

Core-Mark Holding Company, Inc.

Form 10-Q/A

May 19, 2006

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**FORM 10-Q/A**

**(Amendment No. 1)**

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(MARK ONE)

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

**For the quarterly period ended September 30, 2005**

**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: 000-51515**

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**CORE-MARK HOLDING COMPANY, INC.**

**(Exact name of registrant as specified in its charter)**

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-1489747**  
(IRS Employer  
Identification No.)

**395 Oyster Point Boulevard, Suite 415**  
(Address of principal executive offices)

**94080**  
(Zip Code)

**(650) 589-9445**

(Registrant's telephone number, including area code)

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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 requirement for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

Large accelerated filer  an accelerated filer  or a non-accelerated filer

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

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court. Yes  No

As of October 31, 2005, 9,808,542 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

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**FORM 10-Q**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2005**

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**CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES**

**EXPLANATORY NOTE**

On March 23, 2006 the Audit Committee of the Board of Directors of the Company and management concluded that our audited consolidated financial statements as of December 31, 2004 and for the period from August 23, 2004 to December 31, 2004 and our unaudited condensed consolidated financial statements as of and for the three and nine month periods ended September 30, 2005, each included (or included in part) in our quarterly report on Form 10-Q for the third quarter of 2005 initially filed with the Securities and Exchange Commission on November 30, 2005 should no longer be relied upon because of errors in those financial statements relating to the accounting for foreign currency translation adjustments related to intercompany balances. Accordingly, this Amendment No. 1 to our quarterly report on Form 10-Q for the third quarter of 2005 is being filed to reflect the restatement of the Company's financial statements for such periods and the period from August 23, 2004 to September 30, 2004 to correct such error and to correct inventory valuation errors and other errors in estimation. This Amendment No. 1 is also being filed to reflect the identification of additional material weaknesses in internal controls over financial reporting following the initial filing of the Form 10-Q.

In addition to the changes discussed above, the Company has (i) revised excise tax figures included in footnote (a) to the Company's unaudited consolidated statement of operations to increase the amounts presented for all periods from previously reported amounts due to the use of a revised calculation based on actual invoices rather than estimated amounts (this revision represents only a change in the presentation of the disclosure and does not represent a change in results of operations), (ii) conformed the presentation of accounts payable and book overdrafts (and related statement of cash flows line items) to the balance sheet classifications (and related statement of cash flow line items) reported in our Form 10-K for 2005 filed on April 14, 2006 and (iii) conformed the presentation of statement of cash flows line items for borrowings and repayments under revolving lines of credit to such line items reported in our Form 10-K for 2005 filed on April 14, 2006.

*Part I Item 1 Financial Statements, Part I Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations, Part I Item 4 Controls and Procedures and Part II Item 6 Exhibits* are revised in this filing to reflect the above changes. Except as discussed above, the financial statements and other disclosure in this Form 10-Q do not reflect any events that have occurred after the Form 10-Q was initially filed on November 30, 2005.

For further information concerning the restatement and the specific adjustments made see *Part I Item 2 Management Discussion's and Analysis of Financial Condition and Results of Operations Restatements of Financial Information* and *Note 2 to the Unaudited Consolidated Interim Financial Statements*.

**SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**

This quarterly report on Form 10-Q and other materials we will file with the Securities and Exchange Commission (the SEC) contain, or will contain, disclosures which are forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as may, believe, will, expect, project, estimate, anticipate, plan or continue. These forward-looking statements are based on the current plans and expectations of our management and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated. These factors include, but are not limited to: economic conditions affecting the cigarette and consumable goods industry; the adverse effect of legislation and other matters affecting the cigarette industry; financial risks associated with purchasing cigarettes and other tobacco products from certain product manufacturers; increases in excise and other taxes on cigarettes and other tobacco products; increased competition in the distribution industry;

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our reliance on income from rebates, allowances and other incentive programs; our dependence on the convenience store industry; our dependence on certain customers; the risk that

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we may not be able to retain and attract customers; our inability to borrow additional capital; failure of our suppliers to provide products; the negative affects of product liability claims; the loss of key personnel, our inability to attract and retain new qualified personnel or the failure to renew collective bargaining agreements covering certain of our employees; currency exchange rate fluctuations; government regulation; and the residual effects of the Fleming bankruptcy on our customer, supplier and employee relationships, and our results of operations.

These forward-looking statements speak only as of the date of this Form 10-Q. Except as provided by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should also read, among other things, the risks and uncertainties described in the section of this registration statement entitled Factors That May Affect Future Operating Results.

**Table of Contents****CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES**

## CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

(Unaudited)

	September 30, 2005	December 31, 2004
	Restated	Restated
<b>Assets</b>		
Current assets:		
Cash and cash equivalents .	\$ 30.4	\$ 26.2
Restricted cash	12.2	12.1
Accounts receivable, net of allowance for doubtful accounts of \$6.7 and \$7.5, respectively	143.3	133.9
Other receivables, net	23.2	34.1
Inventories, net	155.4	186.4
Deposits and prepayments	36.0	36.9
	<u>400.5</u>	<u>429.6</u>
Total current assets	400.5	429.6
Property and equipment, net	38.7	41.3
Deferred income taxes	3.3	0.7
Other non-current assets, net	34.8	32.6
	<u>477.3</u>	<u>504.2</u>
Total assets	\$ 477.3	\$ 504.2
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable <sup>(1)</sup>	\$ 44.2	\$ 40.6
Book overdrafts <sup>(1)</sup>	21.5	20.7
Cigarette and tobacco taxes payable	61.5	49.0
Accrued liabilities.	2	60.3
Income taxes payable	3.5	15.6
Deferred income taxes	13.7	14.4
	<u>204.6</u>	<u>200.6</u>
Total current liabilities	204.6	200.6
Long-term debt, net	35.6	77.5
Other tax liabilities	1.8	1.8
Claims liabilities, net of current portion	48.1	46.3
Pension liabilities	11.4	11.4
	<u>301.5</u>	<u>337.6</u>
Total liabilities	301.5	337.6
Stockholders equity:		
Common stock; \$0.01 par value (50,000,000 shares authorized, 9,808,542 shares issued and outstanding at September 30, 2005)	0.1	0.1
Additional paid-in capital	165.1	162.1
Retained earnings	11.2	5.3

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Accumulated other comprehensive income	(0.6)	(0.9)
Total stockholders' equity	175.8	166.6
Total liabilities and stockholders' equity	\$ 477.3	\$ 504.2

(1) These balances have been reclassified in this Form 10-Q/A to conform to the balance sheet presentation in the Form 10-K filed on April 14, 2006. See Note 3 *Basis of Presentation and Principles of Consolidation - Reclassifications*.

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



**Table of Contents****CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share data)

(Unaudited)

	Successor Company		Predecessor Company
	Three months ended September 30, 2005 <u>Restated</u>	Period from August 23 through September 30, 2004 <u>Restated</u>	Period from July 1 through August 22, 2004
Net sales <sup>(a)</sup>	\$ 1,333.3	\$ 487.5	\$ 636.8
Cost of goods sold <sup>(a) (b)</sup>	1,262.4	459.1	601.2
Gross profit	70.9	28.4	35.6
Warehousing and distribution expenses	37.1	13.1	19.6
Selling, general and administrative expenses	25.2	10.4	11.9
Amortization of intangible assets	0.4	0.1	
Total operating expenses	62.7	23.6	31.5
Income from operations	8.2	4.8	4.1
Interest expense, net	3.3	1.5	0.6
Loss on early extinguishment of debt	2.6		
Foreign currency transaction (gains) losses, net		(0.7)	
Reorganization items, net		0.6	(71.7)
Amortization of debt issuance costs	0.4	0.2	
Income before income taxes	1.9	3.2	75.2
Provision for income taxes	1.0	1.2	25.9
Net income	\$ 0.9	\$ 2.0	\$ 49.3
Basic income per common share	\$ 0.09	\$ 0.20	\$ 5.03
Diluted income per common share	\$ 0.08	\$ 0.20	\$ 5.03
Basic weighted average shares	9.8	9.8	9.8
Diluted weighted average shares	10.5	9.8	9.8

(a) State and provincial cigarette and tobacco excise taxes paid by the Company are included in both sales and cost of goods sold and totaled \$328.7, \$114.4 and \$158.7 for the three months ended September 30, 2005 and for the periods from August 23 through September 30, 2004 and from July 1 through August 22, 2004, respectively. These balances have been reclassified in this Form 10-Q/A to conform to the balance sheet presentation in the Form 10-K filed on April 14, 2006. See Note 3 Basis of Presentation and Principles of Consolidation Reclassifications.

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- (b) Cost of goods sold excludes depreciation and amortization expense attributable to distribution assets of \$2.0, \$0.9, and \$0.9, that have been included in warehousing and distribution expenses for the three months ended September 30, 2005 and for the periods from August 23 through September 30, 2004 and from July 1 through August 22, 2004, respectively.

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

**Table of Contents****CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share data)

(Unaudited)

	<b>Successor Company</b>		<b>Predecessor Company</b>
	<b>Nine months ended September 30,</b>	<b>Period from August 23 through September 30,</b>	<b>Period from January 1 through August 22,</b>
	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>Restated</b>	<b>Restated</b>	
Net sales <sup>(a)</sup>	\$ 3,681.2	\$ 487.5	\$ 2,673.1
Cost of goods sold <sup>(a) (b)</sup>	3,474.9	459.1	2,523.3
<b>Gross profit</b>	<b>206.3</b>	<b>28.4</b>	<b>149.8</b>
Warehousing and distribution expenses	102.5	13.1	78.7
Selling, general and administrative expenses	78.4	10.4	59.3
Amortization of intangible assets	0.9	0.1	
<b>Total operating expenses</b>	<b>181.8</b>	<b>23.6</b>	<b>138.0</b>
Income from operations	24.5	4.8	11.8
Interest expense, net	9.5	1.5	4.4
Loss on early extinguishment of debt	2.6		
Foreign currency transaction (gains) losses, net	0.6	(0.7)	
Reorganization items, net		0.6	(70.0)
Amortization of debt issuance costs	0.9	0.2	
<b>Income before income taxes</b>	<b>10.9</b>	<b>3.2</b>	<b>77.4</b>
Provision for income taxes	5.0	1.2	26.7
<b>Net income</b>	<b>\$ 5.9</b>	<b>\$ 2.0</b>	<b>\$ 50.7</b>
<b>Basic income per common share</b>	<b>\$ 0.61</b>	<b>\$ 0.20</b>	<b>\$ 5.17</b>