronouncement is effective for fiscal years beginning after November 15, 2009 (fiscal 2011 for the Company).

FASB ASC 810 *(Amendments to FASB Interpretation: Consolidation of Variable Interest Entities*) eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and requires ongoing qualitative reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. Additionally, this pronouncement requires additional disclosures about an enterprise s involvement in variable interest entities and is effective for fiscal periods beginning after November 15, 2009 (fiscal 2011 for the Company).

Accounting Standards Update No. 2009-05 (ASU 2009-05), (Measuring Liabilities at Fair Value) provides amendments to FASB ASC Topic 820, Fair Value Measurements and Disclosure for the fair value measurement of liabilities and is effective for the first interim or annual period after the ASU s issuance (fiscal 2010 for the Company).

FASB ASC 260-10 *(Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities)* provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, companies are required to retrospectively adjust their earnings per share data (including any amounts related to interim periods, summaries of earnings, and selected financial data) to conform to this pronouncement. This pronouncement is effective for fiscal years beginning after December 15, 2008 (fiscal 2010 for the Company).

FASB ASC 350-30 *(Determination of the Useful Life of Intangible Assets)* requires companies estimating the useful life of a recognized intangible asset to consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, to consider assumptions that market participants would use about renewal or extension. This pronouncement is effective for fiscal years beginning after December 15, 2008 (fiscal 2010 for the Company).

FASB ASC 820 *(Fair Value Measurements)* delays the effective date of certain fair value measurements to fiscal years beginning after November 15, 2008 (fiscal 2010 for the Company) for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Assets and liabilities subject to this deferral include goodwill, intangible assets, and long-lived assets measured at fair value for impairment assessments, and nonfinancial assets and liabilities initially measured

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

at fair value in a business combination. The Company s nonfinancial assets and liabilities were subject to this delay at September 2009.

FASB ASC 810 (transitional: ASC 810-10-65-1) *(Noncontrolling Interest in Consolidated Financial Statements)* establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This pronouncement is effective for fiscal years beginning on or after December 15, 2008 (fiscal 2010 for the Company).

FASB ASC 805 *(Business Combinations revised)* establishes principles and requirements regarding how an acquirer in a business combination recognizes and measures the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree. This pronouncement is effective for fiscal years beginning on or after December 15, 2008 (fiscal 2010 for the Company).

FASB ASC 805-20 *(Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise From Contingencies)* addresses application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This pronouncement is effective for assets or liabilities arising from contingencies in business combinations for fiscal years beginning on or after December 15, 2008 (fiscal 2010 for the Company).

2. DISPOSITIONS

In May 2009, Trinity Springs, Inc. (TSI), a wholly owned subsidiary and former component of the Company s beverage segment, and Crystal Paradise Holdings, Inc. (CPH) closed a transaction whereby CPH exchanged a $5.0 million note receivable (plus $0.1 million of accrued interest) which it held and was due from TSI, for the operating assets of TSI. The Company will have no continuing involvement in the related operating assets and has recorded a $4.7 million pre-tax gain ($3.0 million after tax) in conjunction with the transaction, which included the recognition of a $1.5 million deferred gain attributable to a previously executed Mutual Release and Settlement Agreement between AMCON, TSI, and CPH. The $4.7 million gain has been reflected in the Statement of Operations as a component of discontinued operations.

Simultaneous with the closing of the CPH transaction discussed above, the Company fully settled and satisfied $2.7 million in related party notes payable and accrued interest totaling $0.8 million due from TSI, in exchange for cash payments of approximately $0.8 million. The Company has recorded a $2.7 million pre-tax gain ($1.7 million after tax) related to this transaction, which has been reflected in the Statements of Operations as a component of discontinued operations.

A summary of discontinued operations is as follows (dollars in millions):

	Year Ended September	
	2009	**2008**
Operating loss	$ (0.1)	$ (0.2)
Interest expense	(0.2)	(0.2)
Gain on asset disposal and debt settlement	7.4	

Income tax expense (benefit)	2.6	(0.1)
Gain (loss) from discontinued operations	4.5	(0.3)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The carrying amounts of the major classes of assets and liabilities included in discontinued operations at September 2009 and 2008 are as follows (in millions):

	September 2009	September 2008
Fixed assets Total noncurrent assets of discontinued operations	$	$ 2.0
Accounts payable	$	$ 0.5
Accrued expenses		0.7
Current portion of long-term debt due related party		2.8
Total current liabilities of discontinued operations	$	$ 4.0
Deferred gain on CPH settlement	$	$ 1.5
Long-term debt, less current portion		5.0
Noncurrent liabilities of discontinued operations	$	$ 6.5

3. CONVERTIBLE PREFERRED STOCK:

The Company has two convertible preferred stock series outstanding at September 2009 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	$2,000,000
Number of shares:	100,000	80,000
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	81,136
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 times 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. Chris Atayan, AMCON s Chief Executive Officer and Chairman of the Board. The Series B Preferred Stock is owned by an institutional investor which has elected Mr. Atayan, pursuant to the voting rights in the Certificate of Designation creating the Series B, as its representative.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In February 2009, the holder of the Company s Series C Convertible Preferred Stock (Series C) redeemed all 80,000 shares of the issuance. The Series C issuance had been outstanding since 2006, paid a dividend of 6.00% per annum, and was convertible into 146,842 shares of common stock. The Company paid the liquidation value, or $2.0 million, plus accumulated and unpaid dividends to fully redeem all of the outstanding shares. The redemption was funded through borrowings on our credit facility and satisfied all of the Company s obligations under the Series C Convertible Preferred Stock Agreement.

4. EARNINGS (LOSS) PER SHARE:

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

Stock options and potential common stock outstanding at fiscal 2009 and fiscal 2008 that were anti-dilutive were not included in the computations of diluted earnings per share. Such potential common shares totaled 1,956 and 12,279 in fiscal 2009 and fiscal 2008, respectively. The average exercise price of anti-dilutive options and potential common stock was $34.50 and $44.09, in fiscal 2009 and fiscal 2008, respectively.

	For Fiscal Years	
	2009 Basic	**2008 Basic**
Weighted average number of shares outstanding	548,616	536,319
Income from continuing operations	$ 8,493,841	$ 5,593,198
Deduct: convertible preferred stock dividends	(568,653)	(419,839)
	$ 7,925,188	$ 5,173,359
Income (loss) income from discontinued operations	$ 4,479,894	$ (260,952)
Net income available to common shareholders	$ 12,405,082	$ 4,912,407
Income per share from continuing operations	$ 14.45	$ 9.65
Income (loss) per share from discontinued operations	8.16	(0.49)
Net earnings per share available to common shareholders	$ 22.61	$ 9.16

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	2009 Diluted	2008 Diluted
Weighted average common shares outstanding	548,616	536,319
Weighted average of net additional shares outstanding assuming dilutive options exercised and proceeds used to purchase treasury stock/1/	232,649	314,979
Weighted average number of shares outstanding	781,265	851,298

	2009 Diluted	2008 Diluted
Income from continuing operations	$ 8,493,841	$ 5,593,198
Deduct: convertible preferred stock dividends/2/		
	$ 8,493,841	$ 5,593,198
Income (loss) from discontinued operations	$ 4,479,894	$ (260,952)
Net income available to common shareholders	$ 12,973,735	$ 5,332,246
Income per share from continuing operations	$ 10.87	$ 6.57
Income (loss) per share from discontinued operations	5.74	(0.31)
Net earnings per share available to common shareholders	$ 16.61	$ 6.26

/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 dividend payments for Convertible Preferred Stock deemed to be dilutive, as those amounts are assumed to have been converted to common stock of the Company.

5. PROPERTY AND EQUIPMENT, NET:

Property and equipment at September 2009 and 2008 consisted of the following:

	2009	2008
Land	$ 648,818	$ 648,818
Buildings and improvements	9,133,476	9,082,533

Warehouse equipment	7,104,959	6,665,006
Furniture, fixtures and leasehold improvements	7,179,610	7,162,158
Vehicles	1,648,496	1,506,747
Capital equipment leases	381,300	368,967
Construction in progress	536,499	
	26,633,158	25,434,229
Less accumulated depreciation and amortization:		
Owned buildings and equipment	(15,212,951)	(14,457,774)
Capital equipment leases	(163,580)	(68,914)
	$ 11,256,627	$ 10,907,541

6. GOODWILL AND OTHER INTANGIBLE ASSETS:

Goodwill by reporting segment at fiscal year ends 2009 and 2008 was as follows:

	2009	**2008**
Wholesale	$ 3,935,931	$ 3,935,931
Retail	1,912,877	1,912,877
	$ 5,848,808	$ 5,848,808

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other intangible assets at fiscal year ends 2009 and 2008 consisted of the following:

	2009	2008
Trademarks and tradenames	$ 3,373,269	$ 3,373,269
	$ 3,373,269	$ 3,373,269

Goodwill, trademarks and tradenames are considered to have indefinite useful lives and therefore no amortization has been taken on these assets. The Company performs its annual impairment testing of goodwill and other intangible assets during the fourth fiscal quarter of each year. This review identified no impairments in fiscal 2009 or fiscal 2008.

7. OTHER ASSETS:

Other assets at fiscal year ends 2009 and 2008 consisted of the following:

	2009	2008
Cash surrender value of life insurance policies	$ 819,343	$ 808,667
Other	207,052	314,585
	$ 1,026,395	$ 1,123,252

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.

CREDIT FACILITY

The Facility consisted of the following at fiscal 2009 and 2008:

	2009	2008
Revolving portion of the Facility, interest payable at LIBOR plus 250 basis points (2.82% at September 2009), principal due June 2011	$ 22,655,861	$ 34,836,872
Term Note A, payable in monthly installments of $16,333 plus interest at the bank s prime rate (3.25% at September 2009)	177,867	364,133
	22,833,728	35,201,005
Less current maturities	177,867	3,046,000

	$ 22,655,861	$ 32,155,005

The Facility includes the following significant terms:

A June 2011 maturity date.

A $55.0 million revolving credit limit, plus the outstanding balance on Term Note A. Term Note A had an outstanding balance of $0.2 million at September 30, 2009.

The Facility bears interest at either the bank s prime rate or at LIBOR plus 250 basis points, at the election of the Company.

The Facility provides for an additional $5.0 million of credit available for certain inventory purchases. These advances bear interest at the bank s prime rate plus one-quarter of one-percent (1/4%) per annum and are payable within 45 days of each advance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Lending limits subject to accounts receivable and inventory limitations, and 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.

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 $0.72 per share on an annual basis.

The Facility includes a prepayment penalty equal to one-half of one percent (1/2%) of the original maximum loan limit ($60.4 million) if the Company prepays the entire Facility or terminates the credit agreement on or before June 30, 2010.

The Facility includes a financial covenant which requires the Company to maintain a minimum debt service ratio of 1.0 to 1.0 as measured by the previous twelve month period then ended. The Company was in compliance with this covenant at September 2009.

LONG-TERM DEBT:

In addition to the Facility, the Company also had the following long-term obligations at fiscal 2009 and fiscal 2008 as follows:

Continuing Operations	**2009**	**2008**
Note payable to a bank (Real Estate Loan), interest payable at a fixed rate of 6.75% with monthly installments of principal and interest of $58,303 per month through May 2013 with remaining principal due June 2013, collateralized by two owned distribution facilities	$ 5,185,256	$ 5,517,542
Note payable to a bank, interest payable monthly at a fixed rate of 6.33% plus monthly principal payments of $4,100 through December 2009 at which time the remaining principal is due, collateralized by the Rapid City building and equipment	770,800	820,000
Note payable to a bank, interest payable monthly at a fixed rate of 6.33% plus monthly principal payments of $8,000, collateralized by the Rapid City building and equipment		71,429
Obligations under capital leases, payable in monthly installments with interest rates from 4.91% to 8.25% through April 2012	165,714	288,533
Notes payable, interest payable at a fixed rate between 8.0% 9.5% with monthly installments of principal and interest of $2,226 $2,677 per month through July 2011 collateralized by delivery vehicles	87,525	136,205
Note payable, interest payable discounted at a rate of 8.25% with quarterly installments of principal and interest of $31,250 $46,875 through October 2011, secured by Mr. Wright s personal guaranty (see Note 12)	327,335	479,300
	6,536,630	7,313,009

Less current maturities continuing operations	1,470,445	787,128
	$ 5,066,185	$ 6,525,881

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Discontinued Operations	**2009/1/**	**2008**
Note payable, fixed rate of 5.0% compounded annually, principal and interest due September 2012, collateralized by substantially all of TSI s assets		5,000,000
Revolving credit facility due to a related party, principal and interest due December 2005, bearing interest at 8.0% per annum, collateralized by a second mortgage on an equal basis with the Company s existing second mortgage on TSI s real property		1,000,000
Notes due to related parties, principal and interest due December 2005, interest at 7.0% per annum		1,000,000
Notes due to related party, principal and interest due December 2005, bearing interest at 300 basis above the yield on 10-year treasury notes		750,000
		7,750,000
Less current maturities discontinued operations		2,750,000
	$	$ 5,000,000

/1/ See comments in Note 2 related to settlement of TSI notes during fiscal 2009.

The aggregate minimum principal maturities of the long-term debt for each of the five fiscal years following September 2009 are as follows:

Fiscal Year Ending	
2010	$ 1,470,445
2011	584,455
2012	440,190
2013	4,041,540
2014	
Thereafter	
	$ 6,536,630

Market rate risk for fixed rate debt is estimated as the potential increase in fair value of debt obligations resulting from decreases in interest rates. Based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of the Company s long-term debt approximated its carrying value at September 2009.

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 is financed through term loans with Marshall and Ilsley Bank (M&I), which is also a participating lender on the Company s revolving line of credit. The M&I loans contain cross default provisions which cause all loans with M&I to be considered in default if any one of the loans where M&I is a lender, including the revolving credit facility, is in default. In addition, the M&I loans contain co-terminus provisions which require all loans with M&I to be paid in full if any of the loans are paid in full prior to the end of their specified terms.

Capital leases

The Company has several capital leases for office and warehouse equipment. At September 2009, the outstanding balances on the capital leases totaled approximately $0.2 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other

AMCON has issued a letter of credit in the amount of approximately $0.5 million to its workers compensation insurance carrier as part of its self-insured loss control program.

9. OTHER INCOME, NET:

Other income, net consisted of the following for fiscal 2009 and 2008:

	2009	2008
Interest income	$ 50,033	$ 54,047
Royalty		31,041
Other	54,226	29,525
	$ 104,259	$ 114,613

10. INCOME TAXES:

The components of income tax expense from continuing operations for fiscal 2009 and fiscal 2008 consisted of the following:

	2009	2008
Current: Federal	$ 3,730,935	$ 346,453
Current: State	586,140	127,895
	4,317,075	474,348
Deferred: Federal	945,877	2,489,052
Deferred: State	104,048	230,600
	1,049,925	2,719,652
Income tax expense	$ 5,367,000	$ 3,194,000

The difference between the Company s income tax expense in the accompanying financial statements and that which would be calculated using the statutory income tax rate of 35% for fiscal 2009 and 34% for fiscal 2008 on income before income taxes is as follows:

	2009	2008

Tax at statutory rate	$ 4,851,295	$ 2,987,648
Amortization of goodwill and other intangibles	(5,207)	(5,207)
Nondeductible business expenses	30,758	34,554
State income taxes, net of federal tax benefit	421,636	236,607
Valuation allowance, state net operating losses	(25,422)	43,822
Other	93,940	(103,424)
	$ 5,367,000	$ 3,194,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Temporary differences between the financial statement carrying balances and tax basis of assets and liabilities giving rise to the net deferred tax asset at fiscal year ends 2009 and 2008 relate to the following:

		2009	2008
Deferred tax assets:			
Current:			
Allowance for doubtful accounts		$ 337,193	$ 290,435
Accrued expenses		879,806	834,611
Inventory		441,248	332,528
AMT credit carry forwards			58,352
Other		316,608	61,597
		1,974,855	1,577,523
Noncurrent:			
Property and equipment		$ 625,536	$ 788,159
Intangible assets			1,174,815
Net operating loss carry forwards	federal	564,009	610,051
Net operating loss carry forwards	state	669,092	910,289
		1,858,637	3,483,314
Total deferred tax assets		3,833,492	5,060,837
Valuation allowance		(940,846)	(1,145,979)
Net deferred tax assets		$ 2,892,646	$ 3,914,858
Deferred tax liabilities:			
Current:			
Trade discounts		$ 273,287	$ 316,914
		273,287	316,914
Noncurrent:			
Property and equipment		620,489	783,590
Goodwill		701,104	608,185
Section 481 deferral		355,694	711,389
Intangible assets		497,217	
		2,174,504	2,103,164
Total deferred tax liabilities		$ 2,447,791	$ 2,420,078
Net deferred tax assets (liabilities):			
Current		$ 1,701,568	$ 1,260,609
Noncurrent		(1,256,713)	234,171

	$ 444,855	$ 1,494,780

At September 2009, the Company had a $0.6 million noncurrent deferred tax asset related to federal net operating loss carryforwards. These federal net operating loss carryforwards totaled approximately $1.7 million and were primarily attributable to the Company s fiscal 2002 purchase of Hawaiian Natural Water Company, Inc. (HNWC), a wholly owned subsidiary of the Company. The utilization of HNWC s net operating losses is limited by Internal Revenue Code Section 382 to approximately $0.1 million per year through 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At September 2009, the Company had a valuation allowance of approximately $0.9 million against certain state and federal net operating losses, which more likely than not will not be utilized. The Company had no material unrecognized tax benefits, interest, or penalties during fiscal 2009 or fiscal 2008, and the Company does not anticipate any such items during the next twelve months. The Company s policy is to record interest and penalties directly related to income taxes as income tax expense in the Consolidated Statements of Operations. The Company files income tax returns in the U.S. and various states and the tax years 2006 and forward remain open under U.S. and state statutes.

11. PROFIT SHARING PLAN:

AMCON maintains a profit sharing plan (i.e. a section 401(k) plan) covering substantially all employees. The plan allows employees to make voluntary contributions up to 100% of their compensation, subject to Internal Revenue Service limits. The Company matches 50% of the first 4% contributed and 100% of the next 2% contributed for a maximum match of 4% of employee compensation. The Company made matching contributions to the profit sharing plan of approximately $0.6 million (net of employee forfeitures) for both fiscal 2009 and fiscal 2008.

12. RELATED PARTY TRANSACTIONS:

The Company was charged fees of $72,000 in both fiscal 2009 and fiscal 2008 by the AMCON Corporation, the former parent of the Company, as consideration for office rent and management services. Mr. Wright, a Company Director and its founder, owns a controlling interest in the AMCON Corporation. These fees have been included as a component of selling, general and administrative expense.

Mr. Wright personally guarantees a note payable to Television Events and Marketing, Inc. (TEAM). In exchange for this guarantee, the Company pays Mr. Wright a fee equal to 2% of the guaranteed principal which totaled approximately $9,000 and $12,000 during fiscal 2009 and fiscal 2008. This guarantee is secured by a pledge of the Company s shares in Chamberlin s, Akin s, HNWC, and TSI. The related note payable to TEAM carried a balance of $0.3 million at September 2009.

Through March 2008, Mr. Wright personally guaranteed the repayment of the Facility and certain term loans. In return for this guarantee, the Company paid Mr. Wright a fee equal to 2% of the guaranteed principal (capped at $10.0 million). The Company paid Mr. Wright approximately $25,000 during fiscal 2008 related to this guarantee.

Our Retail segment leases warehouse space from TIP Properties, LLC, which is owned by Eric Hinkefent, President of Chamberlin s Natural Foods, Inc. and Health Food Associates, and another Company employee. Annual rental payments related to this lease were $72,649 in both fiscal 2009 and fiscal 2008.

13. COMMITMENTS AND CONTINGENCIES:

Future Lease Obligations

The Company leases certain office and warehouse equipment under capital leases. The carrying value of these assets was approximately $0.2 million and $0.3 million at fiscal 2009 and fiscal 2008, respectively, (net of accumulated amortization of $0.2 million and $0.1 million). The Company also leases various office and warehouse facilities and equipment under noncancellable operating leases. Rents charged to expense under these operating leases during fiscal 2009 and 2008 totaled approximately $4.0 million and $3.8 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At September 2009 the minimum future lease commitments were as follows:

Fiscal Year Ending	Capital Leases	Operating Leases
2010	$ 132,667	$ 3,752,349
2011	38,280	3,077,674
2012	2,647	2,531,007
2013		1,931,423
2014		1,031,582
Thereafter		1,387,888
Total minimum lease payments	$ 173,594	$ 13,711,923
Less amount representing interest	7,880	
Present value of net minimum lease payments	$ 165,714	

Liability Insurance

The Company carries property, general liability, vehicle liability, directors and officers liability and workers compensation insurance. Additionally, the Company carries an umbrella liability policy to provide excess coverage over the underlying limits of the aforementioned primary policies.

The Company s insurance programs for workers compensation, general liability, and employee related health care benefits are provided through high deductible or self-insured programs. Claims in excess of self-insurance levels are fully insured. Accruals are based on claims filed and estimates of claims incurred but not reported.

The Company s liabilities for unpaid and incurred, but not reported claims, for workers compensation and health insurance at fiscal 2009 and 2008 was $1.6 million and $1.3 million, respectively. These amounts are included in accrued expenses in the accompanying Consolidated Balance Sheets. While the ultimate amount of claims incurred are dependent on future developments, in the Company s opinion, recorded reserves are adequate to cover the future payment of claims previously incurred. However, it is reasonably possible that recorded reserves may not be adequate to cover the future payment of claims.

Adjustments, if any, to claims estimates previously recorded, resulting from actual claim payments, are reflected in operations in the periods in which such adjustments are known.

14. EQUITY-BASED INCENTIVE AWARDS:

Stock Options

At September 2009, the Company had two groups of stock option awards issued and outstanding. The first award group includes incentive and non-qualified stock options issued to management employees and outside directors

pursuant to the Company s stock-based compensation plan which expired in fiscal 2004.

The second award group includes 25,000 non-qualified stock options issued to the Company s Chief Executive Officer in fiscal 2007. These stock options vest in equal installments over a three year period and have an exercise price of $18.00 per share. At September 2009, 16,666 of these stock options had vested. No stock options were issued during fiscal 2009 or fiscal 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock options issued and outstanding to management employees at September 2009 are summarized as follows:

Date	Exercise Price	Number of Options Outstanding	Number Exercisable
Fiscal 2000	$ 34.50	1,956	1,956
Fiscal 2003	$ 28.80	2,336	2,336
Fiscal 2007	$ 18.00	25,000	16,666
		29,292	20,958

Stock options issued and outstanding to the Company s outside directors at September 2009 are summarized as follows:

Date	Exercise Price	Number of Options Outstanding	Number Exercisable
Fiscal 2002	$ 26.94	834	834

The following summarizes all stock options outstanding at September 2009:

	Exercise Price	Number Outstanding	Remaining Weighted-Average Contractual Life	Weighted-Average Exercise Price	Exercisable Number Exercisable	Exercisable Weighted-Average Exercise Price
2000 Options	$ 34.50	1,956	0.70 years	$ 34.50	1,956	$ 34.50
2002 Options	$ 26.94	834	2.87 years	$ 26.94	834	$ 26.94
2003 Options	$ 28.80	2,336	3.04 years	$ 28.80	2,336	$ 28.80
2007 Options	$ 18.00	25,000	7.20 years	$ 18.00	16,666	$ 18.00
		30,126		$ 20.16	21,792	$ 20.98

The following is a summary of the activity of the stock plans for fiscal 2009:

	Number of Shares	Weighted Average Exercise Price
Outstanding at September 2008	42,120	$ 26.80
Granted		
Exercised	(2,835)	$ 30.99
Forfeited/Expired	(9,159)	$ 47.35
Outstanding at September 2009	30,126	$ 20.16
Options exercisable at end of period	21,792	

The Company s stock options have varying vesting schedules, ranging up to five years and expiring ten years subsequent to the grant date. Net income before income taxes included compensation expense related to stock options of approximately $0.1 million in both fiscal 2009 and fiscal 2008. Total unamortized compensation expense related to stock options at September 2009 totaled approximately $0.1 million. This unamortized stock expense is expected to be amortized over approximately the next two months (the expected weighted-average period).

The aggregate intrinsic value of stock options outstanding at September 2009 and September 2008 was approximately $1.2 million and $0.2 million, respectively. The aggregate intrinsic value of stock options exercisable was approximately $0.8 million at September 2009.

The total intrinsic value of stock options exercised in fiscal 2009 and fiscal 2008 was approximately $0.1 million in both fiscal periods. The total fair value of stock options vested in fiscal 2009 and 2008 was approximately $0.5 million and $0.2 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

Pursuant to the Omnibus Plan, the Compensation Committee of the Board of Directors has authorized and approved the restricted stock awards as summarized below:

	Restricted Stock/1/	Restricted Stock /2/
Date of award:	December 6, 2007	January 29, 2008
Number of shares:	24,000	7,500
Service period:	34 months	36 months
Estimated fair value of award at grant date/3/:	$963,000	$229,000
Intrinsic value of awards outstanding at September 2009:	$976,000	$305,000

/1/ 8,000 shares were vested at September 2009. The remaining 16,000 shares will vest in equal amounts (8,000 per year) on October 16, 2009 and October 16, 2010.

/2/ 2,500 shares were vested at September 2009. The remaining 5,000 shares will vest in equal amounts (2,500 per year) on January 29, 2010 and January 29, 2011.

/3/ Amount is net of estimated forfeitures.

There is no direct cost to the recipients of the restricted stock awards, except for any applicable taxes. The restricted stock held by recipients are entitled to full voting rights and 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 Company recognizes compensation expense related to restricted stock awards on a straight-line basis over the requisite service period. Accordingly, net income before income taxes included compensation expense of $0.4 million and $0.3 million for fiscal 2009 and fiscal 2008, respectively. Total unamortized compensation expense related to restricted stock awards at September 2009 was approximately $0.5 million. This unamortized compensation expense is expected to be amortized over approximately the next fourteen months (the expected weighted-average period).

The following summarizes restricted stock activity under the Omnibus Plan for the twelve months ended September 2009:

	Number of Shares		Weighted Average Grant Date Fair Value
Nonvested restricted stock at September 2008	31,500	$	40.16
Granted			
Vested	(10,500)	$	40.16
Expired			
Nonvested restricted stock at September 2009	21,000	$	40.16

The total fair value of restricted stock vested during fiscal 2009 was approximately $0.6 million. No restricted stock vested during fiscal 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. 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 is intercompany eliminations, charges incurred by the holding company, and assets of discontinued operations. The segments are evaluated on revenues, gross margins, operating income (loss), and income before taxes.

	Wholesale Distribution	Retail	Other/1/	Consolidated
FISCAL YEAR ENDED 2009:				
External revenues:				
Cigarettes	$ 646,410,368	$	$	$ 646,410,368
Confectionery	65,004,545			65,004,545
Health food		36,616,477		36,616,477
Tobacco, food service & other	159,921,654			159,921,654
Total external revenues	871,336,567	36,616,477		907,953,044
Depreciation	1,000,137	211,365	4,587	1,216,089
Operating income (loss)	17,442,291	3,490,989	(5,549,325)	15,383,955
Interest expense	517,383	573,737	536,253	1,627,373
Income (loss) from continuing operations before taxes	16,962,838	2,958,236	(6,060,233)	13,860,841
Total assets	75,507,359	11,605,457	1,011,566	88,124,382
Capital expenditures	1,172,059	501,373		1,673,432
FISCAL YEAR ENDED 2008:				
External revenues:				
Cigarettes	$ 604,064,437	$	$	$ 604,064,437
Confectionery	61,831,556			61,831,556
Health food		39,218,465		39,218,465
Tobacco, food service & other	155,336,664			155,336,664
Total external revenues	821,232,657	39,218,465		860,451,122
Depreciation	1,006,613	350,092	2,712	1,359,417
Amortization		26,801		26,801
Operating income (loss)	12,159,376	3,701,901	(4,202,477)	11,658,800
Interest expense	705,981	998,973	1,281,261	2,986,215
Income (loss) from continuing operations before taxes	11,493,183	2,746,712	(5,452,697)	8,787,198
Total assets	77,462,906	11,726,718	4,115,734	93,305,358

Capital expenditures	681,533	163,623	845,156

/1/ Includes intercompany eliminations, charges incurred by the holding company, and assets of discontinued operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. SUBSEQUENT EVENTS:

On October 30, 2009, the Company acquired the convenience store distribution assets of Discount Distributors from its parent Harps Food Stores, Inc. (Harps). Discount Distributors is a wholesale distributor to convenience stores in Arkansas, Oklahoma, and Missouri with annual sales of approximately $59.8 million. The Company paid $3.2 million cash, issued a $0.5 million note payable due in quarterly installments over two years, and could pay an additional $1.0 million in contingent consideration for certain fixed assets, inventory, and customer lists of Discount Distributors. The contingent consideration is based on achieving two year revenue targets. This transaction was funded through the Company s existing credit facility.

No liabilities were assumed in connection with the transaction and the costs incurred to effect the acquisition are being expensed as incurred and are not deemed to be significant. The acquisition expands the Company s strategic footprint in the southern portion of the United States and enhances our ability to service customers in that region. The initial accounting for the business combination was incomplete as of the date these financial statements were issued, due to the work required to identify the fair value of the assets acquired. The Company will determine the amount of any goodwill when the fair values of the assets acquired are determined. No measurement adjustments related to the transaction were included in the reporting period ended September 2009.

On October 27, 2009 the Company s Board of Directors authorized a share repurchase program which provides for the repurchase of up to 50,000 shares of AMCON s common stock. The shares may be purchased from time to time in the open market or in negotiated transactions. The Company also announced that its Board of Directors increased its quarterly cash dividend by 80% to a rate of $0.18 per common share. The dividend is payable on November 30, 2009 to shareholders of record as of November 9, 2009.

In preparing the accompanying financial statements, management has evaluated subsequent events through November 6, 2009 (the financial statement issue date).

ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

NONE

ITEM 9A(T). ***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 and accounting officer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15(e) and 15d-15(e) under the Exchange Act, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2009 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 and accounting officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, effectiveness of internal control over financial reporting may vary over time.

We have completed our evaluation and testing of our internal control over financial reporting as required by Section 404 of Sarbanes-Oxley and Item 308T(a) of Regulation S-K (Internal Control Report). Under the supervision and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting as of September 30, 2009. In making this assessment, we used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that our internal control over financial reporting was effective as of September 30, 2009.

This annual report does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this annual 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 September 30, 2009, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION*

On October 27, 2009, the Company s Board of Directors authorized a share repurchase program which provides for the repurchase of up to 50,000 shares of AMCON s common stock. The shares may be purchased from time to time in the open market or in negotiated transactions.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.*

Our Board of Directors

Our board of directors currently consists of seven persons. William F. Wright retired from our board on January 1, 2010. On January 26, 2010, our board of directors voted unanimously to reduce its size from eight to seven directors effective on that date. Our articles of incorporation divides the board into three classes of directors, with directors serving staggered terms of three years and until their respective successors are duly elected and qualified or until their respective earlier resignation or removal. The present terms of Jeremy W. Hobbs and Stanley Mayer, the two directors in Class I, will expire at our 2010 annual meeting of stockholders. The nominating and corporate governance committee of our board of directors has designated Jeremy W. Hobbs and Stanley Mayer as the nominees proposed for election at that annual meeting. Directors in Class II (Christopher H. Atayan and Raymond F. Bentele) and in Class III (Kathleen M. Evans, John R. Loyack and Timothy R. Pestotnik) have terms expiring at the time of our annual meeting of stockholders in 2011 and 2012, respectively. Our board of directors has determined that Messrs. Bentele, Hobbs, Loyack, Mayer and Pestotnik each satisfy the independence requirements of the NYSE Amex Equities exchange or AMEX .

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The following table sets forth certain information with respect to each of our directors.

Name	Age	Position With Our Company	Director Since
Class I: Term to expire in 2010			
Jeremy W. Hobbs	49	Director	2006
Stanley Mayer	64	Director	2002
Class II: Term to expire in 2011			
Christopher H. Atayan	49	Chief Executive Officer, Chairman, Director	2004
Raymond F. Bentele	73	Director	2002
Class III: Term to expire in 2012			
Kathleen M. Evans	62	President, Director	1986
John R. Loyack	46	Director	2003
Timothy R. Pestotnik	49	Director	1998

There is no arrangement or understanding between any director and any other person pursuant to which such director was selected as a director except that the respective holders of our Series B Convertible Preferred Stock are entitled to vote separately as a single class in electing one member of our board of directors. Spencer Street Investments, Inc., the holder of our Series B Convertible Preferred Stock, has designated Christopher H. Atayan as the person elected by the holders of our Series B Convertible Preferred Stock to serve on our board of directors.

Business Experience of our Directors

The business experience during the last five years of each member of our board of directors, including the two persons nominated for reelection as directors at our 2010 annual meeting of stockholders, is as follows:

Christopher H. Atayan has served as our company s Chief Executive Officer since October 2006 and as its Chairman since January 2008. Mr. Atayan served as our company s Vice Chairman from March 2006 through January 2008, as our company s Chief Corporate Officer from March 2006 through September 2006 and has been a director of our company since 2004. He also is a consultant to Draupnir, LLC, the parent of Draupnir Capital, LLC. Mr. Atayan has served as the Senior Managing Director of Slusser Associates, a private equity and investment banking firm, since 1988, and has been engaged in private equity and investment banking since 1982.

Raymond F. Bentele is the former President and Chief Executive Officer of Mallincrodt, Inc., having served in that capacity from 1982 until his retirement in 1992. He also served as Executive Vice President of Mallincrodt Group Inc. from 1980 until his retirement.

Kathleen M. Evans became President of our company in March 1991. Prior to that time she served as Vice President of AMCON Corporation from 1985 to 1991. From 1978 until 1985, Ms. Evans acted in various capacities with AMCON Corporation and its operating subsidiaries.

Jeremy W. Hobbs is the President and Chief Executive Officer of Draupnir, LLC, and Chairman of Discovery Toys, LLC. He has served as a founding member and executive officer of Draupnir, LLC from 2002 through December 2005. From 1987 to 2002, Mr. Hobbs was an attorney in the law firm of Krasnow, Cornbath and Hobbs in Chicago, Illinois where he served as managing partner from 1997 to 2002.

John R. Loyack currently is President and Chief Executive Officer of Optim Energy, LLC. Prior to serving in his current position, Mr. Loyack served as President and Chief Executive Officer of CPG International, Inc., as Senior Vice President and Chief Financial Officer and Vice President and Chief Accounting Officer at PNM Resources.

Stanley Mayer currently is the General Manager of CMC Rebar Albuquerque. Prior to serving in his current position, Mr. Mayer served as Vice President of CMC Capitol City Steel, as a consultant to various companies regarding financial and strategic planning matters since 2002, as Chief Financial Officer for Donruss Playoff, Inc. from 2001 to 2002 and as Vice President of Southern Union Company from 1998 through 2001.

Timothy R. Pestotnik is an attorney and a partner in the law firm of Pestotnik + Gold, LLP. Prior to this, he was a partner and chair of the business litigation department at the law firm of Luce, Forward, Hamilton & Scripps, LLP. Mr. Pestotnik also serves as a director of AMCON Corporation.

Audit Committee

Our board of directors has established an audit committee, which serves at the pleasure of our board of directors. The audit committee of our board of directors currently is comprised of John R. Loyack, its chairman, Timothy R. Pestotnik and Stanley Mayer. Our board of directors has determined that all members of the audit committee are independent directors under the listing standards adopted by AMEX. In addition, our board of directors has determined that Mr. Loyack and Mr. Mayer each meets the SEC s definition of an audit committee financial expert. The audit committee is responsible for reviewing our financial statements, audit reports, internal financial controls and the services performed by the independent registered public accounting firm, and for making recommendations with respect to those matters to our board of directors. A more complete description of the audit committee s functions is provided in its charter, a copy of which is available on our internet website (www.amcon.com) by clicking on the Corporate Governance tab under Investor Relations. The audit committee met seven times during our 2009 fiscal year.

Code of Ethics

Our Board of Directors has adopted a code of ethical conduct that applies to our executive officers, including our principal executive officer and our principal financial officer. This code of ethical conduct is available without charge to any person who requests it by writing to our corporate secretary. It also is available on our internet website (www.amcon.com). Any substantive amendment to, or waiver from, a provision of this code that applies to our principal executive officer or principal financial officer will be disclosed on our internet website and, if required by rules of the SEC or AMEX, on the reports we file with the SEC.

Executive Officers

The information appearing under the caption Executive Officers of the Registrant in Part I of this report is incorporated in this Item 10 by reference.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of any class of equity securities of our company registered pursuant to Section 12 of the Exchange Act, to file with the SEC initial reports of ownership and reports of changes in ownership in such securities and other equity securities of our company. SEC regulations require directors, executive officers and greater than 10% stockholders to furnish our company with copies of all Section 16(a) reports they file.

To our knowledge, based solely on review of the copies of such reports furnished to our company and written representations that no other reports were required, during our 2009 fiscal year, all Section 16(a) filing requirements applicable to its directors, executive officers and greater than 10% stockholders were complied with on a timely basis.

ITEM 11. *EXECUTIVE COMPENSATION.*

Executive Compensation and Related Matters

Compensation Discussion and Analysis

General

The following compensation discussion and analysis explains how our compensation programs are designed and operate in practice with respect to each of the named executive officers listed in the summary compensation table

appearing below. This discussion should be read in conjunction with the information appearing under the caption Committees of the Board Compensation Committee, the summary compensation table, and the additional tabular and narrative disclosure that follows the summary compensation table.

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Compensation Philosophy and Objectives

Our compensation program for executive officers is structured to achieve the following objectives:

Attract and retain talented professionals, while emphasizing the challenges and rewards associated with a fast paced, stimulating, entrepreneurial environment.

Align individual and strategic goals with those of our stockholders and customers. We believe that it is primarily the dedication, creativity, competence and experience of our entire workforce that enables us to compete, given the realities of the wholesale/retail industries in which we operate. History has demonstrated that our business is neither easily nor quickly mastered by people attempting to migrate from other industries. Hence, we attempt to retain our experienced, long-term employees, avoid employee turnover, create a cadre of dedicated professionals focused on increasing stockholder value, align the interests of our employees and stockholders and foster an ownership mentality in our executives by giving our employees a meaningful stake in our success through our equity incentive and cash bonus programs.

Achieve meaningful results and add value to our company through a results-oriented reward structure. We attempt to link compensation closely to results by structuring a significant portion of executive compensation as at-risk compensation.

Tailor individual incentives within different segments of our organization depending on the priorities and needs existing at the time. This facilitates individual focus to capitalize on opportunities and to correct weaknesses in a particular segment of the organization. Our branches and retail stores therein require empowered, capable, local management expertise to operate effectively. We attempt to encourage accountability in our division-level executives by using bonus targets tied to divisional or regional results and other, individually tailored, objectives.

Integrate strategic goals and objectives throughout all facets of our organization. This enables quicker, more effective execution of our strategic corporate objectives. Our ability to modify and tailor the components of our cash bonus program allows us to revise these components from year to year and executive to executive as our strategic goals evolve.

Simplicity is an important element of our compensation structure. With clear and unambiguous goals individuals can employ their best efforts.

Determining Compensation

Our compensation committee s process for determining compensation levels for executive officers differs depending upon the position of the individual being considered. For each executive officer other than our chief executive officer, the committee annually reviews each element of compensation described below in consultation with our chief executive officer. Our chief executive officer develops for the committee s consideration a proposed compensation package for each of these executive officers based on his business judgment of the executive s past performance and of his or her expected future contributions to our company. Each executive s compensation package is modified as deemed appropriate by our compensation committee, and the final determination of the compensation package is made by the committee. With respect to our chief executive officer s compensation, our compensation committee meets in executive session. The committee develops a compensation package for our chief executive officer based on its business judgment of his past performance, of his leadership in establishing performance standards in the conduct of our company s business, and of his expected future contributions in directing the long-term success of our company and its businesses. For all executive officers, including our chief executive officer, the structure and level of executive compensation needed to promote the principles of our executive compensation program for each executive is

determined by the committee by considering all elements of the compensation package in total, rather than any one component in isolation. This process is based upon the committee s business judgment. Finally, some components of the compensation package for our named executive officers are determined in accordance with the agreements described below under the captions Employment and Other Compensatory Agreements and Change of Control Agreements.

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Compensation Components

As separately discussed below, the principal components of compensation for our executive officers currently are:

- base salary;
- performance-based compensation;
- long-term equity incentive compensation; and
- perquisites and other personal benefits.

Base Salary. We provide base salary to our named executive officers and other employees to reward them for performing the requirements of their position on a day-to-day basis. Base salary is viewed by our compensation committee as a key aspect of our attraction and retention efforts. Base salaries are not established on the basis of any specific performance criteria, but a number of factors are considered in determining individual salary levels, including each executive s existing salary relative to that of other employees of our company, a business judgment of the performance of the executive and of the business unit or function under his or her leadership, the executive s length of service with our company, and the perceived increase in the cost of living. The factors impacting base salary levels are not independently assigned specific weights. Competitive market data may be considered from time to time, but we currently do not set compensation levels at a targeted percentile relative to compensation data for a particular peer, competitor or industry group. Our compensation committee utilizes various market and performance metrics and applies its business judgment to formulate and approve the final compensation.

For our 2010 fiscal year, base salary levels were determined by our compensation committee based on its assessment of the factors referred to above. Fiscal 2010 salaries were set as follows: Mr. Atayan, $450,000; Ms. Evans $375,000; Mr. Plummer $175,000; Mr. Campbell $117,000; and Mr. Hinkefent $150,000.

Performance-Based Compensation. Performance bonus awards may be provided to our named executive officers and other employees, as determined by our compensation committee, with 50% of the bonus awards being made available based on the achievement of specified financial metrics and 50% of the bonus awards being made available based on the achievement of strategic objectives. With respect to the achievement of financial metrics upon which a bonus award is based, our company must reach a minimum threshold of 80% of budgeted pretax income. If this threshold is achieved, the executive will be eligible for a 50% payout of his or her targeted bonus. The executive will be eligible for increasing payouts of his or her targeted bonus, pro rated up to 100% of target, upon the achievement of increasing percentages of budgeted pretax income until 100% of our budgeted pretax income amount is met. If our pretax income exceeds budget, the executive will be eligible for up to 125% of his or her target bonus, pro rated based on the achievement of pretax income of up to 120% of budget.

With respect to the achievement of strategic objectives upon which a bonus award is based, the executive is entitled to receive 100% of his or her targeted bonus if our compensation committee determines that the executive has made satisfactory progress toward the achievement of his or her strategic goals. In the discretion of the compensation committee, the executive is eligible for up to 125% of his or her targeted bonus for exceptional performance with respect to the strategic goals. The satisfaction of an executive s strategic goals is largely determined by the compensation committee based upon its business judgment of the executive s performance. All executives have a common strategic goal, which is to work together as a team in furtherance of our company s strategic objectives. In addition, each executive has individualized short-, medium- and long-term goals. In the case of our chief executive officer, these goals include:

Developing and implementing our company s strategic plan

Increasing our company s enterprise value in a conservative, low-risk fashion

Providing executive leadership to deploy our assets in a balanced fashion, recognizing the need to maximize liquidity, reduce debt, and generate cash flow

Reducing long-term debt

Developing and implementing a management structure to facilitate long term growth

Ensuring our company s compliance with appropriate internal controls for financial reporting

Initiating a strategic posture for our company s growth

For our 2009 fiscal year, our compensation committee awarded cash bonuses to the following named executive officers with respect to the achievement of specified financial metrics and strategic objectives as discussed above: Mr. Atayan, $531,250; Ms. Evans, $125,000; Mr. Plummer, $93,125; Mr. Campbell, $55,000; and Mr. Hinkefent, $93,750. For our 2010 fiscal year, performance bonus awards will be determined by our compensation committee based on its assessment of the factors referred to above and utilizing bonus targets that it establishes. Our compensation committee has not yet established targeted bonuses for our named executive officers for our 2010 fiscal year.

In addition to the above bonus awards, our compensation committee made supplemental cash bonus awards to Mr. Atayan, Mr. Plummer and Mr. Campbell in recognition of the roles they played in completing two extraordinary transactions during our 2009 fiscal year. The first of these transactions was the repurchase of our outstanding Series C Convertible Preferred Stock which reduced fully diluted shares outstanding by 146,842 shares and the second was the sale of the discontinued operation and associated discounted note repurchase that generated a pretax gain of approximately $7.4 million. Our compensation committee made supplemental cash bonus awards to the following named executive officers: Mr. Atayan, $900,000; Mr. Plummer, $180,000; and Mr. Campbell, $20,000.

Equity Incentives. We promote the long-term interests of our company and the alignment of our named executive officers interests with those of our stockholders by providing meaningful equity ownership opportunities to our executives. Our equity compensation program also is designed to encourage our named executive officers to remain employed with us despite a competitive labor market. We may grant equity-based incentives under our stockholder-approved 2007 omnibus incentive plan. In addition, in December 2006 we made a special one-time grant of non-qualified stock options to our chief executive officer, which grant was approved by stockholders at our 2007 annual meeting. Because equity compensation awards typically vest over a period of several years, the value to recipients of any immediate increase in the price of our common stock following a grant will be attenuated. The periodic vesting provisions are in place to encourage the named executive officers to remain with our company.

On December 12, 2006, our compensation committee awarded a non-qualified stock option to our chief executive officer. This award was made in recognition of Mr. Atayan s assumption of increased responsibilities as our chief executive officer and was intended to provide a meaningful stock ownership and growth opportunity linked directly to the success of our company. Stock options only have value if our stock price appreciates after the options are granted. The option will be exercisable for a total of 25,000 shares of our common stock at an exercise price of $18.00 per share, which represents the closing trading price for our common stock on AMEX on the day immediately prior to the December 12, 2006 grant date. The option vested ratably over a three-year period ending December 12, 2009.

On December 6, 2007, our compensation committee awarded shares of restricted stock to the following executives: Mr. Atayan, 15,000 shares; Mr. Plummer, 2,000 shares; Mr. Campbell, 2,000 shares; and Mr. Hinkefent, 5,000 shares. These awards were made under our 2007 omnibus incentive plan and vest in equal installments on October 16, 2008, 2009 and 2010, subject to certain limitations relating to the termination of employment. The amount of each grant was designed to provide each executive with an equity incentive commensurate with his responsibilities and a meaningful stock ownership and growth opportunity linked directly to the success of our company.

On December 4, 2009, our compensation committee decided to award shares of restricted stock to the following executives: Mr. Atayan, 41,200 shares; Mr. Plummer, 5,000 shares; Mr. Campbell, 2,200 shares; and Mr. Hinkefent, 2,800 shares. These awards were made with respect to our 2008 and 2009 fiscal years to recognize exceptional performance over that period.

Our compensation committee has not yet determined whether to establish any equity incentive awards for our 2010 fiscal year.

Perquisites and other Personal Benefits. Each of our executive officers is entitled to participate in our employee benefit plans that are made available to all of our employees on a non-discriminatory basis. These benefits consist of medical and group life insurance for which our company pays a portion of the premiums. Our company also makes matching contributions under our 401(k) profit sharing plan of up to 4% of each executive s compensation.

Our company generally does not provide special perquisites to our executive officers. However, Ms. Evans and Mr. Hinkefent each receive an auto allowance. Additional information concerning perquisites is provided in the tabular and narrative disclosure that follows the summary compensation table.

Termination and Change in Control Arrangements

As discussed below under the caption Change of Control Agreements, we have entered into change of control agreements with Mr. Atayan and Ms. Evans. In addition, we have entered into an employment agreement with Mr. Hinkefent, as discussed below under the caption Employment and Other Compensatory Agreements. These agreements provide that, upon certain termination of employment events, including termination events following a change of control of our company, these named executive officers may be entitled to receive specified severance benefits. These benefits are discussed in more detail under the caption Change of Control Agreements. The provisions in these agreements regarding severance benefits are designed, among other things, to provide for stability and continuity of management in the event of any actual or threatened change in control, to encourage the executives to remain in service after a change in control and ensure that the executives are able to devote their entire attention to maximizing stockholder value in the event of a change in control. Our compensation committee has determined that the amounts payable under the agreements are necessary to achieve those objectives.

Policy Regarding Tax Deduction for Compensation Under Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code limits our tax deduction to $1 million for compensation paid to certain of our executive officers unless the compensation is performance based. Our compensation committee s present intention is to comply with the requirements of Section 162(m), unless the committee determines that it is in our interests to do otherwise.

Summary Compensation Table

The following summary compensation table summarizes the compensation paid or accrued by our company in the fiscal years indicated with respect to our chief executive officer, our principal financial officer, and our three other most highly compensated executive officers. In this report, these individuals are referred to as our named executive officers.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All other Compensation ($)(3)	Total ($)
Christopher H. Atayan,	2009	425,000	1,431,250	212,494	115,200				2,183,944
Chief Executive Officer &	2008	416,667	531,250	168,224	115,200				1,231,341
Chairman	2007	385,000	385,000		57,600				827,600
Kathleen M. Evans,	2009	375,000	125,000					22,707	522,707
President	2008	375,000	93,750					20,107	488,857
	2007	375,000	75,000					11,241	461,241
Andrew C. Plummer,	2009	149,000	273,125	28,333				8,460	458,918
Vice President, Secretary &	2008	149,000	62,500	22,430				7,139	241,069

Chief Financial Officer	2007	130,000	30,000		6,400	166,400
Philip E. Campbell,	2009	110,000	75,000	28,333	4,400	217,733
Senior Vice President of	2008	110,000	62,500	22,430	1,354	196,284
Planning & Compliance(4)	2007	75,000	30,000			105,000
Eric J. Hinkefent,	2009	150,000	63,000	70,831	20,356	304,187
President of Chamberlin s	2008	150,000	50,000	56,075	19,831	275,906
Natural Foods, Inc. & Health	2007	150,000	40,000		20,080	192,080
Food Associates, Inc.						

(1) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the applicable fiscal year, in accordance with SFAS No. 123R, for restricted stock awards granted to our named executive officers. Assumptions used in the calculation of these amounts for the applicable fiscal year are included in footnote 14 to our consolidated financial statements included in our Annual Report on Form 10-K for our 2008 fiscal year.

(2) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the applicable fiscal year, in accordance with SFAS No. 123R, for option awards granted to our named executive officers. Assumptions used in the calculation of these amounts for the applicable fiscal year are included in footnotes 14 and 15 to our consolidated financial statements included in our Annual Report on Form 10-K for our 2008 and 2007 fiscal years, respectively.

(3) The amounts in this column for our 2009 fiscal year reflect the following compensation:

Name	Auto Allowance ($)	Life Insurance Premiums ($)(a)	Company Profit Sharing Plan Contributions ($)(b)	Total ($)
Mr. Atayan				
Ms. Evans	12,000	907	9,800	22,707
Mr. Plummer			8,460	8,460
Mr. Campbell			4,400	4,400
Mr. Hinkefent	12,000		8,356	20,356

(a) Reflects life insurance premiums paid by our company with respect to term life insurance policies.

(b) Reflects company matching contributions under our 401(k) profit sharing plan. Employees may contribute up to 100% of their compensation into this plan, subject to Internal Revenue Service limits. Our company matches 50% of the first 4% of compensation contributed and 100% of the next 2% of compensation contributed for a maximum company match equal to 4% of employee compensation.

(4) Mr. Campbell became the Senior Vice President of Planning and Compliance for our company in January 2007 at an annualized rate of $100,000.

Grants of Plan Based Awards

No plan based awards were granted to our named executive officers during our 2009 fiscal year.

Option Exercises and Stock Vesting

The following table sets forth information with respect to each named executive officer concerning the exercise of options, and acquisition of shares on vesting, during our 2009 fiscal year.

	Option Awards		Stock Awards	
	Number of Shares Acquired on	Value Realized on	Number of Shares Acquired on	Value Realized

Name	Exercise (#)	Exercise ($)(1)	Vesting (#)	on Vesting ($)(2)
Mr. Atayan			5,000	93,000
Ms. Evans				
Mr. Plummer			666	12,369
Mr. Campbell			666	12,369
Mr. Hinkefent			1,666	30,988

(1) Determined by subtracting the exercise price of the options exercised from the opening market price of the underlying shares of our common stock on the date such options were exercised.

(2) Determined based on the opening market price of our common stock on the October 16, 2008 vesting date for the shares.

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Outstanding Equity Awards at Fiscal Year End

The following table sets forth information with respect to each named executive officer concerning equity awards held as of September 30, 2009.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Mr. Atayan	16,666	8,334(1)		18.00	12/12/16	10,000(2)	610,000		
Ms. Evans									
Mr. Plummer						1,334(2)	81,374		
Mr. Campbell						1,334(2)	81,374		
Mr. Hinkefent						3,334(2)	203,374		

(1) The original grant of options was made on terms in which one third of the underlying shares would become exercisable on each of December 12, 2007, December 12, 2008, and December 12, 2009.

(2) Subject to earlier forfeiture under the limited circumstances specified in our 2007 omnibus incentive plan and in the related award agreements with the respective award recipients, the original award of the shares of restricted stock was made on terms in which one-third of the shares would vest on each of October 16, 2008, October 16, 2009, and October 16, 2010.

(3) Determined based on the closing market price of our common stock on September 30, 2009.

Equity Compensation Plan Information

The following equity compensation plan information summarizes plans and securities approved and not approved by security holders as of September 30, 2009.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	29,292	$ 19.97	118,500
Equity compensation plans not approved by security holders(2)	834	26.94	
Total	30,126	$ 20.16	118,500

(1) Consists of (i) our 2007 omnibus incentive plan, described below under 2007 Omnibus Incentive Plan, (ii) our nonqualified stock option agreement dated December 12, 2006 with Christopher H. Atayan, described below under CEO Option Award, and (iii) our 1994 stock option plan, which expired in June 2004.

(2) Consists of nonqualified stock option awards granted to our non-employee directors, as described below under Director Compensation.

2007 Omnibus Incentive Plan

We have adopted our 2007 omnibus incentive plan or Equity Plan to encourage employees of our company, affiliates and subsidiaries to acquire a proprietary and vested interest in the growth and performance of our company. The Equity Plan also is designed to assist our company in attracting and retaining employees and non-employee directors by providing them with the opportunity to participate in the success and profitability of our company. Equity-based awards also are intended to further align the interests of award recipients with the interests of our stockholders.

Eligible Participants. The eligible participants in the Equity Plan are all employees of our company, affiliates and subsidiaries, including employees who are officers or members of our board of directors, and members of our board who are not employees of our company. Currently, there are approximately nine directors, officers and employees of our company, affiliates and subsidiaries who are participating in the Equity Plan.

Equity Plan Administration. The Equity Plan may be administered by our board of directors or a committee consisting of two or more directors. Currently, our compensation committee administers the Equity Plan and has the sole discretion to administer and interpret the Equity Plan and determine who will be granted awards under the Equity Plan, the size and types of such awards and the terms and conditions of such awards.

Shares Subject to the Equity Plan. The Equity Plan permits the issuance of up to 150,000 shares of our common stock pursuant to awards granted under the Equity Plan such as 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 share and dividend share awards payable in the form of common stock or cash. As of September 30, 2009, 31,500 shares of our common stock had been issued pursuant to awards granted under the Equity Plan.

Stock Options. Both incentive stock options and nonqualified stock options may be granted under the Equity Plan. The per-share exercise price of an option is set by our compensation committee and generally may not be less than the fair market value of a share of our common stock on the date of grant. Options granted under the Equity Plan are exercisable at the times and on the terms established by our compensation committee. The maximum term of an option is ten years from the date of grant.

Stock Appreciation Rights. A stock appreciation right or SAR is the right to receive payment of an amount equal to the excess of the fair market value of a share of common stock on the date of exercise of the stock appreciation right over the grant price of the stock appreciation right. The Equity Plan permits the grant of two types of SARs: freestanding SARs, tandem SARs, or any combination of the two. A freestanding SAR is a SAR that is granted independent of any stock option. A tandem SAR is a SAR that is granted in connection with a related stock option, the exercise of which requires a forfeiture of the right to purchase a share under the related option (and when a share is purchased under the option, the SAR is similarly canceled). Our compensation committee has complete discretion to determine the number of SARs granted to any participant and the terms and conditions pertaining to such SARs.

Restricted Stock and Restricted Stock Unit Grants. The Equity Plan permits the grant of restricted stock or restricted stock unit awards. Restricted stock and restricted stock units may be issued or transferred for consideration or for no consideration, as determined by our compensation committee. Our compensation committee may establish conditions under which restrictions on shares of restricted stock or restricted stock units lapse over a period of time or according to such other criteria as our compensation committee deems appropriate, including the achievement of specific performance goals.

Performance Unit and Performance Shares. The Equity Plan permits the grant of performance units and performance share awards which are bonuses payable in cash, common stock or a combination thereof. Each performance unit and

performance share will represent the right of the participant to receive an amount based on the value of the performance unit/share, if performance goals established by our compensation committee are met. A performance unit will have a value based on such measurements or criteria as our compensation committee determines. A performance share will have a value equal to the fair market value of a share of our common stock. When an award of these are granted, our compensation committee will establish a performance period during which

performance will be measured. At the end of each performance period, our compensation committee will determine to what extent the performance goals and other conditions of the performance units/shares are met.

Bonus Shares and Deferred Shares. The Equity Plan permits the grant of shares to participants from time-to-time as a bonus. Such shares may be paid on a current basis or may be deferred and paid in the future. Our board of directors or our compensation committee may impose such conditions or restrictions on any such deferred shares as it may deem advisable, including time-vesting restrictions and deferred payment features.

Restrictions on Transfer. Awards under the Equity Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and generally are exercisable, during the recipient s lifetime, only by the recipient. Any amounts payable or shares issuable pursuant to an award generally will be paid only to the recipient or the recipient s beneficiary or representative.

Changes in Capital or Corporate Structure. If, without the receipt of consideration by our company, there is any change in the number or kind of shares of our common stock outstanding by reason of a stock dividend or any other distribution upon the shares payable in stock, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization, the maximum number of shares of our common stock available for grants, the maximum number of shares of our common stock that any individual participating in the Equity Plan may be granted in any year, and the number of shares covered by outstanding grants may be appropriately adjusted to reflect any increase or decrease in the number of issued shares of our common stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under such grants. Any fractional shares resulting from such adjustment will be rounded up to the nearest whole share. The purchase or exercise price payable by any plan participant with respect to any award also will be adjusted upon the occurrence of any of the events referred to above so that there will be no change in the aggregate price payable by such participant. Adjustments determined by our compensation committee are final, binding and conclusive.

If our company undergoes a change of control, as that term is defined in the Equity Plan, each option, share of restricted stock and other grant held by a non-employee director will, without regard to any vesting schedule, restriction or performance target, automatically become fully exercisable or payable, as the case may be, as of the date of the change of control.

CEO Option Award

On December 12, 2006, our company entered into a Nonqualified Stock Option Agreement or Option Agreement with our Chief Executive Officer, Christopher H. Atayan, under which he was granted a non-qualified stock option to purchase shares of our common stock. Our stockholders approved the grant of this option at our 2007 annual meeting of stockholders.

The aggregate number of shares of our common stock that may be issued pursuant to the exercise of this option is limited to 25,000 shares, subject to increase or decrease in the event of any change in our company s capital structure, including a stock dividend, stock split, recapitalization, combination or reclassification of shares. The exercise price of the option is $18.00 per share, which represents the closing trading price for our common stock on AMEX on the day immediately prior to the December 12, 2006 grant date. The option price may be paid in full in cash, or may be paid by Mr. Atayan s tender of previously acquired shares of our common stock.

The option vested ratably over a three-year period ending December 12, 2009, and became fully exercisable on December 13, 2009. In no event may the option be exercised after December 12, 2016.

If Mr. Atayan s employment with our company is terminated for cause (generally any act or failure to act by Mr. Atayan that constitutes willful misconduct or gross negligence), the option will expire immediately. If Mr. Atayan dies while he is our employee, the option may be exercised by his beneficiaries within twelve months after his death, to the extent it is exercisable. If Mr. Atayan becomes disabled while he is our employee, the option may be exercised by him within twelve months following the date of the disability, to the extent it is exercisable. If Mr. Atayan ceases to be our employee due to (i) his voluntary resignation, or (ii) the termination of his employment without cause, the option may be exercised by him within three months following the date of employment termination.

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Employment and Other Compensatory Agreements

Our company has entered into an employment agreement with Eric J. Hinkefent, the President of Health Food Associates, Inc. and Chamberlin Natural Foods, Inc. The agreement has a term which automatically is extended for one year each September 30th unless either our company or Mr. Hinkefent delivers a notice of non-extension at least 90 days prior to the scheduled automatic renewal date. The agreement provides for a base salary in each year of the agreement term and provides that Mr. Hinkefent will be eligible to receive a bonus of up to 75% of his base salary based upon performance as determined by our compensation committee. If the employment agreement terminates due to Mr. Hinkefent s disability or death, he or his personal representative is entitled to receive his base salary for a period of six months following the termination. If the employment agreement is terminated for reasons other than serious misconduct (as defined in the agreement), Mr. Hinkefent is entitled to receive a severance package equal to his current base salary plus his previous year s bonus. Mr. Hinkefent was also eligible to participate in our company s 1994 Stock Option Plan, prior to its expiration on June 1, 2004, and in other employee benefit plans maintained by our company, including health and life insurance plans. The agreement contains provisions under which Mr. Hinkefent has agreed to maintain the confidentiality of information concerning our company and its affairs and a covenant not to compete with our company for a period of one year after his employment with our company terminates.

Change of Control Agreements

On December 29, 2006, we entered into a change of control agreement with each of Christopher H. Atayan, our Chief Executive Officer, and Kathleen M. Evans, our President. Each such agreement is referred to in this section as an Agreement. The initial term of the Agreement extended for two years until December 31, 2008. Beginning on December 31, 2007 and each December 31 following, the Agreement term automatically extends for one additional year unless we give the applicable officer notice by September 30 of that year. In addition, if a change in control (as that term is defined in the Agreement) occurs during the term of the Agreement, the term of the Agreement will continue for a period of 24 months after the month in which such change in control occurred.

The Agreement requires Mr. Atayan or Ms. Evans, as applicable, to remain in our employ for a period of six months after a change in control, unless involuntarily terminated by us other than for cause (as that term is defined in the Agreement) or terminated by the officer for good reason (as that term is defined in the Agreement).

If a change of control occurs and the term of the Agreement has not expired, we will owe the applicable officer the following:

During any period prior to termination of employment that the officer fails to perform full-time duties as a result of disability, total compensation, including base salary, bonus and any benefits, will continue unaffected until either the officer returns to the full-time performance of duties or employment is terminated.

If the officer is terminated for cause or other than for good reason, we will pay the officer his or her full base salary through the date of termination plus all other amounts to which the officer is then entitled under any of our compensation or benefit plans.

If employment terminates by reason of death, benefits will be determined in accordance with our retirement, survivor s benefits, insurance and other applicable programs and plans then in effect.

If employment is either terminated by our company (other than for cause or disability) or terminated by the officer for good reason, the officer will be entitled to the following benefits:

All accrued compensation and benefits.

Subject to adjustment, a severance payment in the form of a cash lump sum distribution equal to current annual compensation (as that term is defined in the Agreement) multiplied by two.

Subject to adjustment, life and health insurance benefits (for 24 months after termination or until the officer turns 65 if earlier) that are substantially similar to those received immediately prior to the date of termination. These benefits will be provided at a cost to the officer that is no greater than the amount paid

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for such benefits by active employees who participate in such company-sponsored welfare benefit plan or, if less, the amount paid for such benefits by the officer immediately prior to the event date.

The following table shows the potential payments upon certain termination events, including termination events following a change of control of our company, for each of the named executive officers (excluding Mr. Plummer and Mr. Campbell, who would not be eligible for such payments) if the termination and change of control had occurred on September 30, 2009. Fully vested and accrued benefits are not included in the table unless the form, amount or terms of the benefit would be enhanced or accelerated by the termination event.

	Prior to Change of Control			After Change of Control		
Benefit	Termination due to Death	Termination due to Disability	Termination w/o Cause	Termination w/o Cause or for Good Reason	Termination due to Death or Disability	Surviving Entity Refuses to Assume Options
Christopher H. Atayan						
Severance payment(1)				$ 2,465,000		
Continuation of insurance coverage(2)				21,300		
Acceleration of stock option vesting(3)						$ 358,333
Total for Mr. Atayan				$ 2,486,300		$ 358,333
Kathleen M. Evans						
Severance payment(1)				$ 945,833		
Continuation of insurance coverage(2)				8,900		
Total for Ms. Evans				$ 954,733		
Eric J. Hinkefent						
Salary benefits(4)	$ 75,000	$ 75,000			$ 75,000	
Severance payment(5)			$ 200,000	$ 200,000		
Total for Mr. Hinkefent	$ 75,000	$ 75,000	$ 200,000	$ 200,000	$ 75,000	

(1) Represents the amount calculated pursuant to the change of control agreement equal to the product of two times the sum of:

the participant s annual base salary rate in effect immediately prior to termination of employment, and

the average of the actual bonus awarded to the participant, if any, for the three years immediately preceding termination of employment.

This amount would be payable in a lump sum on the first day following the six month anniversary of the date of employment termination.

(2) Represents the amount calculated pursuant to the change of control agreement equal to our estimated incremental cost for life and health insurance benefits provided to the participant for 24 months following termination, after giving effect to the portion paid by the participant.

(3) Represents the value of any unvested stock options under the nonqualified stock option agreement that become fully exercisable based on the assumption that the surviving entity of the change of control of our company does not agree to assume such options. This value is calculated by multiplying the number of unvested shares underlying the option by the difference between the option exercise price and the closing market price of our common stock on September 30, 2009.

(4) Represents the amount calculated pursuant to the employment agreement equal to Mr. Hinkefent s base salary for the six months immediately following the date of employment termination due to death or disability.

(5) Represents the amount calculated pursuant to the employment agreement equal to the sum of:

Mr. Hinkefent s annual base salary rate in effect at the time of employment termination, and

the actual bonus awarded to Mr. Hinkefent, if any, for the immediately preceding year.

This amount would be payable in a lump sum on the first day following the six month anniversary of the date of employment termination.

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DIRECTOR COMPENSATION

Only outside (non-employee) members of our board of directors receive compensation for their service to our company as a director. Directors who are not employees of our company are paid according to the following annual scale:

Director Fee	$ 45,000
Audit Committee Membership Fee(1)	$ 5,000
Committee Chairman Fee(2)	$ 5,000
Lead Director Fee	$ 50,000

(1) Provided to all members of the audit committee, including the chairman.

(2) Provided to directors serving as chairman of the audit committee, the compensation committee and the nominating and corporate governance committee.

There is no payment of any meeting fees; however, all directors are reimbursed for their reasonable out of pocket expenses incurred in connection with their attendance at board and committee meetings. Prior to his retirement from our board on January 1, 2010, Mr. Wright was not compensated for his service as a director.

Non-employee directors are eligible to receive equity-based awards under our 2007 omnibus incentive plan described above under Executive Compensation and Related Matters 2007 Omnibus Incentive Plan . Non-employee directors also are eligible to receive awards of nonqualified stock options which entitle them to purchase shares of our common stock at an exercise price equal to the fair market value of the stock on the date of grant. Option grants may be recommended from time to time by our compensation committee, subject to approval by our board of directors. These stock options have vesting schedules of up to five years and expire ten years after the date of grant.

Compensation earned in our 2009 fiscal year by each person serving as a director during such fiscal year (other than those who are named executive officers in the summary compensation table under Executive Compensation and Related Matters above) for service on our board and its committees is presented in the table below.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(4)	Total ($)

Raymond F. Bentele	50,000	15,360		65,360
Jeremy W. Hobbs	45,000	15,360		60,360
John R. Loyack	58,750	15,360		74,110
Stanley Mayer	50,000	15,360		65,360
Timothy R. Pestotnik	100,000	15,360		115,360
William F. Wright			551,945	551,945

(1) The amounts in this column include director fees, committee chairman fees, audit committee membership fees, and lead director fees received for service as a director, committee chairman, audit committee member or lead director, as shown below.

Name	Director Fee $	Committee Chairman Fee $	Audit Committee Membership Fee $	Lead Director Fee $	Total Fees Paid in Cash $
Mr. Bentele	45,000	5,000			50,000
Mr. Hobbs	45,000				45,000
Mr. Loyack	45,000	8,750	5,000		58,750
Mr. Mayer	45,000		5,000		50,000
Mr. Pestotnik	45,000		5,000	50,000	100,000
Mr. Wright					

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(2) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for our 2009 fiscal year, in accordance with SFAS No. 123R, for restricted stock awards granted to our named directors in our 2008 fiscal year. Assumptions used in the calculation of these amounts are included in footnote 14 to our consolidated financial statements included in our Annual Report on Form 10-K for our 2008 fiscal year. The grant date fair value, computed in accordance with SFAS No. 123R, of the 1,500 shares of restricted stock awarded to each named director in our 2008 fiscal year was $45,738. As of September 30, 2009, the number of unvested shares of restricted stock held by each named director was as follows: Mr. Bentele (1,000); Mr. Hobbs (1,000); Mr. Loyack (1,000); Mr. Mayer (1,000); Mr. Pestotnik (1,000), and Mr. Wright (0).

(3) During our 2009 fiscal year, no stock options were granted to any of the named directors. As of September 30, 2009, the aggregate number of vested and unvested stock options held by each named director was as follows: Mr. Bentele (0); Mr. Hobbs (0); Mr. Loyack (0); Mr. Mayer (833); Mr. Pestotnik (0); and Mr. Wright (0).

(4) The amounts in this column reflect for Mr. Wright $479,007 paid to him under his September 2006 compensation agreement (which expired on December 31, 2009), a $24,000 auto allowance, $38,043 of life insurance premiums paid by our company with respect to a split dollar life insurance policy, $1,095 of life insurance premiums paid by our company with respect to a term life insurance policy, and $9,800 of company matching contributions under our 401(k) profit sharing plan.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.*

Ownership of our Common Stock

The table below sets forth information, as of October 30, 2009 (unless otherwise indicated below), with respect to the beneficial ownership of shares of all series of our common stock by:

- each person known to us to own beneficially more than 5% of the aggregate number of the outstanding shares of our common stock;
- our chief executive officer, our principal financial officer and each of the other named executive officers;
- each of our directors and director nominees; and
- our executive officers and directors as a group.

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Each of the persons, or group of persons, in the table below has sole voting power and sole dispositive power as to all of the shares of our common stock shown as beneficially owned by them, except as otherwise indicated.

	Common Stock	
Name of Beneficial Owner	**Number of Shares and Nature of Beneficial Ownership**	**Percent of Shares Outstanding**
Directors and Executive Officers:		
Christopher H. Atayan(1)	257,788	37.5%
Kathleen M. Evans	24,457	4.3%
Philip E. Campbell	2,000	*
Andrew C. Plummer	2,000	*
Eric J. Hinkefent	5,000	*
Raymond F. Bentele	2,333	*
Jeremy W. Hobbs(2)	3,435	*
John R. Loyack	2,333	*
Stanley Mayer(3)	2,333	*
Timothy R. Pestotnik	2,416	*
William F. Wright(4)	24,139	4.2%
All directors and executive officers (11 persons as a group)(5)	304,095	44.1%
Other Principal Stockholders:		
Alexander Dawson Foundation(6)	81,135	12.5%
The Lifeboat Foundation(7)	37,849	6.6%
Fred Remer(8)	35,639	6.2%

* Signifies less than 1%

(1) The shares reported include (i) 25,000 shares that may be issued upon the exercise of stock options that are exercisable within 60 days, (ii) 82,481 shares of common stock issuable upon conversion of 100,000 shares of Series A Convertible Preferred Stock at a price of $30.31 per share, (iii) 8,113 shares of common stock issuable upon conversion of shares of Series B Convertible Preferred Stock at the option of the holder, and (iv) 24,175 shares that are held by third parties, including William F. Wright, and which are covered by an irrevocable proxy under which Mr. Atayan is entitled to vote such shares at any meetings of our stockholders.

(2) The shares reported include 1,906 shares held by the Draupnir Trust, over which Mr. Hobbs has the voting and dispositive power as the advisor. The shares reported do not include 37,849 shares of common stock held by the Lifeboat Foundation, of which Mr. Hobbs is a director. Mr. Hobbs disclaims beneficial ownership of the shares held by Lifeboat Foundation. The information provided is based on the Schedule 13D filed with the SEC on July 22, 2009.

(3) The shares reported include 833 shares that may be issued upon the exercise of currently exercisable stock options.

(4) Mr. Wright retired from our board on January 1, 2010. The shares reported include 10,250 shares of common stock held by AMCON Corporation, as to which Mr. Wright shares dispositive power, and 9,800 shares of common stock held by Aristide Investments, L.P. Christopher H. Atayan has the sole voting power with respect to all of the shares reported. The information provided is based on the Schedule 13D filed with the SEC on July 2, 2009 and other sources.

(5) The shares reported include 90,594 shares that may be issued upon conversion of shares of our convertible preferred stock and 25,833 shares that may be issued upon the exercise of currently exercisable stock options.

(6) The shares reported are issuable upon conversion of shares of our Series B Convertible Preferred Stock, held by Spencer Street Investments, Inc. (a wholly-owned subsidiary of Alexander Dawson, Inc., which is wholly-owned by Alexander Dawson Foundation). The information provided is based on the Schedule 13D filed with the SEC on November 12, 2004. The holder s address is 4045 South Spencer Street, Suite 312, Las Vegas, NV 89119.

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(7) The information provided is based on the Schedule 13D filed with the SEC on September 20, 2006. Mr. Hobbs is a member of Lifeboat s board of directors. The holder s address is 515 North State Street, Suite 2650, Chicago, IL 60610.

(8) This information was provided by Mr. Remer. His address is 77 7th Ave Apt 15E New York, NY 10011.

Securities Authorized For Issuance Under Equity Compensation Plans

The information appearing under the caption Executive Compensation and Related Matters Equity Compensation Plan Information in Item 11 of this report is incorporated in this Item 12 by reference.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.*

Certain Relationships and Related Party Transactions

AMCON Corporation. During our 2009 fiscal year, William F. Wright was an officer, director and stockholder of AMCON Corporation, which is engaged in the beer distribution business in eastern Nebraska through a wholly owned subsidiary. Timothy R. Pestotnik serves as a director of AMCON Corporation, and Christopher H. Atayan and Jeremy W. Hobbs each served as a director of AMCON Corporation until June 2009. AMCON Corporation provides our company with offices and administrative services and our company reimburses AMCON Corporation for a proportionate share of the costs of these offices and services based upon our respective usages. Under this arrangement, our company paid AMCON Corporation $72,000 during our 2009 fiscal year. In fiscal 2010, it is anticipated that our company will pay AMCON Corporation $18,000 under this arrangement. Our company believes the terms on which AMCON Corporation supplies these offices and services to our company are no less favorable than would otherwise be available from unaffiliated parties.

Lending Arrangements. During our 2005 fiscal year, our company s subsidiary, Trinity Springs, Inc., borrowed $500,000, $250,000 and $250,000 from AMCON Corporation (referred to above), Draupnir, LLC and Aristide Investments, L.P., respectively. During fiscal 2006, Draupnir, LLC also extended a $750,000 loan to Trinity Springs. Draupnir, LLC is a private equity firm whose members include Jeremy W. Hobbs. Aristide Investments, L.P. is a California limited partnership of which William F. Wright is a partner. Until May 2009, the entire principal amount of these loans remained outstanding. In May 2009, Crystal Paradise Holdings, Inc. exchanged a $5.0 million note receivable (and $0.1 million of accrued interest) that was due from Trinity Springs for the operating assets of Trinity Springs. Simultaneous with the closing of this exchange transaction, the four loans referred to above were fully settled and satisfied at a discount. As a result, there was no outstanding balance on these loans as of September 30, 2009.

William F. Wright personally guaranteed a note payable in the amount of $0.7 million issued in conjunction with a legal settlement pursuant to which our company pays a 2% guarantee fee. Mr. Wright also has personally guaranteed certain payments in connection with our company s acquisition of Trinity Springs, Inc. in fiscal 2004, but is not being paid a fee in connection with this guarantee.

Retail Warehouse Space. Health Food Associates leases warehouse space from TIP Properties, LLC, which is owned by Eric J. Hinkefent and another employee of our company. Rental payments, including utilities, were $72,649 and $72,649 for our 2009 and 2008 fiscal years, respectively.

Our company s policy is that all transactions between us and our officers, directors and/or five percent stockholders will be on terms no more favorable to those related parties than the terms provided to independent third parties.

Director Independence

Of the seven members of our board of directors, our board has determined that Raymond F. Bentele, Jeremy W. Hobbs, John R. Loyack, Stanley Mayer and Timothy R. Pestotnik each satisfy the independence requirements of AMEX. Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, and has determined that all members of each such committee are independent directors under the listing standards adopted by AMEX.

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ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES.*

Independent Auditor Fees and Services

The following table presents fees for professional audit services rendered by our independent registered public accounting firm for the audit of our annual financial statements for our 2008 and 2009 fiscal years, and fees billed for other services rendered by our independent registered public accounting firm during such fiscal years. All audit and non-audit services provided to our company by our independent registered public accounting firm were approved by our audit committee.

Type of Fee	Fiscal 2008	Fiscal 2009
Audit Fees(1)	$ 356,775	$ 335,127
Audit-Related Fees(2)	23,155	13,500
Tax Fees(3)	70,350	47,710
All Other Fees		
Total	$ 450,280	$ 396,337

(1) Audit Fees, including those for audits, include the aggregate fees paid by us during our 2008 and 2009 fiscal years for professional services rendered for the audit of our annual financial statements, as well as the review of financial statements included in our quarterly reports on Form 10-Q.

(2) Audit Related Fees include the aggregate fees paid by us during our 2008 and 2009 fiscal years for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and not included in Audit Fees, including services provided with respect to the audit of our company s employee benefit plans and with respect to business acquisitions and compliance with Sarbanes-Oxley Act and related regulatory matters.

(3) Tax Fees include the aggregate fees paid by us during our 2008 and 2009 fiscal years for professional services rendered for preparation of tax returns, research and general advice relating to tax issues and compliance.

In making its determination regarding the independence of McGladrey and Pullen, LLP, our audit committee considered whether the provision of the services for which we incurred the Audit-Related Fees, Tax Fees, and All Other Fees was compatible with maintaining such independence.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services

Pursuant to its charter, the audit committee of our board of directors is responsible for reviewing and approving, in advance, any audit and any permissible non-audit engagement or relationship between our company and its independent auditor. Our engagement of McGladrey and Pullen, LLP to conduct the audit of our company for our 2009 fiscal year was approved by the audit committee on October 21, 2008. Additionally, each permissible non-audit engagement or relationship between our company and our independent registered public accounting firm entered into since September 30, 2008 has been reviewed and approved by the audit committee. All audit-related, tax and all other fees were pre-approved by the audit committee. We have been advised by McGladrey and Pullen, LLP that substantially all of the work done in conjunction with its audit of our financial statements for the most recently

completed fiscal year was performed by permanent full time employees and partners of McGladrey and Pullen, LLP.

The audit committee of our board of directors has adopted the following guidelines regarding the engagement of our independent registered public accounting firm to perform services for our company:

The audit committee will pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for our company by its independent registered public accounting firm, subject to the exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934 which must be approved by the audit committee prior to the completion of the audit.

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PART IV

ITEM 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

(a) Financial Statements, Financial Statement Schedules, and Exhibits

(1) *Financial Statements*

The financial statements filed as part of this filing are listed on the index to Consolidated Financial Statements under Item 8.

(2) *Financial Statement Schedules*

Not Applicable.

(3) *Exhibits*

3.1	Restated Certificate of Incorporation of the Company, as amended May 12, 2004 (incorporated by reference to Exhibit 3.1 of AMCON s Annual Report on Form 10-K filed November 7, 2008)
3.2	Certificate of Amendment of Certificate of Incorporation dated March 18, 2005 (incorporated by reference to Exhibit 3.2 of AMCON s Annual Report on Form 10-K filed November 7, 2008)
3.3	Second Corrected Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Securities of AMCON Distributing Company dated August 5, 2004 (incorporated by reference to Exhibit 3.3 of AMCON s Quarterly Report on Form 10-Q filed on August 9, 2004)
3.4	Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Securities of AMCON Distributing Company dated October 8, 2004 (incorporated by reference to Exhibit 3.4 of AMCON s Annual Report on Form 10-K filed on January 7, 2005)
3.5	Amended and Restated Bylaws of the Company dated January 29, 2008 (incorporated by reference to Exhibit 3.2 of AMCON s Current Report on Form 8-K filed on February 4, 2008).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of AMCON s Registration Statement on Form S-1 (Registration No. 33-82848) filed on August 15, 1994)
4.2	Specimen Series A Convertible Preferred Stock Certificate (incorporated by reference to Exhibit 4.2 of AMCON s Quarterly Report on Form 10-Q filed on August 9, 2004)
4.3	Specimen Series B Convertible Preferred Stock Certificate (incorporated by reference to Exhibit 3.4 of AMCON s Annual Report on Form 10-K filed on January 7, 2005)
4.4	Securities Purchase Agreement dated June 17, 2004 between AMCON Distributing Company, William F. Wright and Draupnir, LLC (incorporated by reference to Exhibit 4.3 of AMCON s Quarterly Report on Form 10-Q filed on August 9, 2004)
4.5	Securities Purchase Agreement dated October 8, 2004 between AMCON Distributing Company and Spencer Street Investments, Inc. (incorporated by reference to Exhibit 4.5 of AMCON s Annual Report on Form 10-K filed on January 7, 2005)
10.1	Amended and Restated Loan and Security Agreement, dated September 30, 2004, between the Company and LaSalle National Bank, as agent (incorporated by reference to Exhibit 3.4 of AMCON s Annual Report on Form 10-K filed on January 7, 2005)
10.2	Revised First Amendment To Amended and Restated Loan and Security Agreement, dated April 14, 2005 (incorporated by reference to Exhibit 10.2 of AMCON s Quarterly Report on Form 10-Q filed on May 27, 2005)

10.3	Revised Second Amendment to Amended and Restated Loan and Security Agreement, dated May 23, 2005 (incorporated by reference to Exhibit 10.3 of AMCON s Quarterly Report on Form 10-Q filed on May 27, 2005)
10.4	Third Amendment to Amended and Restated Loan and Security Agreement, dated August 12, 2005 (incorporated by reference to Exhibit 10.4 of AMCON s Quarterly Report on Form 10-Q filed on August 22, 2005)

10.5	Fourth Amendment and Waiver to Amended and Restated Loan and Security Agreement, dated January 9, 2006 (incorporated by reference to Exhibit 10.5 of AMCON s Annual Report on Form 10-K filed on August 23, 2006)
10.6	Fifth Amendment to Amended and Restated Loan and Security Agreement, dated February 8, 2006 (incorporated by reference to Exhibit 10.6 of AMCON s Annual Report on Form 10-K filed on August 23, 2006)
10.7	Sixth Amendment to Amended and Restated Loan and Security Agreement, dated March 3, 2006 (incorporated by reference to Exhibit 10.1 of AMCON s Current Report on Form 8-K filed on March 13, 2006)
10.8	Seventh Amendment to Amended and Restated Loan and Security Agreement, dated November 6, 2006 (incorporated by reference to Exhibit 10.37 of AMCON s Quarterly Report on Form 10-Q filed on November 20, 2006)
10.9	Eighth Amendment to Amended and Restated Loan and Security Agreement, dated December 28, 2006 (incorporated by reference to Exhibit 10.9 of AMCON s Annual Report on Form 10-K filed December 29, 2006)
10.10	Ninth Amendment to Amended and Restated Loan and Security Agreement, dated July 17, 2008 (incorporated by reference to Exhibit 10.9 of AMCON s Quarterly Report on Form 10-Q filed July 17, 2008)
10.11	Tenth Amendment to Amended and Restated Loan and Security Agreement, dated October 15, 2008 (incorporated by reference to Exhibit 10.11 of AMCON s Annual Report on Form 10-K filed November 07, 2008)
10.12	Eleventh Amendment to the Amended and Restated Loan and Security Agreement, dated January 15, 2009 (incorporated by reference to Exhibit 10.1 of AMCON s Quarterly Report on Form 10-Q filed January 20, 2009)
10.13	Twelfth Amendment to the Amended and Restated Loan and Security Agreement, dated July 14, 2009 (incorporated by reference to Exhibit 10.1 of AMCON s Quarterly Report on Form 10-Q filed July 17, 2009)
10.14	Thirteenth Amendment to the Amended and Restated Loan and Security Agreement, dated October 02, 2009.
10.15	First Amended and Restated AMCON Distributing Company 1994 Stock Option Plan (incorporated by reference to Exhibit 10.17 of AMCON s Current Report on Form 10-Q filed on August 4, 2000)*
10.16	AMCON Distributing Company Profit Sharing Plan (incorporated by reference to Exhibit 10.8 of Amendment No. 1 to the Company s Registration Statement on Form S-1 (Registration No. 33-82848) filed on November 8, 1994)*
10.17	2007 Omnibus Incentive Plan dated April 17, 2007 (incorporated herein by reference to Exhibit 10.12 to AMCON s Annual Report on Form 10-K filed on November 9, 2007)*
10.18	Nonqualified Stock Option Agreement for Christopher H. Atayan dated December 12, 2006 (incorporated herein by reference to Exhibit 10.13 to AMCON s Annual Report on Form 10-K filed on November 9, 2007)*
10.19	Agreement, dated September 26, 2006, between the Company and William F. Wright regarding Mr. Wright s services to the Company (incorporated by reference to Exhibit 10.1 of AMCON s Current Report on Form 8-K filed on October 10, 2006)*
10.20	Agreement, dated December 10, 2004 between AMCON Distributing Company and William F. Wright with respect to split dollar life insurance (incorporated by reference to Exhibit 10.6 of AMCON s Annual Report on Form 10-K filed on January 7, 2005)*
10.21	Agreement, dated December 15, 2004 between AMCON Distributing Company and Kathleen M. Evans with respect to split dollar life insurance (incorporated by reference to Exhibit 10.7 of AMCON s Annual Report on Form 10-K filed on January 7, 2005)*

10.22	Guaranty Fee, Reimbursement and Indemnification Agreement, dated as of September 30, 2004, between AMCON Distributing Company and William F. Wright (incorporated by reference to Exhibit 10.17 of AMCON s Annual Report on Form 10-K filed on January 7, 2005)

10.23	Amendment to Guaranty Fee, Reimbursement and Indemnification Agreement, dated July 31, 2007, between AMCON Distributing Company and William F. Wright (incorporated by reference to Exhibit 10.23 to AMCON s Annual Report on Form 10-K filed on November 9, 2007)
10.24	Term Real Estate Promissory Note, dated December 21, 2004, issued by AMCON Distributing Company to M&I (incorporated by reference to Exhibit 10.21 of AMCON s Quarterly Report on Form 10-Q filed on February 14, 2005)
10.25	One Hundred Eighty Day Redemption Mortgage and Security Agreement by and between AMCON Distributing Company and M&I (incorporated by reference to Exhibit 10.23 of AMCON s Quarterly Report on Form 10-Q filed on February 14, 2005)
10.26	Security Agreement by and between AMCON Distributing Company and M&I (incorporated by reference to Exhibit 10.24 of AMCON s Quarterly Report on Form 10-Q filed on February 14, 2005)
10.27	Change of Control Agreement between the Company and Christopher H. Atayan, dated December 29, 2006 (incorporated by reference to Exhibit 10.40 of AMCON s Annual Report on Form 10-K filed on December 29, 2006)*
10.28	Change of Control Agreement between the Company and Kathleen M. Evans, dated December 29, 2006 (incorporated by reference to Exhibit 10.41 of AMCON s Annual Report on Form 10-K filed on December 29, 2006)*
10.29	Settlement Agreement and Mutual General Release dated July 31, 2007 by and between Television Events & Marketing, Inc., Tom Kiely, The Beverage Group, Inc., AMCON Distributing Company, AMCON Corporation, William F. Wright, Archie Thornton and The Thornton Works (incorporated by reference to Exhibit 10.42 to AMCON s Annual Report on Form 10-K filed on November 9, 2007)
10.30	Mutual Release and Settlement Agreement between AMCON Distributing Company, Trinity Springs, Inc., and Crystal Paradise Holdings, Inc. dated September 30, 2007 (incorporated by reference to Exhibit 10.43 to AMCON s Annual Report on Form 10-K filed on November 9, 2007)
10.31	Executive Restricted Stock Award Agreement under the 2007 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.45 to AMCON s Annual Report on Form 10-K filed on November 7, 2008)*
10.32	Director Restricted Stock Award Agreement under the 2007 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.46 to AMCON s Annual Report on Form 10-K filed on November 7, 2008)*
11.1	Statement re: computation of per share earnings (incorporated by reference to Note 4 to the Consolidated Financial Statements included as a part of this report on Form 10-K under Item 8)
21.1	Subsidiaries of the Company
23.1	Consent of Independent Registered Public Accounting Firm (McGladery & Pullen LLP)
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 and Chief 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 and Chief Financial Officer, furnished pursuant to section 906 of the Sarbanes-Oxley Act

* Represents management contract or compensation plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

January 28, 2010

AMCON DISTRIBUTING COMPANY
(registrant)

By:
/s/ Christopher H. Atayan

Christopher H. Atayan,
Chief Executive Officer and Chairman

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