AMCON DISTRIBUTING CO
Form 10-Q
January 18, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2016

OR

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

For the transition period from ___________to _________

Commission File Number 1-15589

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	47-0702918 (I.R.S. Employer Identification No.)
7405 Irvington Road, Omaha NE	68122

(Address of principal executive offices) (Zip code)

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

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

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

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

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

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

The Registrant had 678,938 shares of its $.01 par value common stock outstanding as of January 16, 2017.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

AMCON Distributing Company and Subsidiaries

Condensed Consolidated Balance Sheets

December 31, 2016 and September 30, 2016

	December 2016 (Unaudited)	September 2016
ASSETS		
Current assets:		
Cash	$ 331,420	$ 605,380
Accounts receivable, less allowance for doubtful accounts of $0.7 million at December 2016 and $0.7 million at September 2016	26,427,248	30,033,104
Inventories, net	49,731,837	48,404,882
Deferred income taxes	1,088,148	1,441,919
Income taxes receivable	136,825	164,959
Prepaid and other current assets	6,638,196	8,608,049
Total current assets	84,353,674	89,258,293
Property and equipment, net	12,375,237	12,607,877
Goodwill	6,349,827	6,349,827
Other intangible assets, net	3,693,061	3,759,311
Other assets	264,008	288,082
	$ 107,035,807	$ 112,263,390
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 15,819,728	$ 18,164,983
Accrued expenses	5,657,934	6,792,884
Accrued wages, salaries and bonuses	1,656,895	3,580,996
Current maturities of long-term debt	365,243	362,495
Total current liabilities	23,499,800	28,901,358
Credit facility	9,804,445	10,537,226
Deferred income taxes	4,074,770	4,021,569
Long-term debt, less current maturities	2,929,414	3,021,824
Other long-term liabilities	31,134	30,815

Shareholders' equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized	—	—
Common stock, $.01 par value, 3,000,000 shares authorized, 678,938 shares outstanding and issued at December 2016 and 677,057 shares outstanding and issued at September 2016	8,314	8,184
Additional paid-in capital	20,784,552	19,525,554
Retained earnings	59,417,819	58,693,241
Treasury stock at cost	(13,514,441)	(12,476,381)
Total shareholders' equity	66,696,244	65,750,598
	$ 107,035,807	$ 112,263,390

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

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AMCON Distributing Company and Subsidiaries

Condensed Consolidated Unaudited Statements of Operations

for the three months ended December 31, 2016 and 2015

	For the three months ended December 2016	2015
Sales (including excise taxes of $91.0 million and $97.3 million, respectively)	$ 310,104,229	$ 322,008,249
Cost of sales	291,788,243	303,046,345
Gross profit	18,315,986	18,961,904
Selling, general and administrative expenses	15,698,319	15,845,134
Depreciation and amortization	526,433	566,949
	16,224,752	16,412,083
Operating income	2,091,234	2,549,821
Other expense (income):		
Interest expense	217,543	212,454
Other (income), net	(5,773)	(27,255)
	211,770	185,199
Income from operations before income tax expense	1,879,464	2,364,622
Income tax expense	833,000	1,009,000
Net income	1,046,464	1,355,622
Preferred stock dividend requirements	—	(49,177)
Net income available to common shareholders	$ 1,046,464	$ 1,306,445
Basic earnings per share available to common shareholders	$ 1.54	$ 2.09
Diluted earnings per share available to common shareholders	$ 1.52	$ 1.85
Basic weighted average shares outstanding	681,668	625,356
Diluted weighted average shares outstanding	688,676	733,484
Dividends declared and paid per common share	$ 0.18	$ 0.18

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

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AMCON Distributing Company and Subsidiaries

Condensed Consolidated Unaudited Statements of Cash Flows

for the three months ended December 31, 2016 and 2015

	December 2016	December 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,046,464	$ 1,355,622
Adjustments to reconcile net income from operations to net cash flows from operating activities:		
Depreciation	460,183	475,699
Amortization	66,250	91,250
Gain on sale of property and equipment	(23,559)	(11,441)
Equity-based compensation	459,278	349,522
Deferred income taxes	406,972	419,524
Provision for losses on doubtful accounts	183	8,000
Provision for losses on inventory obsolescence	58,776	44,903
Other	319	(2,011)
Changes in assets and liabilities:		
Accounts receivable	3,605,673	448,271
Inventories	(1,385,731)	17,044,395
Prepaid and other current assets	1,969,853	(4,683,879)
Other assets	24,074	37,392
Accounts payable	(2,179,939)	(1,268,360)
Accrued expenses and accrued wages, salaries and bonuses	(2,370,918)	(2,046,917)
Income taxes receivable	28,134	454,861
Net cash flows from operating activities	2,166,012	12,716,831
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(400,778)	(361,565)
Proceeds from sales of property and equipment	31,478	14,000
Net cash flows from investing activities	(369,300)	(347,565)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments on bank credit agreements	(732,781)	(9,752,570)
Principal payments on long-term debt	(89,662)	(86,998)
Repurchase of common stock	(1,038,060)	(2,154,670)
Dividends paid on convertible preferred stock	—	(49,177)
Dividends on common stock	(127,713)	(119,514)
Withholdings on the exercise of equity-based awards	(82,456)	(81,406)
Net cash flows from financing activities	(2,070,672)	(12,244,335)
Net change in cash	(273,960)	124,931
Cash, beginning of period	605,380	219,536
Cash, end of period	$ 331,420	$ 344,467

Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 223,802	$ 225,512
Cash paid during the period for income taxes	397,894	134,615
Supplemental disclosure of non-cash information:		
Equipment acquisitions classified as accounts payable	2,128	22,351
Dividends payable	194,173	178,614
Issuance of common stock in connection with the vesting and exercise of equity-based awards.	1,262,763	1,174,981

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

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AMCON Distributing Company and Subsidiaries

Notes to Condensed Consolidated Unaudited Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

AMCON Distributing Company and Subsidiaries (“AMCON” or the “Company”) operate two business segments:

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

- Our retail health food segment (“Retail Segment”) operates sixteen health food retail stores located throughout the Midwest and Florida.

WHOLESALE SEGMENT

Our Wholesale Segment is one of the largest wholesale distributors in the United States serving approximately 4,000 retail outlets including convenience stores, grocery stores, liquor stores, drug stores, and tobacco shops. We currently distribute over 16,000 different consumer products, including cigarettes and tobacco products, candy and other confectionery, beverages, groceries, paper products, health and beauty care products, frozen and chilled products and institutional foodservice products. Convenience stores represent our largest customer category. In September 2016, Convenience Store News ranked us as the seventh (7th) largest convenience store distributor in the United States based on annual sales.

Our wholesale business offers retailers the ability to take advantage of manufacturer and Company sponsored sales and marketing programs, merchandising and product category management services, and the use of information systems and data services that are focused on minimizing retailers’ investment in inventory, while seeking to maximize their sales and profits. In addition, our wholesale distributing capabilities provide valuable services to both manufacturers of consumer products and convenience retailers. Manufacturers benefit from our broad retail coverage, inventory management, efficiency in processing small orders, and frequency of deliveries. Convenience retailers benefit from our distribution capabilities by gaining access to a broad product line, optimizing inventory, merchandising expertise, information systems, and accessing trade credit.

Our Wholesale Segment operates six distribution centers located in Illinois, Missouri, Nebraska, North Dakota, South Dakota, and Tennessee. These distribution centers, combined with cross dock facilities, include approximately 641,000 square feet of permanent floor space. Our principal suppliers include Altria, RJ Reynolds, ITG Brands, Hershey, Kelloggs, Kraft, and Mars. We also market private label lines of water, candy products, batteries, and other products. We do not maintain any long-term purchase contracts with our suppliers.

RETAIL SEGMENT

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

We operate within the natural products retail industry, which is a subset of the large and stable U.S. grocery industry. This industry includes conventional, natural, gourmet and specialty food markets, mass and discount retailers, warehouse clubs, health food stores, dietary supplement retailers, drug stores, farmers markets, mail order and online retailers, and multi-level marketers.

Our Retail Segment operates sixteen retail health food stores as Chamberlin's Market & Café and Akin's Natural Foods Market. These stores carry over 32,000 different national and regionally branded and private label products including high-

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quality natural, organic, and specialty foods consisting of produce, baked goods, frozen foods, nutritional supplements, personal care items, and general merchandise. Chamberlin's, which was established in 1935, operates six stores in and around Orlando, Florida. Akin's, which was also established in 1935, has a total of ten locations in Arkansas, Kansas, Missouri, Nebraska, and Oklahoma.

FINANCIAL STATEMENTS

The Company's fiscal year ends on September 30. The results for the interim period included with this Quarterly Report may not be indicative of the results which could be expected for the entire fiscal year. All significant intercompany transactions and balances have been eliminated in consolidation. Certain information and footnote disclosures normally included in our annual financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been condensed or omitted. In the opinion of management, the accompanying condensed consolidated unaudited financial statements ("financial statements") contain all adjustments necessary to fairly present the financial information included herein, such as adjustments consisting of normal recurring items. The Company believes that although the disclosures contained herein are adequate to prevent the information presented from being misleading, these financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the fiscal year ended September 30, 2016, as filed with the Securities and Exchange Commission on Form 10-K. For purposes of this report, unless the context indicates otherwise, all references to "we", "us", "our", the "Company", and "AMCON" shall mean AMCON Distributing Company and its subsidiari Additionally, the three month fiscal periods ended December 31, 2016 and December 31, 2015 have been referred to throughout this quarterly report as Q1 2017 and Q1 2016, respectively. The fiscal balance sheet dates as of December 31, 2016 and September 30, 2016 have been referred to as December 2016 and September 2016, respectively.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Company is currently evaluating the following new accounting pronouncements and their potential impact, if any, on our consolidated financial statements:

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 provides guidance regarding the classification of certain items within the statements of cash flows. ASU 2016-15 is effective for annual periods beginning after December 15, 2017 with early adoption permitted.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of how companies account for share-based compensation, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statements of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016 and early adoption is permitted.

In February 2016, FASB issued ASU No. 2016-02 "Leases" ("ASU 2016-02"). ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for all leases greater than one year in duration and classified as operating leases under previous GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and for interim periods within that fiscal year.

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In November 2015, FASB issued ASU No. 2015-17 "Income Taxes: Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). ASU 2015-17 eliminates the requirement to bifurcate deferred taxes between current and non-current on the balance sheet and requires that deferred tax liabilities and assets be classified as noncurrent on the balance sheet. ASU 2015-17 is effective for public entities in fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. The amendments for ASU 2015-17 can be applied retrospectively or prospectively and early adoption is permitted.

In July 2015, FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory" ("ASU 2015-11"). ASU 2015-11 requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using last-in, first-out ("LIFO") or the retail inventory method. This ASU is effective for fiscal years beginning after December 15, 2016. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This ASU supersedes the revenue recognition requirements in "Accounting Standard Codification 605 - Revenue Recognition" and most industry-specific guidance. The standard requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. This ASU is effective for fiscal years beginning after December 15, 2017, and for interim periods within that fiscal year.

2. CONVERTIBLE PREFERRED STOCK

In fiscal 2016, the Company had 100,000 shares of Series A Preferred Stock ("Series A") and 16,000 shares of Series B Preferred Stock ("Series B") outstanding. During the fourth quarter of fiscal 2016, all outstanding shares of Series A and Series B were converted to 98,707 common shares of the Company pursuant to terms provided in the preferred stock agreements. Mr. Christopher Atayan, AMCON's Chief Executive Officer and Chairman of the Board, owned all of the outstanding shares of the Series A and 8,000 shares of the Series B. During Q1 2016, the Company paid cash dividends of approximately $0.1 million to Mr. Atayan related to his ownership of the Series A and Series B.

3. INVENTORIES

At December 2016 and September 2016, inventories consisted of finished goods and are stated at the lower of cost (determined on a FIFO basis for our wholesale segment and using the retail method for our retail segment) or market. The wholesale distribution and retail health food segment inventories consist of finished products purchased in bulk quantities to be redistributed to the Company's customers or sold at retail. Finished goods included total reserves of approximately $0.9 million at both December 2016 and September 2016. These reserves include the Company's obsolescence allowance, which reflects estimated unsalable or non-refundable inventory based upon an evaluation of slow moving and discontinued products.

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4. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	December 2016	September 2016
Wholesale Segment	$ 4,436,950	$ 4,436,950
Retail Segment	1,912,877	1,912,877
	$ 6,349,827	$ 6,349,827

Other intangible assets of the Company consisted of the following:

	December 2016	September 2016
Trademarks and tradenames (Retail Segment)	$ 3,373,269	$ 3,373,269
Customer relationships (Wholesale Segment) (less accumulated amortization of approximately $1.8 million and $1.7 million at December 2016 and September 2016, respectively)	319,792	386,042
	$ 3,693,061	$ 3,759,311

Goodwill, trademarks and tradenames are considered to have indefinite useful lives and therefore no amortization has been taken on these assets. At December 2016, identifiable intangible assets considered to have finite lives were represented by customer relationships which are being amortized over eight years. These intangible assets are evaluated for accelerated attrition or amortization adjustments if warranted. Amortization expense related to these assets was $0.1 million during both Q1 2017 and Q1 2016.

Estimated future amortization expense related to identifiable intangible assets with finite lives is as follows at December 2016:

	December 2016
Fiscal 2017 (1)	$ 198,750

Fiscal 2018	79,375
Fiscal 2019	41,667
	$ 319,792

(1) Represents amortization for the remaining nine months of Fiscal 2017.

5. DIVIDENDS

The Company paid cash dividends on its common stock and convertible preferred stock totaling $0.1 million and $0.2 million for the three month periods ended December 2016 and December 2015, respectively.

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6. EARNINGS PER SHARE

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

	For the three months ended December			
	2016		2015	
	Basic	Diluted	Basic	Diluted
Weighted average common shares outstanding	681,668	681,668	625,356	625,356
Weighted average net additional shares outstanding assuming dilutive options exercised and proceeds used to purchase treasury stock and conversion of preferred stock (1)	—	7,008	—	108,128
Weighted average number of shares outstanding	681,668	688,676	625,356	733,484
Net income	$ 1,046,464	$ 1,046,464	$ 1,355,622	$ 1,355,622
Deduct: convertible preferred stock dividends (2)	—	—	(49,177)	—
Net income available to common shareholders	$ 1,046,464	$ 1,046,464	$ 1,306,445	$ 1,355,622
Net earnings per share available to common shareholders	$ 1.54	$ 1.52	$ 2.09	$ 1.85

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

7. DEBT

The Company primarily finances its operations through a credit facility agreement (the “Facility”) and long-term debt agreements with banks. The Facility is provided through Bank of America acting as the senior agent and with BMO Harris Bank participating in a loan syndication.

The Facility included the following significant terms at December 2016:

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

· $70.0 million revolving credit limit.

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

· A provision providing an additional $10.0 million of credit advances for certain inventory purchases.

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

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

- Lending limits subject to accounts receivable and inventory limitations.

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

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

- A financial covenant requiring a fixed charge coverage ratio of at least 1.0 as measured by the previous twelve month period then ended only if excess availability falls below 10% of the maximum loan limit as defined in the credit agreement. The Company's availability has not fallen below 10% of the maximum loan limit and the Company's fixed charge ratio is over 1.0.

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

Cross Default and Co-Terminus Provisions

The Company owns real estate in Bismarck, ND, Quincy, IL, and Rapid City, SD, which is financed through a single term loan with BMO Harris Bank (the "Real Estate Loan") which is also a participant lender on the Company's revolving line of credit. The Real Estate Loan contains cross default provisions which cause the loan to be considered in default if the loans where BMO is a lender, including the revolving credit facility, is in default. There were no such cross defaults at December 2016. In addition, the Real Estate Loan contains co-terminus provisions which require all loans with BMO to be paid in full if any of the loans are paid in full prior to the end of their specified terms.

Other

AMCON has issued a letter of credit in the amount of approximately $0.4 million to its workers' compensation insurance carrier as part of its self-insured loss control program.

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8. EQUITY-BASED INCENTIVE AWARDS:

Omnibus Plan

The Company has two equity-based incentive plans, the 2007 Omnibus Incentive Plan and 2014 Omnibus Incentive Plan (collectively "the Omnibus Plans"), which provide for equity incentives to employees. Each 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 Plans together permit the issuance of up to 225,000 shares of the Company's common stock in the form of stock options, restricted stock awards, restricted stock units, performance share awards as well as awards such as stock appreciation rights, performance units, performance shares, bonus shares, and dividend share awards payable in the form of common stock or cash. The number of shares issuable under the Omnibus Plans is subject to customary adjustments in the event of stock splits, stock dividends, and certain other distributions on the Company's common stock. At December 2016, awards with respect to a total of 191,435 shares, net of forfeitures, had been awarded pursuant to the Omnibus Plans and awards with respect to another 33,565 shares may be awarded under the Omnibus Plans.

Stock Options

The Company issued 6,000 and 5,500 incentive stock options during Q1 2017 and Q1 2016, respectively, to various employees pursuant to the provisions of the Company's 2014 Omnibus Plan. The stock options issued by the Company expire ten years from the grant date and include a five year graded annual vesting schedule. The awards had an estimated grant date fair value of approximately $0.1 million in both Q1 2017 and Q1 2016 using the Black Scholes option pricing model. The following assumptions were used in connection with the Black Scholes option pricing calculation as it relates to the Q1 2017 and Q1 2016 incentive stock option awards:

	Stock Option Pricing Assumptions Q1 2017		Stock Option Pricing Assumptions Q1 2016	
Risk-free interest rate	2.12	%	1.98	%
Dividend yield	0.6	%	0.9	%
Expected volatility	22.40	%	24.30	%
Expected life in years	6		6	

The following is a summary of stock option activity during Q1 2017:

	Number of Shares	Weighted Average Exercise Price
Outstanding at September 2016	22,800	$ 69.79
Granted	6,000	91.65
Exercised	—	—
Forfeited/Expired	—	—
Outstanding at December 2016	28,800	$ 74.34

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Restricted Stock Units

At December 2016, the Compensation Committee of the Board of Directors had authorized and approved the following restricted stock unit awards to members of the Company's management team pursuant to the provisions of the Company's Omnibus Plans:

	Restricted Stock Units(1)	Restricted Stock Units(2)	Restricted Stock Units(3)	Restricted Stock Units(4)
Date of award:	October 2013	October 2014	October 2015	October 2016
Original number of awards issued:	17,600	13,000	13,250	13,000
Service period:	36 - 60 months	36 months	36 - 60 months	36 months
Estimated fair value of award at grant date:	$ 1,486,000	$ 1,083,000	$ 1,112,000	$ 1,191,000
Awards outstanding at December 31, 2016:	1,320	4,334	8,867	13,000
Fair value of non-vested awards at December 31, 2016 of approximately:	$ 152,000	$ 500,000	$ 1,022,000	$ 1,499,000

(1)16,280 restricted stock units were vested as of December 2016. The remaining 1,320 restricted stock units will vest in equal amounts in October 2017 and October 2018.

(2)8,666 of the restricted stock units were vested as of December 2016. The remaining 4,334 restricted stock units will vest in October 2017.

(3)4,383 restricted stock units were vested as of December 2016. 4,333 restricted stock units will vest in October 2017 and 4,334 will vest in October 2018. The remaining 200 restricted stock units will vest in equal annual amounts in October 2017 through October 2020.

(4)The 13,000 restricted stock units will vest in equal amounts in October 2017, October 2018, and October 2019.

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

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

The following summarizes restricted stock unit activity under the Omnibus Plans during Q1 2017:

	Number of Shares	Weighted Average Fair Value
Nonvested restricted stocks units at September 2016	28,567	$ 90.96
Granted	13,000	91.65
Vested	(14,046)	94.70
Expired	—	—
Nonvested restricted stocks units at December 2016	27,521	$ 115.30

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All Equity-Based Awards (stock options and restricted stock units)

Net income before income taxes included compensation expense of approximately $0.5 million and $0.3 million during Q1 2017 and Q1 2016, respectively, related to the amortization of all equity-based compensation awards. Total unamortized compensation expense related to these awards at December 2016 and September 2016 was approximately $3.1 million and $1.5 million, respectively.

9. BUSINESS SEGMENTS

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

	Wholesale Segment	Retail Segment	Other	Consolidated
THREE MONTHS ENDED DECEMBER 2016				
External revenue:				
Cigarettes	$ 221,769,023	$ —	$ —	$ 221,769,023
Tobacco	38,685,826	—	—	38,685,826
Confectionery	18,600,447	—	—	18,600,447
Health food	—	6,239,304	—	6,239,304
Foodservice & other	24,809,629	—	—	24,809,629
Total external revenue	303,864,925	6,239,304	—	310,104,229
Depreciation	342,674	117,509	—	460,183
Amortization	66,250	—	—	66,250
Operating income	3,968,792	(298,486)	(1,579,072)	2,091,234
Interest expense	26,393	—	191,150	217,543
Income from operations before taxes	3,943,902	(294,215)	(1,770,223)	1,879,464
Total assets	93,912,144	13,038,299	85,364	107,035,807
Capital expenditures	166,775	234,003	—	400,778

THREE MONTHS ENDED DECEMBER 2015				
External revenue:				
Cigarettes	$ 231,953,328	$ —	$ —	$ 231,953,328
Tobacco	37,628,491	—	—	37,628,491
Confectionery	19,845,836	—	—	19,845,836
Health food	—	7,274,118	—	7,274,118
Foodservice & other	25,306,476	—	—	25,306,476
Total external revenue	314,734,131	7,274,118	—	322,008,249
Depreciation	358,567	117,132	—	475,699
Amortization	91,250	—	—	91,250
Operating income	3,849,152	64,125	(1,363,456)	2,549,821
Interest expense	30,032	—	182,422	212,454
Income from operations before taxes	3,841,742	68,758	(1,545,878)	2,364,622
Total assets	94,162,368	12,488,933	83,051	106,734,352
Capital expenditures	326,553	35,012	—	361,565

10. COMMON STOCK REPURCHASE

During Q1 2017, the Company repurchased 11,104 shares of its common stock for cash totaling approximately $1.0 million. All repurchased shares were recorded in treasury stock at cost.

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections, contains forward-looking statements that are subject to risks and uncertainties and which reflect management's current beliefs and estimates of future economic circumstances, industry conditions, company performance and financial results. Forward-looking statements include information concerning the possible or assumed future results of operations of the Company and those statements preceded by, followed by or that include the words "future," "position," "anticipate(s)," "expect," "believe(s)," "see," "plan," "further improve," "outlook," 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:

- increasing competition in our wholesale and retail health food businesses and any associated impact on the carrying value of intangible assets within those businesses,
- increases in state and federal excise taxes on cigarette and tobacco products,
- higher commodity prices which could impact food ingredient costs for many of the products we sell,
- regulation of cigarette, tobacco, and e-cigarette products by the FDA, in addition to existing state and federal regulations by other agencies,
- potential bans or restrictions imposed by the FDA on the manufacture, distribution, and sale of certain cigarette and tobacco products,
- changes in fuel prices,

- increases in manufacturer prices,
- increases in inventory carrying costs and customer credit risk,
- changes in promotional and incentive programs offered by manufacturers,
- demand for the Company's products, particularly cigarette and tobacco products,
- risks associated with opening new retail stores,
- the expansion of large and well capitalized national and regional health food retail store chains,
- increasing competition in our retail health food segment (online, conventional grocery stores, mass merchants, etc.),
- management periodically reviews market conditions and the demand for various assets that may lead to acquisitions, divestitures, new business ventures, or efforts to expand, each of which carries integration and execution risk,
- increasing health care costs and the potential impact on discretionary consumer spending,

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- changes in laws and regulations and ongoing compliance with the Patient Protection and Affordable Care Act,

- decreased availability of capital resources,

- domestic regulatory and legislative risks,

- poor weather conditions,

- consolidation trends within the convenience store, wholesale distribution, and retail health food industries,

- natural disasters and domestic or political unrest,

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

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

CRITICAL ACCOUNTING ESTIMATES

Certain accounting estimates used in the preparation of the Company's financial statements require us to make judgments and estimates and the financial results we report may vary depending on how we make these judgments and estimates. Our critical accounting estimates are set forth in our annual report on Form 10-K for the fiscal year ended September 30, 2016, as filed with the Securities and Exchange Commission. There have been no significant changes with respect to these policies during our fiscal quarter ended December 2016.

FIRST FISCAL QUARTER 2017 (Q1 2017)

The following discussion and analysis includes the Company's results of operations for the three months ended December 2016 and December 2015:

Wholesale Segment

Our Wholesale Segment is one of the largest wholesale distributors in the United States serving approximately 4,000 retail outlets including convenience stores, grocery stores, liquor stores, drug stores, and tobacco shops. We currently distribute over 16,000 different consumer products, including cigarettes and tobacco products, candy and other confectionery, beverages, groceries, paper products, health and beauty care products, frozen and chilled products and institutional foodservice products. Convenience stores represent our largest customer category. In September 2016, Convenience Store News ranked us as the seventh (7th) largest convenience store distributor in the United States based on annual sales.

Our wholesale business offers retailers the ability to take advantage of manufacturer and Company sponsored sales and marketing programs, merchandising and product category management services, and the use of information systems and data services that are focused on minimizing retailers' investment in inventory, while seeking to maximize their sales and profits. In addition, our wholesale distributing capabilities provide valuable services to both manufacturers of consumer products and convenience retailers. Manufacturers benefit from our broad retail coverage, inventory management, efficiency in processing small orders, and frequency of deliveries. Convenience retailers benefit from our distribution capabilities by gaining access to a broad product line, optimizing inventory, merchandising expertise, information systems, and accessing trade credit.

Our Wholesale Segment operates six distribution centers located in Illinois, Missouri, Nebraska, North Dakota, South Dakota, and Tennessee. These distribution centers, combined with cross dock facilities, include approximately 641,000

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square feet of permanent floor space. Our principal suppliers include Altria, RJ Reynolds, ITG Brands, Hershey, Kelloggs, Kraft, and Mars. We also market private label lines of water, candy products, batteries, and other products. We do not maintain any long-term purchase contracts with our suppliers.

Retail Segment

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

We operate within the natural products retail industry, which is a subset of the large and stable U.S. grocery industry. This industry includes conventional, natural, gourmet and specialty food markets, mass and discount retailers, warehouse clubs, health food stores, dietary supplement retailers, drug stores, farmers markets, mail order and online retailers, and multi-level marketers.

Our Retail Segment operates sixteen retail health food stores as Chamberlin’s Market & Café and Akin’s Natural Foods Market. These stores carry over 32,000 different national and regionally branded and private label products including high-quality natural, organic, and specialty foods consisting of produce, baked goods, frozen foods, nutritional supplements, personal care items, and general merchandise. Chamberlin’s, which was established in 1935, operates six stores in and around Orlando, Florida. Akin’s, which was also established in 1935, has a total of ten locations in Arkansas, Kansas, Missouri, Nebraska, and Oklahoma.

Business Update - Wholesale Segment

The convenience store industry is experiencing heightened competition from the expansion of other retail formats such as quick service restaurants, drug stores, and dollar stores, all of which are targeting product categories traditionally dominated by convenience stores.

In response, the convenience store industry is migrating towards higher end offerings such as foodservice and are increasingly using digital technologies to help run and promote their businesses. Long term, we believe these trends benefit larger distributors such as our Company which have built robust foodservice and technology platforms.

Forward looking, maintaining a disciplined growth strategy centered on risk-adjusted returns remains a top priority. Organic sales growth and expanding our geographic footprint either through strategic acquisitions or establishing distribution centers in new markets also remain areas of important focus.

Business Update - Retail Segment

The demand for natural and fresh products has attracted a wide range of new competition. Both regional and national health food stores such as Whole Foods Market, Trader Joe’s, Sprouts Farmers Market, Natural Grocers, Vitamin Shoppe, Lucky’s Market, and Fresh Thyme Farmers Market have expanded aggressively in recent years. In addition, conventional retail stores (grocery stores, mass merchants etc.) have greatly enhanced their natural product offerings. At the same time, the operating environment for retailers who maintain a physical footprint has intensified as consumers migrate to online shopping formats. The combination of these factors has pressured sales for all retailers including our health food stores.

Despite these considerations, we believe the wellness sector presents a compelling long term growth opportunity. In an effort to better position our stores in the current operating environment, we have undertaken a number of initiatives to drive future growth.

These initiatives are centered on four functional areas: 1) adding new stores which incorporate modern design themes and technology enabled services, 2) modernizing existing stores on a targeted basis, 3) an enhanced merchandising strategy, and 4) the introduction of a new branding strategy within the markets we operate.

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In connection with this strategic plan, during our fourth quarter of fiscal 2016 we opened a new store in our Florida market. This new store replaced our flagship Florida store which closed earlier in fiscal 2016 upon the expiration of its lease.

RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 2016:

	For the three months ended December			
	2016	2015	Incr (Decr)	% Change
CONSOLIDATED:				
Sales(1)	$ 310,104,229	$ 322,008,249	$ (11,904,020)	(3.7)
Cost of sales	291,788,243	303,046,345	(11,258,102)	(3.7)
Gross profit	18,315,986	18,961,904	(645,918)	(3.4)
Gross profit percentage	5.9 %	5.9 %		
Operating expense	$ 16,224,752	$ 16,412,083	$ (187,331)	(1.1)
Operating income	2,091,234	2,549,821	(458,587)	(18.0)
Interest expense	217,543	212,454	5,089	2.4
Income tax expense	833,000	1,009,000	(176,000)	(17.4)
Net income	1,046,464	1,355,622	(309,158)	(22.8)
BUSINESS SEGMENTS:				
Wholesale				
Sales	$ 303,864,925	$ 314,734,131	$ (10,869,206)	(3.5)
Gross profit	15,568,583	15,915,638	(347,055)	(2.2)
Gross profit percentage	5.1 %	5.1 %		
Retail				
Sales	$ 6,239,304	$ 7,274,118	$ (1,034,814)	(14.2)
Gross profit	2,747,403	3,046,266	(298,863)	(9.8)
Gross profit percentage	44.0 %	41.9 %		

(1) Sales are reported net of costs associated with incentives provided to retailers. These incentives totaled $5.5 million in Q1 2017 and $5.4 million in Q1 2016.

SALES

Changes in sales are driven by two primary components:

(i) changes to selling prices, which are largely controlled by our product suppliers, and excise taxes imposed on cigarettes and tobacco products by various states; and

(ii) changes in the volume of products sold to our customers, either due to a change in purchasing patterns resulting from consumer preferences or the fluctuation in the comparable number of business days in our reporting period.

SALES - Q1 2017 vs. Q1 2016

Sales in our Wholesale Segment decreased $10.9 million during Q1 2017 as compared to Q1 2016. Significant items impacting sales during Q1 2017 included $16.4 million decrease in sales related to the volume and mix of cigarette cartons sold and a $0.7 million decrease in sales related to lower sales in our tobacco, beverage, snacks, candy, grocery, health & beauty products, automotive, foodservice, and store supplies categories (“Other Products”). These decreases were partially offset by a $6.2 million increase in sales related to price increases implemented by cigarette manufacturers.

Sales in our Retail Segment decreased $1.0 million in Q1 2017 as compared to Q1 2016. Of this change, approximately $0.5 million related to the closure of our flagship Florida market store upon the expiration of its lease as previously discussed, partially offset by the opening of our new Florida store. The remaining $0.5 million change in sales was primarily related to lower sales in our existing stores which have experienced increased competition.

GROSS PROFIT - Q1 2017 vs. Q1 2016

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 decreased $0.3 million during Q1 2017 as compared to Q1 2016, primarily related to lower cigarette sales volume. Q1 2017 gross profit in our Retail Segment decreased $0.3 million as compared to Q1 2016, primarily related to the impact of relocating one of our Florida market stores as previously discussed and the impact of lower sales volume in our remaining stores. Our Retail Segment gross profit margin benefited during Q1 2017 due to the closing of the previously mentioned Florida store which had lower gross profit margins, and the opening of a new store which had higher gross profit margins related to vendor promotions.

OPERATING EXPENSE - Q1 2017 vs. Q1 2016

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, and insurance costs. Our Q1 2017 operating expenses decreased $0.2 million primarily related to lower employee benefit expenses including health insurance costs.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company's 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.

In general, the Company finances its operations through a credit agreement (the "Facility") with Bank of America acting as the senior agent and with BMO Harris Bank participating in the loan syndication. The Facility included the following significant terms at December 2016:

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

· $70.0 million revolving credit limit.

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

· A provision providing an additional $10.0 million of credit advances for certain inventory purchases.

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

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

- Lending limits subject to accounts receivable and inventory limitations.

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

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

- A financial covenant requiring a fixed charge coverage ratio of at least 1.0 as measured by the previous twelve month period then ended only if excess availability falls below 10% of the maximum loan limit as defined in the credit agreement. The Company's availability has not fallen below 10% of the maximum loan limit and the Company's fixed charge ratio is over 1.0.

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

The amount available for use on the Facility at any given time is subject to a number of factors including eligible accounts receivable and inventory balances that fluctuate day-to-day. Based on our collateral and loan limits as defined in the Facility agreement, the credit limit of the Facility at December 2016 was $62.5 million, of which $9.8 million was outstanding, leaving $52.7 million available.

At December 2016, the revolving portion of the Company's Facility balance bore interest based on the bank's prime rate and various short-term LIBOR rate elections made by the Company. The average interest rate was 3.12% at December 2016. For the three months ended December 2016, our peak borrowings under the Facility were $41.1 million, and our average borrowings and average availability under the Facility were $25.9 million and $42.1 million, respectively.

Cross Default and Co-Terminus Provisions

The Company’s owned real estate in Bismarck, ND, Quincy, IL, and Rapid City, SD, which is financed through a single term loan with BMO Harris Bank (the “Real Estate Loan”) which is also a participant lender on the Company’s revolving line of credit. The Real Estate Loan contains cross default provisions which cause the loan to be considered in default if the loans where BMO is a lender, including the revolving credit facility, is in default. There were no such cross defaults at December 2016. In addition, the Real Estate Loan contains co-terminus provisions which require all loans with BMO to be paid in full if any of the loans are paid in full prior to the end of their specified terms.

Dividends Payments

The Company paid cash dividends on its common stock and convertible preferred stock totaling $0.1 million and $0.2 million for the three months ended December 2016 and December 2015, respectively.

Contractual Obligations

There have been no significant changes to the Company’s contractual obligations as set forth in the Company’s annual report on Form 10-K for the fiscal period ended September 30, 2016.

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Other

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

Off-Balance Sheet Arrangements

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

Liquidity Risk

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

As required by Rules 13a-15(b) and 15d-15(b) under the Exchange Act, an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2016 was made under the supervision and with the participation of our senior management, including our principal executive officer and principal financial officer. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

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

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judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management's override of the control.

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control that occurred during the fiscal quarter ended December 31, 2016, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the Company's risk factors as previously disclosed in Item 1A "Risk Factors" of the Company's annual report on Form 10-K for the fiscal year ended September 30, 2016.

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

The following table summarizes the purchases made by or on behalf of our Company or certain affiliated purchasers of shares of our common stock during the quarterly period ended December 2016:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs *
October 1-31, 2016	—	—	—	41,165
November 1 - 30, 2016	11,104	$ 93.48	11,104	30,061
December 1 - 31, 2016	—	—	—	50,000
Total	11,104	$ 93.48	11,104	50,000

*In December 2016, the Company's Board of Directors authorized purchases of up to 50,000 shares of our Company's common stock in open market or negotiated transactions. Management was given discretion to determine the number and pricing of the shares to be purchased, as well as the timing of any such purchases.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

(a) Exhibits

31.1	Certification by Christopher H. Atayan, Chief Executive Officer and Chairman, filed pursuant to section 302 of the Sarbanes-Oxley Act
31.2	Certification by Andrew C. Plummer, Vice President, Chief Financial Officer, and Principal Financial Officer filed pursuant to section 302 of the Sarbanes-Oxley Act
32.1	Certification by Christopher H. Atayan, Chief Executive Officer and Chairman, furnished pursuant to section 906 of the Sarbanes-Oxley Act
32.2	Certification by Andrew C. Plummer, Vice President, Chief Financial Officer, and Principal Financial Officer furnished pursuant to section 906 of the Sarbanes-Oxley Act
101	Interactive Data File (filed herewithin electronically)

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SIGNATURES

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

	AMCON DISTRIBUTING COMPANY (registrant)
Date: January 18, 2017	/s/ Christopher H. Atayan Christopher H. Atayan, Chief Executive Officer and Chairman
Date: January 18, 2017	/s/ Andrew C. Plummer Andrew C. Plummer, Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)