WUHAN GENERAL GROUP (CHINA), INC
Form 10-Q/A
March 07, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

x Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2010

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 001-34125

WUHAN GENERAL GROUP (CHINA), INC.
(Exact Name of Registrant as Specified in Its Charter)

Nevada (State or Other Jurisdiction of Incorporation or Organization)	84-1092589 (I.R.S. Employer Identification No.)
Canglongdao Science Park of Wuhan East Lake Hi-Tech Development Zone Wuhan, Hubei, People's Republic of China (Address of Principal Executive Offices)	430200 (Zip Code)

86-27-5970-0069
(Registrant's Telephone Number, Including Area Code)

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 (the "Exchange Act") 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 ý 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. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ý
(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 Exchange Act).Yes ¨ No ý

As of May 12, 2010, the registrant had a total of 25,351,950 shares of common stock outstanding.

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EXPLANATORY NOTE

This Amendment No. 1 (this “Amended Report”) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (the “Original Report”) of Wuhan General Group (China), Inc. (the “Company”) is being filed with the Securities and Exchange Commission (the “SEC”) to provide the Company’s amended and restated financial statements for the quarter ended March 31, 2010 (the “Restated Financial Statements”).

On March 7, 2011, the Company’s Chief Financial Officer, after consultation with the Company’s Audit Committee, concluded that the Company’s previously filed financial statements included in the Original Report could no longer be relied upon because of an error in such financial statements. The Company restated the long term loans outstanding due to Standard Chartered Bank at March 31, 2010 as short term, rather than long term as a result of the Company’s noncompliance with certain loan covenants disclosed in Note 12 Bank Loans and Notes to the Company’s Restated Financial Statements. The impact of the restatement is limited to the Company’s classification of liabilities on the Company’s Consolidated Balance Sheets and Note 12 Bank Loans and Notes. As a result of the restatement, the short term balance increased from $22,556,695 to $44,458,071 while the corresponding long term loans decreased from $21,901,376 to $0. The Company’s current liabilities increased from $47,852,516 to $69,753,892. The Company’s long term liabilities decreased from $21,901,376 to $0. The Company’s total liabilities remain unchanged.

No changes have been made to the Original Report other than the amendment and restatement of Items 1, 2, 4T and 6. This Amended Report does not include any items that were not affected by the amendment and restatement. Unless expressly stated, this Amended Report does not reflect events occurring after the filing of the Original Report, nor does it modify or update in any way the disclosures contained in the Original Report, which speak as of the date of the original filing. Accordingly, this Amended Report should be read in conjunction with the Original Report.

Unless the context requires otherwise, references to “we,” “us,” “our,” “Wuhan General” and the “Company” refer specifically Wuhan General Group (China), Inc. and its subsidiaries.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

Wuhan General Group (China), Inc.

Consolidated Balance Sheets
At March 31, 2010 and December 31, 2009
(Stated in US Dollars)

ASSETS Current Assets	Note	Restated March 31, 2010	Original March 31, 2010	Restated (Audited) December 31, 2009	Original (Audited) December 31, 2009
Cash	2(e)	4,295,166	4,295,166	407,394	407,394
Restricted Cash	3	7,559,758	7,559,758	7,759,971	7,759,971
Notes Receivable	4	239,561	239,561	28,520	28,520
Accounts Receivable	2(f),5	47,048,295	47,048,295	53,962,201	53,962,201
Other Receivable		2,035,843	2,035,843	4,684,372	4,684,372
Inventory	2(g),6	15,674,588	15,674,588	15,630,470	15,630,470
Advances to Suppliers		29,404,592	29,404,592	24,616,120	24,616,120
Advances to Employees	7	683,246	683,246	342,829	342,829
Prepaid Expenses		845,353	845,353	928,629	928,629
Prepaid Taxes		518,660	518,660	546,050	546,050
Deferred Tax Asset		774,095	774,095	749,031	749,031
Total Current Assets		109,079,157	109,079,157	109,655,587	109,655,587
Non-Current Assets					
Real Property Available for Sale		1,103,290	1,103,290	1,103,113	1,103,113
Property, Plant & Equipment, net	2(h),8	32,540,650	32,540,650	32,908,334	32,908,334
Land Use Rights, net	2(j),9	11,906,492	11,906,492	12,073,139	12,073,139
Construction in Progress	10	18,238,041	18,238,041	17,864,257	17,864,257
Intangible Assets, net	2(i),11	276,283	276,283	212,798	212,798
Other Assets		1,042,291	1,042,291	—	—
Total Assets		174,186,204	174,186,204	173,817,228	173,817,228
LIABILITIES & STOCKHOLDERS' EQUITY					
Liabilities					
Current Liabilities					
Bank Loans & Notes	12, 21	44,458,071	22,556,695	46,758,253	36,738,934
Accounts Payable		9,296,992	9,296,992	8,049,057	8,049,057
Taxes Payable		3,251,345	3,251,345	3,169,948	3,169,948
Other Payable		1,836,809	1,836,809	4,228,042	4,228,042
Dividend Payable		904,429	904,429	727,129	727,129
Accrued Liabilities	13	3,304,918	3,304,918	3,524,388	3,524,388
Customer Deposits		6,701,328	6,701,328	4,696,719	4,696,719
Total Current Liabilities	21	69,753,892	47,852,516	71,153,536	61,134,217

Long Term Liabilities					
Bank Loans and Notes	12, 21	—	21,901,376	—	10,019,319
Total Liabilities		69,753,892	69,753,892	71,153,536	71,153,536

See Accompanying Notes to the Financial Statements and Accountant's Report.

Wuhan General Group (China), Inc.

Consolidated Balance Sheets
At March 31, 2010 and December 31, 2009
(Stated in US Dollars)

Stockholders' Equity	Note	Restated March 31, 2010	Original March 31, 2010	Restated (Audited) December 31, 2009	Original (Audited) December 31, 2009
Preferred Stock - $0.0001 Par Value, 50,000,000 Shares Authorized; 6,241,453 Shares of Series A Convertible Preferred Stock Issued & Outstanding at March 31, 2010 and December 31, 2009		624	624	624	624
Additional Paid-in Capital - Preferred Stock		8,170,415	8,170,415	8,170,415	8,170,415
Additional Paid-in Capital - Warrants		3,484,011	3,484,011	3,484,011	3,484,011
Additional Paid-in Capital - Beneficial Conversion Feature		6,371,547	6,371,547	6,371,547	6,371,547
Preferred Stock - $0.0001 Par Value 50,000,000 Shares Authorized; 6,354,078 Shares of Series B Convertible Preferred Stock Issued & Outstanding at March 31, 2010 and December 31, 2009		635	635	635	635
Additional Paid in Capital - Preferred Stock		12,637,158	12,637,158	12,637,158	12,637,158
Additional Paid in Capital - Warrants		2,274,181	2,274,181	2,274,181	2,274,181
Additional Paid in Capital - Beneficial Conversion Feature		4,023,692	4,023,692	4,023,692	4,023,692
Common Stock - $0.0001 Par Value 100,000,000 Shares Authorized; 25,351,950 Shares Issued & Outstanding at March 31, 2010 and December 31, 2009	14	2,536	2,536	2,536	2,536
Additional Paid-in Capital		29,793,996	29,793,996	29,793,996	29,793,996
Statutory Reserve	2(u),15	5,454,773	5,454,773	4,563,592	4,563,592
Retained Earnings		24,328,623	24,328,623	23,477,239	23,477,239
Accumulated Other Comprehensive Income	2(v)	7,890,121	7,890,121	7,864,066	7,864,066
Total Stockholders' Equity		104,432,312	104,432,312	102,663,692	102,663,692
Total Liabilities & Stockholders' Equity		174,186,204	174,186,204	173,817,228	173,817,228

See Accompanying Notes to the Financial Statements and Accountant’s Report.

Wuhan General Group (China), Inc.

Statements of Income
For the three months ended March 31, 2010 and 2009
(Stated in US Dollars)

	Note		Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Sales	2	(l)	$ 17,951,294	$ 18,076,052
Cost of Sales	2	(m)	13,012,498	14,285,283
Gross Profit			4,938,796	3,790,769
Operating Expenses				
Selling Expenses	2	(n)	411,365	413,162
General & Administrative Expenses	2	(o)	1,109,555	1,380,608
Warranty Expense	2	(w),13	180,829	153,973
Total Operating Expense			1,701,749	1,947,743
Operating Income			3,237,047	1,843,026
Other Income (Expenses)				
Other Income			82	18,946
Interest Income			18,554	184,331
Other Expenses			(1,250)	(4,279)
Interest Expense			(1,027,783)	(633,475)
Total Other Income & Expense			(1,010,397)	(434,477)
Earnings before Tax			2,226,650	1,408,549
Income Tax	2	(t),16	(306,785)	(293,477)
Net Income			$ 1,919,865	$ 1,115,072
Preferred Dividends Declared			(177,300)	(178,802)
Income Available to Common Stockholders			$ 1,742,565	$ 936,270
Earnings Per Share	2	(x),17		
Basic			$ 0.07	$ 0.04
Diluted			0.05	0.03
Weighted Average Shares Outstanding				
Basic			25,351,950	24,759,746
Diluted			37,947,481	39,662,817

	Three Months Ended	Three Months Ended
Comprehensive Income		

	March 31, 2010	March 31, 2009
Net Income	$ 1,919,865	$ 1,115,072
Other Comprehensive Income		
Foreign Currency Translation Adjustment	26,055	929,786
Total Comprehensive Income	$ 1,945,920	$ 2,044,858

See Accompanying Notes to the Financial Statements and Accountant's Report.

Wuhan General Group (China), Inc.

Consolidated Statements of Stockholders' Equity
For the periods ended March 31, 2010 and December 31, 2009
(Stated in US Dollars)

Series A, J, C Warrants	Beneficial Conversion Feature	Series B Convertible Preferred Stock		Series B Preferred Stock	Series B, JJ Warrants	Beneficial Conversion Feature	Common Stock			
Additional Paid in Capital	Additional Paid in Capital	Shares Out-standing	Amount	Additional Paid in Capital	Additional Paid in Capital	Additional Paid in Capital	Shares Out-standing	Amount	Additional Paid in Capital	Statuto Reserv
$3,484,011	$6,371,547	6,354,078	$635	$12,637,158	$2,274,181	$4,023,692	25,351,950	$2,536	$29,793,996	$4,563,5
										891,18
$3,484,011	$6,371,547	6,354,078	$635	$12,637,158	$2,274,181	$4,023,692	25,351,950	$2,536	$29,793,996	$5,454,7

See Accompanying Notes to the Financial Statements and Accountant's Report.

Wuhan General Group (China), Inc.
Consolidated Statements of Stockholders' Equity
For the periods ended March 31, 2010 and December 31, 2009
(Stated in US Dollars)

Series A, J, C Warrants Additional Paid in Capital	Beneficial Conversion Feature Additional Paid in Capital	Series B Convertible Preferred Stock Shares Out-standing	Series B Convertible Preferred Stock Amount	Series B Preferred Stock Additional Paid in Capital	Series B, JJ Warrants Additional Paid in Capital	Beneficial Conversion Feature Additional Paid in Capital	Common Stock Shares Out-standing	Common Stock Amount	Additional Paid in Capital	Statu Rese
$3,687,794	$6,371,547	6,354,078	$635	$12,637,158	$2,274,181	$4,023,692	24,752,802	$2,475	$28,436,835	$3,27
							529,787	53	1,153,386	
							69,361	8	(8)	
(203,783)									203,783	
7.86%										
$ 175.6										
6.09%										
8.01%										

(1) Amounts and percentages have been rounded for presentation purposes and might differ from unrounded results.
(2) Cigarette net sales include the impact of price inflation primarily associated with the implementation of SCHIP. This price inflation was approximately $170.8 million and $207.0 million for the three and six months ended June 30, 2009, respectively. Our gross profit percentages for the three and six months ended June 30, 2009 were negatively impacted by SCHIP price inflation.
(3) Excise taxes included in our net sales consist of state and provincial excise taxes which we are responsible for collecting and remitting. Federal excise taxes are levied on the manufacturers who pass the tax on to us as part of the product cost, and thus are not a component of our excise taxes. Although increases in cigarette excise taxes result in higher net sales, our overall gross profit percentage will decrease since our gross profit dollars generally remain the same.
(4) Net sales, less excise taxes is a non-GAAP financial measure which we provide to separate the increase in sales due to actual sales growth and increases in excise taxes.

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(5) Cigarette gross profit includes (i) cigarette holding profits related to manufacturer price increases and increases in state and provincial excise taxes (ii) federal excise floor taxes and (iii) LIFO effects. Cigarette holding profits for the three months ended June 30, 2009 were $0.4 million compared to $1.3 million for the same period in 2008, and $35.2 million for the six months ended June 30, 2009 compared to $1.4 million for the same period in 2008. The increase in cigarette inventory holding profits for six months ended June 30, 2009 was due primarily to increases in cigarette prices by manufacturers in response to the anticipated increase in federal excise taxes mandated by the SCHIP legislation. Cigarette gross profit for the three and six months ended June 30, 2009 was negatively impacted by $10.6 million of federal excise floor tax net of manufacturer reimbursements related to SCHIP.

(6) Remaining gross profit is a non-GAAP financial measure which we provide to segregate the effects of LIFO expense, cigarette inventory holding profits, FET associated with the SCHIP legislation and other major non-recurring items that significantly affect the comparability of gross profit.

(7) Food/Non-Food gross profit includes (i) holding profits related to manufacturer price increases (ii) increases in state and provincial excise taxes (iii) federal excise floor taxes and (iv) LIFO effects. Included in Food/Non-Food gross profit for the three and six months ended June 30, 2009 is $0.9 million of federal excise floor taxes related to SCHIP.

Liquidity and Capital Resources

Our cash and cash equivalents as of June 30, 2009 were $14.1 million compared to $21.9 million as of June 30, 2008. Our restricted cash as of June 30, 2009 was $14.1 million as compared to $12.9 million as of June 30, 2008. Restricted cash primarily represents funds that have been set aside in trust as required by one of the Canadian provincial taxing authorities to secure amounts payable for cigarette and tobacco excise taxes.

Our liquidity requirements arise primarily from the funding of our working capital, capital expenditures and debt service requirements of our credit facilities. We have historically funded our liquidity requirements through our current operations and external borrowings. For the six months ended June 30, 2009, our cash flows from operating activities provided $15.0 million and we had $187.7 million of borrowing capacity available in our revolving credit facility as of June 30, 2009.

During the current downturn in global financial markets some companies have experienced difficulties drawing on lines of credit, issuing debt and raising capital generally, which have had a material adverse impact on their liquidity. Based on our anticipated cash needs, availability under our revolving credit facility and the scheduled maturity of our debt, we expect that our current liquidity, notwithstanding these adverse market conditions, will be sufficient to meet all of our anticipated needs during the next twelve months.

Cash flows from operating activities

Net cash provided by operating activities increased by $3.2 million to $15.0 million for the six months ended June 30, 2009 compared with $11.8 million for the same period in 2008. The increase in net cash flows provided by operations was due primarily to higher net income in the first six months of 2009 compared to the same period in 2008. This increase was driven primarily by income from manufacturers price increases related to SCHIP legislation, offset by the federal excise floor tax. This income funded the increases in working capital primarily inventory and accounts receivable that resulted from cigarette price inflation.

Cash flows from investing activities

Net cash used in investing activities decreased by $25.8 million to $10.7 million for the six months ended June 30, 2009 compared with $36.5 million for the same period in 2008. This decrease was due primarily to the acquisition of AMD in June 2008. We paid approximately $28.0 million which consisted primarily of purchased accounts receivable, inventory and fixed assets, offset by approximately $1.6 million of cash received in the acquisition. Capital expenditures increased by $0.4 million to $8.4 million in the first six months of 2009. We estimate that fiscal 2009 capital expenditures will approximate $24 million.

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Cash flows from financing activities

Net cash from financing activities decreased by $31.7 million to a net cash usage of $6.1 million for the six months ended June 30, 2009 compared with net cash provided of $25.6 million for the same period in 2008. We had net repayments on our revolving line of credit of $4.9 million during the six months ended June 30, 2009 compared to $34.2 million of net borrowings during the same period in 2008 due primarily to the AMD acquisition. Additionally, included in financing activities for the six months ended June 30, 2009 was approximately $2.2 million of cash payments compared to $6.9 million for the same period in 2008 to repurchase our common stock pursuant to our share repurchase program authorized on March 12, 2008.

Our Credit Facility

In October 2005, we entered into a $250 million five-year revolving credit facility (Credit Facility) which expires in October 2010. All obligations under the Credit Facility are secured by first priority liens upon substantially all of our present and future assets. The terms of the Credit Facility permit prepayment without penalty at any time (subject to customary breakage costs with respect to LIBOR or CDOR-based loans prepaid prior to the end of an interest period).

In March 2008, we entered into a Second Amendment to our Credit Facility (the Second Amendment). This Amendment established our basket for permitted acquisitions made after the date of the Second Amendment to $100 million and increased our basket for permitted stock repurchases to $30 million.

Amounts borrowed, outstanding letters of credit, and amounts available to borrow under the Credit Facility were as follows (in millions):

	June 30, 2009	December 31, 2008
Amounts borrowed	$ 25.1	$ 30.0
Outstanding letters of credit	$ 27.9	$ 24.4
Amounts available to borrow	$ 187.7	$ 186.0

The Credit Facility contains restrictive covenants, including among others, limitations on dividends and other restricted payments, other indebtedness, liens, investments and acquisitions and certain asset sales. As of June 30, 2009, we are in compliance with all of the covenants under the Credit Facility.

Our weighted-average interest rate was calculated based on our daily cost of borrowing which was computed on a blend of prime and LIBOR rates. The weighted-average interest rate on our revolving credit facility for the three months ended June 30, 2009 and 2008 was 1.7% and 3.9%, respectively, and for the six months ended June 30, 2009 and 2008 was 1.9% and 4.5%, respectively. We paid total unused facility fees of $0.1 million for both the three months ended June 30, 2009 and 2008, and $0.3 million for the both the six months ended June 30, 2009 and 2008.

Off-Balance Sheet Arrangements

There have been no material changes to the information provided in our Annual Report on Form 10-K for the year ended December 31, 2008 regarding off-balance sheet arrangements.

Critical Accounting Policies and Estimates

There have been no changes in this quarter to our critical accounting policies as discussed in our Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission (SEC) on March 13, 2009.

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Recent Accounting Pronouncements

See Note 2 to the Condensed Consolidated Financial Statements for recent accounting pronouncements, including the expected dates of adoption and estimated effects on our financial position, statement of cash flows and results of operations.

Forward-Looking Trend and Other Information

Cigarette Industry Trends

Cigarette Consumption

Aggregate cigarette consumption has declined since 1980. Prior to 2007, our cigarette sales had benefitted from a shift in sales to the convenience retail segment, and as a result of this shift, convenience retail cigarette sales had not declined in proportion to the decline in overall consumption. However, our cigarette carton sales started declining in 2007 and have continued to decline through the first six months of 2009. We believe this trend is driven principally by an increasing decline in overall consumption due to factors such as increasing legislative controls which regulate cigarette sales and where the consumer may or may not smoke, the acceleration in the frequency and amount of excise tax increases which reduces demand, manufacturer price increases and health concerns on the part of consumers. The shift in cigarette carton sales from other channels to the convenience retail segment may no longer be adequate to compensate for consumption declines.

Cigarette Regulation

In June 2009, the Family Smoking Prevention and Tobacco Control Act was signed into law, which granted the FDA the authority to regulate the production and marketing of tobacco products in the United States. The new legislation establishes a new FDA office that will regulate changes to nicotine yields and the chemicals and flavors used in tobacco products, require ingredient listings be displayed on tobacco products, prohibit the use of certain terms which may attract youth or mislead users as to the risks involved with using tobacco products, as well as limit or otherwise impact the advertising and marketing of tobacco products by requiring additional labels or warnings as well as pre-approval by the FDA. This new FDA office is to be financed through user fees paid by tobacco companies prorated based on market share. The impact of this new legislation and its associated regulations on our business is not yet known.

Excise Taxes

Cigarette and tobacco products are subject to substantial excise taxes in the United States and Canada. Significant increases in cigarette-related taxes and/or fees have been levied by the taxing authorities in the past and are likely to continue to be levied in the future. We increase cigarette prices as excise tax increases are assessed on cigarette products which we sell. As a result, generally, increases in excise taxes do not decrease overall gross profit dollars in the same proportion, which will result in a decline in overall gross profit percentage. In February 2009, SCHIP was signed into law and increased federal cigarette excise taxes from 39¢ to $1.01 per pack of cigarettes effective April 1, 2009. This increase in excise taxes increased our working capital requirements, and we believe it will contribute to a further decline in consumer cigarette consumption which will adversely impact our cigarette carton sales and could result in a decrease of our gross profit as a percentage of sales.

Cigarette Inventory Holding Profits

Distributors such as Core-Mark, from time to time, may earn higher gross profits on cigarette inventory and excise tax stamp quantities on hand either at the time cigarette manufacturers increase their prices or when states, localities or provinces increase their excise taxes and allow us to recognize cigarette inventory holding profits. These profits are recorded as an offset to cost of goods sold as the inventory is sold. Our cigarette holding profits have averaged approximately $5.1 million per year from 2005 to 2008. For the six months ended June 30, 2009 our cigarette inventory holding profits net of FET tax payable associated with the SCHIP legislation were $23.7 million, or 11.5%, of our gross profit, as compared to $1.4 million, or 0.8%, of our gross profit for the same period in 2008. The significant holding profits in the first six months of 2009 were attributable to an average increase of approximately 28% of our cigarette manufacturer list prices, one of the largest increases we have seen in recent history. We believe these price increases were in response to the passage of the SCHIP legislation. It is difficult to predict whether cigarette inventory holding profits will occur in the future since they are dependent on the actions of cigarette manufacturers and taxing authorities.

Food and Non-Food Product Trends

We focus our marketing efforts primarily on growing our food/non-food product sales. These products typically earn higher profit margins than cigarettes and our goal is to continue to increase food/non-food product sales in the future to offset the potential decline in cigarette carton sales and the associated gross profits.

General Economic Trends

Uncertain Economic Conditions

Uncertain economic conditions, including changes in the credit and housing markets leading to the current financial and credit crisis, continuing job losses among many sectors of the economy, significant declines in the stock market, primarily during the last quarter of 2008, large losses to consumer retirement and investment accounts, and uncertainty regarding future federal tax and economic policies have resulted in reduced consumer confidence and curtailed retail spending. As a result, convenience store operators may experience a reduction in same store sales in subsequent quarters, which will adversely affect demand for our products and may result in reduced sales unless offset by other factors (such as an increase in the number or size of our customers stores, penetration of product offerings into existing stores serviced, or increases in our market share). These economic and market conditions, combined with continuing difficulties in the credit markets and the resulting pressures on liquidity may also place a number of our convenience store customers under financial stress, which will increase our credit risk and potential bad debt exposure. If the economic conditions in our key markets further deteriorate or do not show improvement, we may experience material adverse impacts to our business, financial condition and operating results.

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FORWARD LOOKING STATEMENTS

Except for historical information, the statements made in this Quarterly Report on Form 10-Q are forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on certain assumptions or estimates, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain.

Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, actual results and performance could differ materially from those set forth in the forward-looking statements. Forward-looking statements in some cases can be identified by the use of words such as may, will, should, potential, intend, expect, seek, anticipate, estimate, believe, cou predict, continue, plan, propose or other similar words or expressions. 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 discussed in such forward-looking statements.

Factors that might cause or contribute to such differences include, but are not limited to, our dependence on the convenience retail industry for our revenues; uncertain and recent economic conditions; competition; price increases; our dependence on relatively few suppliers; the low-margin nature of cigarette and consumable goods distribution; certain distribution centers dependence on a few relatively large customers; competition in the labor market and collective bargaining agreements; product liability claims and manufacturer recalls of products; fuel price increases; our dependence on our senior management and key personnel; integration of acquired businesses; currency exchange rate fluctuations; our ability to borrow additional capital; governmental regulations and changes thereto including the Family Smoking Prevention and Tobacco Control Act which was signed into law in June 2009 which granted the U.S. federal Food & Drug Administration (FDA) the authority to regulate the production and marketing of tobacco products in the United States; earthquake and natural disaster damage; failure or disruptions to our information systems; a general decline in cigarette sales volume; competition from sales of deep-discount brands and illicit and other low priced sales of cigarettes. Refer to Part II, Item 1A, Risk Factors of this Form 10-Q and to our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 13, 2009. 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.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risk disclosures set forth in Item 7A of our Annual Report on Form 10-K, for the year ended December 31, 2008, as filed with SEC on March 13, 2009 did not change materially during the six months ended June 30, 2009.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We conducted, under the supervision and with the participation of our management, including the chief executive officer and chief financial officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on our evaluation, the chief executive officer and chief financial officer concluded that, as of June 30, 2009, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the six months ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes to our Legal Proceedings as discussed in our Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC on March 13, 2009.

ITEM 1A. RISK FACTORS

Except for the risk factor discussed below, there have been no material changes from the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC on March 13, 2009.

We have updated the following Risk Factor included in our Form 10-K for the year ended December 31, 2008.

Legislation and other matters are negatively affecting the cigarette and tobacco industry.

The tobacco industry is subject to a wide range of laws and regulations regarding the advertising, sale, taxation and use of tobacco products imposed by local, state, federal and foreign governments. Various state and provincial governments have adopted or are considering legislation and regulations restricting displays and advertising of tobacco products, establishing fire safety standards for cigarettes, raising the minimum age to possess or purchase tobacco products, requiring the disclosure of ingredients used in the manufacture of tobacco products, imposing restrictions on public smoking, restricting the sale of tobacco products directly to consumers or other recipients over the Internet, and other tobacco product regulation. For example, the United States Supreme Court has recently determined that lawsuits may proceed against tobacco manufacturers based on alleged deceptive advertising in the marketing of so-called light cigarettes. In June 2009, the Family Smoking Prevention and Tobacco Control Act was signed into law, which granted the U.S. federal Food & Drug Administration (FDA) the authority to regulate the production and marketing of tobacco products in the United States. The new legislation establishes a new FDA office that will regulate changes to nicotine yields and the chemicals and flavors used in tobacco products, require ingredient listings be displayed on tobacco products, prohibit the use of certain terms which may attract youth or mislead users as to the risks involved with using tobacco products, as well as limit or otherwise impact the advertising and marketing of tobacco products by requiring additional labels or warnings as well as pre-approval of the FDA. This new FDA office is to be financed through user fees paid by tobacco companies prorated based on market share. This new legislation and related regulation could adversely impact the market for tobacco products and, accordingly, our sales of such product. In British Columbia, Canada, legislation was adopted authorizing the provincial government to seek recovery of tobacco-related health care costs from the tobacco industry and a lawsuit under such legislation is underway. The Supreme Court of Canada unanimously upheld the Province s right to sue the tobacco industry and concluded the Tobacco Damages and Health Care Costs Recovery Act is constitutional. Other states and provinces may adopt similar legislation and initiate similar lawsuits. Furthermore, in Alberta, Canada, the Tobacco Reduction Act was passed in 2008 to prohibit the sale of all cigarette and tobacco products from all health-care facilities, public post-secondary campuses, pharmacies and stores containing a pharmacy effective January 1, 2009. In addition, cigarettes are subject to substantial excise taxes in the United States and Canada. Significant increases in cigarette-related taxes have been proposed or enacted and are likely to continue to be proposed or enacted within the United States and Canada. These tax increases are likely to continue to have an adverse impact on sales of cigarettes due to lower consumption levels and sales outside of legitimate channels.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES and USE OF PROCEEDS

The following table provides the repurchases of common stock shares during the three months ended June 30, 2009:

Issuer Purchases of Equity Securities

Calendar Month/ Period in which purchases were made:	Total Number of Shares Repurchased (1)	Average Cost per Share (2)	Total Cost of Purchased Shares (in millions)	Maximum Repurchases Allowed (in millions) (3)
Apr 1, 2009 to Apr 30, 2009		$	$	$ 19.0
May 1, 2009 to May 31, 2009	98,646	22.77	2.2	16.8
Jun 1, 2009 to Jun 30, 2009				16.8
Total Repurchases for the three months ended June 30, 2009	98,646	$ 22.77	$ 2.2	$ 16.8

(1) All purchases were made as part of the share repurchase program announced on March 14, 2008, as described in footnote 11.
(2) Includes related transaction fees.
(3) On March 12, 2008, our Board of Directors authorized the repurchase of up to $30 million of our common stock. The timing and amount of the purchases are based on market conditions, our cash and liquidity requirements, relevant securities laws and other factors. We have been funding the majority of the share repurchases from excess cash. The share repurchase program may be discontinued or amended at any time. The program has no expiration date and expires when the amount authorized has been expended or the Board withdraws its authorization.

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

We held our 2009 annual meeting of stockholders on June 2, 2009. The following proposals were voted on by our stockholders and the results of each proposal are as follows:

Proposal I:

The following individuals were elected by holders of our common stock as our directors to serve for a one-year term until the 2010 annual meeting of stockholders or until their successors are duly elected and qualified:

	Votes For	Votes Against	Abstain	Broker Non-Votes
Robert A. Allen	7,287,573	670,890	5,112	
Stuart W. Booth	7,399,480	558,390	5,705	
Gary F. Colter	7,372,039	585,831	5,705	
L. William Krause	7,354,469	603,401	5,705	
Harvey L. Tepner	7,359,127	598,849	5,599	
Randolph I. Thornton	7,335,729	622,142	5,704	
J. Michael Walsh	7,369,266	588,605	5,704	

Proposal II:

Deloitte & Touche LLP has been duly ratified as the Company s Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2009. The following constitutes the number of shares voted for the ratification of the selection of Deloitte & Touche LLP:

	Votes For	Votes Against	Abstain	Broker Non-Votes
Deloitte & Touche LLP	7,411,410	12,750	539,415	

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ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Certificate of Incorporation of Core-Mark Holding Company, Inc. (incorporated by reference to Exhibit 3.1 of the registrant s Registration Statement on Form 10 filed on September 6, 2005).
3.2	Second Amended and Restated Bylaws of Core-Mark Holding Company, Inc. (incorporated by reference to Exhibit 3.2 of the Company s Current Report on Form 8-K filed on August 18, 2008).
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

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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.

	CORE-MARK HOLDING COMPANY, INC.	
Date: August 6, 2009	By:	/s/ J. MICHAEL WALSH
	Name:	**J. Michael Walsh**
	Title:	**President and Chief Executive Officer**
	CORE-MARK HOLDING COMPANY, INC.	
Date: August 6, 2009	By:	/s/ STACY LORETZ-CONGDON
	Name:	**Stacy Loretz-Congdon**
	Title:	**Chief Financial Officer**

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