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AMCON DISTRIBUTING CO
Form 8-K/A
June 21, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

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

Date of Report (Date of earliest event reported) May 24, 2006

AMCON DISTRIBUTING COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

1-15589

47-0702918

(State or other
jurisdiction of
incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

7405 Irvington Road, Omaha, NE 68122

(Address of principal executive offices) (Zip Code)

(402) 331-3727

(Registrant's telephone number, including area code)

Not Applicable

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

ITEM 4.02. NON-RELIANCE ON PREVIOUSLY ISSUED FINANCIAL STATEMENTS OR A RELATED
AUDIT REPORT OR COMPLETED INTERIM REVIEW

In performing year end audit procedures as of and for the period ended September 30, 2005 on the Company's wholly-owned subsidiary, Hawaiian Natural Water Company ("HNWC"), the auditors noted discrepancies in their physical test counts and the final perpetual inventory records. These discrepancies led the Company to initiate an internal investigation which resulted in the identification of several areas where journal entries were recorded incorrectly including inventory production accounting errors; the overstatement of inventory when integrating in fiscal 2005 the production systems and records of an operation acquired in fiscal 2004; capitalization of certain fixed overhead costs as

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inventory which should have been expensed; failure to reserve an appropriate amount for inventory that became obsolete; and capitalization of certain product development costs that should have been expensed as incurred. The above led to an overstatement of inventory, other assets and net income by an aggregate of approximately \$685,000, after tax over the first nine months of fiscal 2005.

Based on the results of the investigation, (a) these errors were generally caused by deficiencies in internal control over financial reporting, including deficiencies in disclosure controls and procedures, discussed below in this Form 8-K/A; (b) the scope of the errors were contained in fiscal 2005, and (c) the errors were concentrated in the areas discussed above.

When AMCON corporate management became aware of the issues referenced above, it reported these problems to the Audit Committee and Deloitte and Touche, the Company's independent registered public accountants. AMCON corporate management has discussed the investigation, the resolution of the problems and strengthening of internal controls with the Audit Committee and its independent registered public accountants.

On January 16, 2006, the Company issued a press release disclosing management's investigation into the above.

As a result of the accounting errors, management and the Company's Audit Committee determined on May 24, 2006 that the Company's first, second and third quarter financial statements for fiscal 2005 filed on Form 10-Qs with the Securities and Exchange Commission on February 14, 2005, May 27, 2005 and August 22, 2005, respectively, should no longer be relied upon because of these errors and that these financial statements should be restated to correct these errors. Management and the Audit Committee have discussed with the Company's independent registered public accountants that these financial statements can no longer be relied upon.

The foregoing incorrect accounting entries resulted from the following material weaknesses in internal control over financial reporting:

a) The Company did not maintain sufficient levels of appropriately qualified and trained personnel in the accounting office of HNWC, specifically as they related to the integration of new business operations and the application of certain complex aspects of inventory and manufacturing accounting; and

b) The Company did not maintain sufficient oversight and review of the disclosure controls and procedures of its subsidiaries during fiscal year 2005 to identify the significant deficiencies in the internal controls over financial reporting at HNWC in a timely manner.

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The following changes in our internal control over financial reporting were made to correct the deficiencies noted above. These changes occurred during the first and second quarters of fiscal year 2006 and have significantly strengthened our internal control over financial reporting:

1) AMCON corporate management terminated HNWC's then current President and Chief Financial Officer.

2) AMCON corporate management hired a new acting president and a highly qualified accounting consultant at HNWC to investigate the irregularities and to guide internal accounting personnel in the application of generally accepted accounting principles related to inventory and production cost accounting.

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3) HNWC hired accounting staff with more experience.

4) HNWC management is reviewing all product cost summaries and all posting of inventory cost changes.

5) AMCON corporate management implemented procedures to ensure proper review and approval of all adjusting journal entries posted at HNWC, as well as, increasing monthly review of subsidiary financial statements.

The table set forth below gives effect to these restatements. Management expects to restate the quarterly financials prospectively as each quarter is filed in fiscal 2006.

A summary of the significant effects of this restatement by quarter is as follows:

FIRST FISCAL QUARTER ENDED DECEMBER 31, 2004

	As previously reported	Corrections	As restated
<u>Condensed Consolidated Unaudited Balance Sheet</u>			
Inventory	\$ 35,454,419	\$ (574,165)	\$ 34,880,254
Deferred income taxes	2,618,391	232,000	2,850,391
Other assets	1,485,457	(108,759)	1,376,698
Retained earnings	6,397,550	(450,924)	5,946,626
<u>Condensed Consolidated Unaudited Statement of Operations</u>			
Cost of sales	\$ 198,459,240	\$ 574,165	\$199,033,405
Selling, general and administrative expenses	13,824,366	108,759	13,933,125
Income tax (benefit) expense	224,000	(232,000)	(8,000)
Net (loss) income	(85,599)	(450,924)	(536,523)
Basic (loss) earnings per share	(0.16)	(0.86)	(1.02)
Diluted (loss) earnings per share	(0.02)	(0.86)	(1.02) /1/

/1/ Before this restatement, the impact of the conversion of the stock options and preferred stock was dilutive to earnings per share because there was income from continuing operations. After making the corrections for the restatement, there will now be a loss from continuing operations which makes the impact of the conversion of the stock options and preferred stock was antidilutive. This antidilutive impact results in a loss of (\$1.02) per dilutive share.

Condensed Consolidated Unaudited Statement of Cash Flows

Income (loss) from continuing operations available to common shareholders	\$ 394,063	\$ (450,924)	\$ (56,861)
Deferred income taxes	(45,224)	(232,000)	(277,224)
Inventory	(464,962)	574,165	109,203
Other assets	(28,512)	108,759	80,247

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SECOND FISCAL QUARTER ENDED MARCH 31, 2005

Condensed Consolidated Unaudited Balance Sheet /2/

	As previously reported	Corrections	As restated
Inventory	\$ 30,304,173	\$ (689,993)	\$ 29,614,180
Deferred income taxes	3,729,391	279,000	4,008,391
Other assets	1,494,754	(129,904)	1,364,850
Retained earnings	4,509,877	(540,897)	3,968,980

Condensed Consolidated Unaudited Statement of Operations /2/

	Three months ended March 31, 2005			Six months ended March 31, 2005		
	As previously reported	Corrections	As restated	As previously reported	Corrections	As restated
Cost of sales	\$180,236,017	\$115,828	\$180,351,845	\$378,695,256	\$689,993	\$379,385,249
Selling, general and administrative expenses	13,727,633	21,145	13,748,778	27,551,999	129,904	27,681,903
Income tax (benefit) expense	(565,000)	(47,000)	(612,000)	(341,000)	(279,000)	(620,000)
Net (loss) income	(1,887,674)	(89,973)	(1,977,647)	(1,973,273)	(540,897)	(2,514,170)
Basic (loss) earnings per share	(3.58)	(0.17)	(3.75)	(3.74)	(1.03)	(4.77)
Diluted (loss) earnings per share	(3.58)	(0.17)	(3.75)	(3.74)	(1.03)	(4.77)

Condensed Consolidated Unaudited Statement of Cash Flows /2/

	As previously reported	Corrections	As restated
Net income (loss) from continuing operations available to common shareholders	\$ (603,991)	\$ (540,897)	\$ (1,144,888)
Deferred income taxes	(1,137,076)	(279,000)	(1,416,076)
Inventory	4,639,543	689,993	5,329,536
Other assets	(37,810)	129,904	92,094

THIRD FISCAL QUARTER ENDED JUNE 30, 2005

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Condensed Consolidated Unaudited Balance Sheet /2/

	As previously reported	Corrections	As restated
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Inventory	\$ 28,939,608	\$ (889,612)	\$ 28,049,996
Deferred income taxes	3,780,391	353,000	4,133,391
Other assets	1,570,434	(148,884)	1,421,550
Retained earnings	4,354,000	(685,496)	3,668,504

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Condensed Consolidated Unaudited Statement of Operations /2/

	Three months ended June 30, 2005			Nine months ended June 30	
	As previously reported	Corrections	As restated	As previously reported	Corrections
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Cost of sales	\$201,251,586	\$199,619	\$201,451,205	\$579,946,842	\$889,612
Selling, general and administrative expenses	13,693,711	18,980	13,712,691	41,245,710	148,884
Income tax (benefit) expense	138,000	(74,000)	64,000	(203,000)	(353,000)
Net (loss) income	(155,877)	(144,599)	(300,476)	(2,129,150)	(685,496)
Basic (loss) earnings per share	(0.30)	(0.27)	(0.57)	(4.04)	(1.30)
Diluted (loss) earnings per share	(0.28)	(0.27)	(0.55)	(4.04)	(1.30)

Condensed Consolidated Unaudited Statement of Cash Flows /2/

	As previously reported	Corrections	As restated
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Income (loss) from continuing operations available to common shareholders	\$ (441,609)	\$ (685,496)	\$ (1,127,105)
Deferred income taxes	(1,205,608)	(353,000)	(1,558,608)
Inventory	5,911,793	889,612	6,801,405
Other assets	(191,170)	148,884	(42,286)

/2/ In March 2006, the Company discontinued the operations of Trinity Springs, Inc., its water bottling operation located in Idaho. As a result, the balance

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sheets as of March 31, 2005 and June 30, 2005 and the statements of operations and statements of cash flows for the fiscal periods then ended will be prepared reflecting TSI's financial results as discontinued operations in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" when filed. As a result, the information presented above will differ from the actual financial statements to be filed with the SEC.

SIGNATURE

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

AMCON DISTRIBUTING COMPANY
(Registrant)

Date: June 20, 2006

By : /s/ Andrew C. Plummer

Name: Andrew C. Plummer
Title: Vice President & Acting
Chief Financial Officer