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

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 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

CORE-MARK HOLDING COMPANY, INC.

(Exact name of registrant as specified in its charter)

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)

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 x

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

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 x

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

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 x   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;

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.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

(Unaudited)

	September 30, 2005 Restated	December 31, 2004 Restated
Assets		
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
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
Total assets	$ 477.3	$ 504.2
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable [(1)]	$ 44.2	$ 40.6
Book overdrafts [(1)]	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
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
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

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.

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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	**Period from August 23 through September 30, 2004**	**Period from July 1 through August 22, 2004**
	Restated	**Restated**	
Net sales [a]	$ 1,333.3	$ 487.5	$ 636.8
Cost of goods sold [a] [b]	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.

(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.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	Successor Company		Predecessor Company
	Nine months ended September 30, 2005	Period from August 23 through September 30, 2004	Period from January 1 through August 22, 2004
	Restated	Restated	
Net sales [a]	$ 3,681.2	$ 487.5	$ 2,673.1
Cost of goods sold [a] [b]	3,474.9	459.1	2,523.3
Gross profit	206.3	28.4	149.8
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	
Total operating expenses	181.8	23.6	138.0
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	
Income before income taxes	10.9	3.2	77.4
Provision for income taxes	5.0	1.2	26.7
Net income	$ 5.9	$ 2.0	$ 50.7
Basic income per common share	$ 0.61	$ 0.20	$ 5.17
Diluted income per common share	$ 0.57	$ 0.20	$ 5.17
Basic weighted average shares	9.8	9.8	9.8
Diluted weighted average shares	10.4	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 $891.4, $114.4 and $643.5 for the nine months ended September 30, 2005 and for the periods from August 23 through September 30, 2004 and from January 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.

(b) Cost of goods sold excludes depreciation and amortization expense attributable to distribution assets of $5.8, $0.9, and $3.6, that have been included in warehousing and distribution expenses for the nine months ended September 30, 2005 and for the periods from August 23 through September 30, 2004 and from January 1 through August 22, 2004, respectively.

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

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions, except per share data)

(Unaudited)

	Successor Company		Predecessor Company
	Nine months ended September 30, 2005	Period from August 23 through September 30, 2004	Period from January 1 through August 22, 2004
	Restated	Restated	
Cash flows from operating activities:			
Net income	$ 5.9	$ 2.0	$ 50.7
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
LIFO and inventory reserves	5.0	0.5	2.7
Fresh-start accounting adjustments, net			(81.3)
Amortization of stock-based compensation expense	3.0	0.2	
Allowance for doubtful accounts	0.6	0.4	5.7
Depreciation and amortization	11.7	1.4	7.0
Loss on early extinguishment of debt	2.3		
Foreign currency transaction (gains) losses, net	0.6	(0.7)	
Deferred income taxes	(3.5)	(0.3)	21.7
Changes in operating assets and liabilities:			
Restricted cash	(0.1)	6.4	(6.7)
Accounts receivable	(9.3)	1.4	(6.4)
Other receivables	11.1	19.0	9.7
Inventories	26.3	2.2	47.8
Deposits, prepayments and other non-current assets	(5.4)	4.2	(22.8)
Accounts payable	3.1	1.4	11.2
Cigarette and tobacco taxes payable	11.1	(5.9)	(1.1)
Liabilities subject to compromise			(55.6)
Pension, claims and other accrued liabilities and income taxes payable	(10.7)	4.2	(7.4)
Net cash provided by (used in) operating activities	51.7	36.4	(24.8)
Cash flows from investing activities:			
Additions to property and equipment, net	(4.2)	(0.2)	(6.4)
Net cash used in investing activities	(4.2)	(0.2)	(6.4)
Cash flows from financing activities:			
Proceeds from emergence financing			120.5
Net cash distributed to Trusts upon emergence			(139.6)
Net capital distributions from Fleming			55.0
Borrowing under revolving line of credit(1)	18.7		

Repayments under revolving line of credit[1]	(28.0)	(36.6)	
Principal payments on long-term debt	(35.5)		
Changes in debt issuance costs			(3.8)
Increase (decrease) in book overdrafts	0.8	(1.8)	3.0
Net cash (used in) provided by financing activities	(44.0)	(38.4)	35.1
Effects of changes in foreign exchange rates	0.7	0.7	(0.5)
Increase (decrease) in cash and cash equivalents	4.2	(1.5)	3.4
Cash and cash equivalents, beginning period	26.2	34.5	31.1
Cash and cash equivalents, end of period	$ 30.4	$ 33.0	$ 34.5
Supplemental disclosures:			
Cash paid during the period for:			
Income Taxes	$ 20.7	$ 0.3	$
Interest	$ 9.4	$ 0.4	$
Payments made in conjunction with Chapter 11 reorganization:			
Professional fees	$	$ 0.1	$ 1.6
Pre-petition claim payments	$	$	$ 54.9
Non-cash transactions	$	$	$ 1.6

(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.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Summary Company Information

Business

Core-Mark Holding Company, Inc. and subsidiaries (collectively the Company or Core-Mark) is one of the leading wholesale distributors to the convenience store industry in North America, providing sales and marketing, distribution and logistics services to customer locations across the United States and Canada. The Company operates a network of 24 distribution centers in the United States and Canada, distributing a diverse line of national and private label convenience store products to approximately 20,000 customer locations. The Company s products include cigarettes, tobacco, candy, snacks, fast food, grocery products, non-alcoholic beverages, general merchandise, and health and beauty care products. Core-Mark services a variety of store formats including traditional convenience stores, grocery stores, drug stores, mass merchandise stores, liquor stores and other stores that carry convenience products.

Chapter 11 Filing by Fleming Companies, Inc. and Emergence of Core-Mark Holding Company, Inc.

Core-Mark operated as a privately-held company until June 2002 when it was acquired by Fleming Companies, Inc. (Fleming). On April 1, 2003, Fleming and its subsidiaries (collectively, the Debtors) filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in the state of Delaware. On July 27, 2004, the bankruptcy court confirmed Fleming s Plan of Reorganization , as amended and revised (the Plan). The Plan provided for the reorganization of the Debtors with Core-Mark surviving as a separate company.

Upon emergence from the Fleming bankruptcy on August 23, 2004 (the Effective Date), Core-Mark reflected the terms of the Plan in its consolidated financial statements applying the provisions of the American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code* (SOP 90-7) with respect to financial reporting upon emergence from bankruptcy. The effect of the application of these provisions is described in Note 3 to the consolidated financial statements of the Company s Form 10 registration statement, as amended. For detailed information on the Fleming bankruptcy proceedings and Core-Mark s emergence as a separate company, please review the information contained in the Company s Form 10.

Pursuant to the Plan, the Company emerged from the Fleming bankruptcy as Core-Mark Holding Company, Inc. and was incorporated effective in August, 2004. The authorized capital stock of the Company consists of 50 million shares of common stock, with a par value of $0.01 per share. The Company issued an aggregate of 9.8 million shares of common stock to Fleming in exchange for the stock of Core-Mark International, Inc. and its subsidiaries. Pursuant to the Plan, Fleming is to distribute this common stock to its creditors as instructed by the Post Confirmation Trust (PCT) in settlement of pre-petition claims. As of September 30, 2005, Fleming had distributed 5.4 million shares of the common stock to its Class 6(A) creditors and the remaining 4.4 million shares of common stock were subject to future distribution to Fleming s creditors as claims are resolved. In October 2005, the PCT authorized a further distribution of 2.0 million shares of common stock to the creditors. Further to the Plan, warrants to purchase an aggregate of 990,616 shares of the common stock were issued to Fleming and distributed by Fleming to its Class 6(B) creditors in March 2005, referred to as the Class 6(B) warrants. The Class 6(B) warrants have an exercise price of

$20.925 per share, a 35% premium to the fair value of a share of common stock as determined pursuant to the Plan, are immediately exercisable, and expire in 2011. As of September 30, 2005, all of the Class 6(B) warrants allocated to the Class 6(B) creditors under the Plan had been distributed.

The Company entered into a Note and Warrant Purchase Agreement on August 23, 2004, referred to as the Tranche B Note Agreement, incurred an aggregate of $60 million in obligations thereunder in the form of notes

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and letters of credit issued for the Company s account, and issued warrants to the Tranche B noteholders to purchase an aggregate of 247,654 shares of common stock. The notes, letters of credit and warrants issued under the Tranche B Note Agreement are referred to as the Tranche B Notes, the Tranche B Letters of Credit and the Tranche B Warrants, respectively. The Tranche B Warrants have an exercise price of $15.50 per share, the fair value of common stock as determined pursuant to the Plan, are immediately exercisable, and expire in 2011. *(See Note 13 Subsequent Events.)*

Fresh-Start Accounting

In accordance with SOP 90-7, the Company adopted fresh-start accounting as of August 23, 2004, as the Company s emergence from the Fleming Chapter 11 bankruptcy proceedings resulted in a new reporting basis. Under fresh-start accounting rules, a new reporting entity was deemed to be created and the recorded amounts of assets and liabilities were adjusted to reflect their estimated fair values, based on independent valuations where applicable.

The effective date of the new entity was considered to be the start of business on August 23, 2004 for financial reporting purposes. The fiscal periods prior to and including August 22, 2004 pertain to what is designated the Predecessor Company, while the fiscal periods subsequent to August 22, 2004 pertain to what is designated the Successor Company. Where a financial statement item applies to both the Successor and Predecessor Companies, the entity is referred to collectively as the Company. After giving effect to the reorganization and fresh-start accounting required by SOP 90-7, *the financial statements of the Successor Company are not comparable to those of the Predecessor Company.*

2. Restatements of Financial Statements

On March 23, 2006 the Audit Committee of the Board of Directors of the Company and management concluded that the audited consolidated financial statements as of December 31, 2004 and for the period from August 23, 2004 to December 31, 2004 and the 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 the quarterly report on Form 10-Q for the third quarter of 2005, 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. Specifically, management determined that foreign currency translation adjustments related to intercompany balances of the Company s Canadian branch were incorrectly recorded as a component of comprehensive income directly to stockholders equity. These intercompany balances were incorrectly thought to be of a permanent nature. Because such intercompany balances post-emergence were not permanent in nature and were fluctuating throughout the period, the foreign exchange gains or losses should have been recorded as a gain (or loss) within the income statement. Accordingly, the Company is restating its financial statements for such periods and the period from August 23, 2004 to September 30, 2004 in this Amendment No. 1 to the Form 10-Q to correct the above error and to correct the additional errors discussed below.

In connection with this restatement, the Company also corrected an approximately $0.4 million inventory overvaluation error (and a corresponding understatement of cost of goods sold) in the financial statements for the nine months ended September 30, 2005. Additionally, the restatement reflects adjustments for the nine months ended September 30, 2005 to correct estimation errors and to correct errors in certain balance sheet classifications as of September 30, 2005. The correction of the estimation errors resulted in an approximately $0.1 million increase in cost of goods sold and an approximately $0.2 million increase in selling, general and administrative expenses for the nine months ended September 30, 2005. In addition, diluted earnings per share for the three months ended September 30, 2005 decreased from $0.09 to $0.08 as a result of a change in the

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

method of calculating diluted earnings per share. Previously, the Company calculated diluted earning per share by dividing net income expressed in millions by fully diluted shares. As restated, diluted earnings per share are calculated by dividing net income expressed in dollars by fully diluted shares.

The correction of the error relating to the accounting of foreign currency translation adjustments had the effect of increasing (decreasing) income before income taxes, net income and earnings per diluted share by $0.7 million, $0.4 million and $0.04, respectively, for the period August 23 through September 30, 2004 and by $(0.6) million, $(0.3) million and $(0.03), respectively, for the nine months ended September 30, 2005.

The aggregate effect of correcting the accounting errors described above was as follows:

For the period from August 23, 2004 through September 30, 2004, income before income taxes increased by $0.7 million, net income increased by $0.4 million and diluted earnings per share increased $0.04. For the nine months ending September 30, 2005, income before income taxes decreased $1.3 million, net income decreased $0.8 million and diluted earnings per share decreased $0.07. There was no impact to income from continuing operations or net income for the three months ended September 30, 2005, however, diluted earnings per share decreased by $0.01 from $0.09 to $0.08 as a result of the change in the method of calculating diluted earnings per share.

Unless otherwise noted, all financial information set forth herein reflects the restatement of the Company s financial statements for the first three quarters of fiscal year 2005 and for the period from August 23 through December 31, 2004. Although the financial statements for the third quarter of 2005 are being restated, the restatement impacts only the nine month period ended September 30, 2005 included in such financial statements and, other than the adjustment resulting from the change in the method of calculating diluted earnings per share, no adjustment is being made to the three month period ended September 30, 2005.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The effects of these adjustments on previously reported financial statements are summarized in the tables below:

CONSOLIDATED BALANCE SHEET CHANGES

(In millions except share data)

	September 30, 2005 (Unaudited)		
	As filed in Form 10-Q on November 30, 2005	**Adjustments**	**As Restated**
Assets			
Current assets:			
Cash and cash equivalents	$ 30.4	$	$ 30.4
Restricted cash	12.2		12.2
Accounts receivable, net of allowance for doubtful accounts of $6.7	141.5	1.8	143.3
Other receivables, net	22.3	0.9	23.2
Inventories, net	155.4		155.4
Deposits and prepayments	38.4	(2.4)	36.0
Total current assets	400.2	0.3	400.5
Property and equipment, net	38.7		38.7
Deferred income taxes	3.3		3.3
Other non-current assets, net	33.1	1.7	34.8
Total assets	$ 475.3	$ 2.0	$ 477.3
Liabilities and Stockholders Equity			
Current liabilities:			
Accounts payable[(1)]	$ 42.2	$ 2.0	$ 44.2
Book overdrafts[(1)]	21.5		21.5
Cigarette and tobacco taxes payable	61.5		61.5
Accrued liabilities	60.2		60.2
Income taxes payable	2.8	0.7	3.5
Deferred income taxes	13.7		13.7
Total current liabilities	201.9	2.7	204.6
Long-term debt, net	35.6		35.6
Other tax liabilities	1.8		1.8
Claims liabilities, net of current portion	48.1		48.1
Pension liabilities	11.4		11.4

Total liabilities	298.8	2.7	301.5
Commitments and contingencies (Note 11)			
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		165.1
Retained earnings	10.1	1.1	11.2
Accumulated other comprehensive income	1.2	(1.8)	(0.6)
Total stockholders equity	176.5	(0.7)	175.8
Total liabilities and stockholders equity	$ 475.3	$ 2.0	$ 477.3

(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.*

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONSOLIDATED BALANCE SHEET CHANGES

(In millions except share data)

	December 31, 2004		
	As Filed in Form 10/A on October 21, 2005	**Adjustment**	**As Restated**
Assets			
Current assets:			
Cash and cash equivalents	$ 26.2	$	$ 26.2
Restricted cash	12.1		12.1
Accounts receivable, net of allowance for doubtful accounts of $7.7	131.7	2.2	133.9
Other receivables, net	34.8	(0.7)	34.1
Inventories, net	186.3	0.1	186.4
Deposits and prepayments	38.7	(1.8)	36.9
Total current assets	429.8	(0.2)	429.6
Property and equipment, net	41.3		41.3
Deferred income taxes	0.7		0.7
Other non-current assets, net	31.8	0.8	32.6
Total assets	$ 503.6	$ 0.6	$ 504.2
Liabilities and Stockholders Equity			
Current liabilities:			
Accounts payable(1)	$ 40.5	$ 0.1	$ 40.6
Book overdrafts(1)	20.7		20.7
Cigarette and tobacco taxes payable	49.0		49.0
Accrued liabilities	60.5	(0.2)	60.3
Income taxes payable	14.4	1.2	15.6
Deferred income taxes	14.4		14.4
Total current liabilities	199.5	1.1	200.6
Long-term debt, net	77.5		77.5
Other tax liabilities	1.8		1.8
Claims liabilities, net of current portion	46.3		46.3
Pension liabilities	11.4		11.4
Total liabilities	336.5	1.1	337.6

Commitments and contingencies			
Stockholders equity:			
Common stock; $0.01 par value (50,000,000 shares authorized, 9,815,375 shares issued and outstanding at December 31, 2004)	0.1		0.1
Additional paid-in capital	162.1		162.1
Retained earnings	3.4	1.9	5.3
Accumulated other comprehensive income	1.5	(2.4)	(0.9)
Total stockholders equity	167.1	(0.5)	166.6
Total liabilities and stockholders equity	$ 503.6	$ 0.6	$ 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.*

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENTS OF OPERATIONS CHANGES

(In millions, except per share data)

	Nine months ended September 30, 2005 (Unaudited)		
	As Filed in Form 10-Q on November 30, 2005	Adjustments	As Restated
Net sales [(a)]	$ 3,681.2	$	$ 3,681.2
Cost of goods sold [(a) (b)]	3,474.4	0.5	3,474.9
Gross profit	206.8	(0.5)	206.3
Warehousing and distribution expenses	102.5		102.5
Selling, general and administrative expenses	78.2	0.2	78.4
Amortization of intangible assets	0.9		0.9
Total operating expenses	181.6	0.2	181.8
Income from operations	25.2	(0.7)	24.5
Interest expense, net	9.5		9.5
Loss on early extinguishment of debt	2.6		2.6
Foreign currency transaction (gains) losses, net		0.6	0.6
Amortization of debt issuance costs	0.9		0.9
Income (loss) from operations before income taxes	12.2	(1.3)	10.9
Provision for income taxes	5.5	(0.5)	5.0
Net income (loss)	$ 6.7	$ (0.8)	$ 5.9
Basic income (loss) per common shares			
Net income (loss)	$ 0.68	$ (0.07)	$ 0.61
Diluted income (loss) per common share:			
Net income (loss)	$ 0.64	$ (0.07)	$ 0.57
Basic weighted average shares	9.8	9.8	9.8
Diluted weighted average shares	10.4	10.4	10.4

(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 $891.4 for the nine months ended September 30, 2005. This balance has 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.*

(b) Cost of goods sold excludes depreciation and amortization expense attributable to distribution assets of $5.8 that has been included in warehousing and distribution expenses for the nine months ended September 30, 2005.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS CHANGES

(In millions, except share data)

	Period from August 23 through September 30, 2004		
	As Filed in Form 10-Q on November 30, 2005	**Adjustments**	**As Restated**
Net sales [(a)]	$ 487.5	$	$ 487.5
Cost of goods sold [(a)(b)]	459.1		459.1
Gross profit	28.4		28.4
Warehousing and distribution expenses	13.1		13.1
Selling, general and administrative expenses	10.4		10.4
Amortization of intangible assets	0.1		0.1
Total operating expenses	23.6		23.6
Income from operations	4.8		4.8
Interest expense, net	1.5		1.5
Reorganization items, net	0.6		0.6
Foreign currency transaction (gains) losses		(0.7)	(0.7)
Amortization of debt issuance costs	0.2		0.2
Income from operations before income taxes	2.5	0.7	3.2
Provision for income taxes	0.9	0.3	1.2
Net income	$ 1.6	$ 0.4	$ 2.0
Basic income per common share:			
Continuing operations	$ 0.16	$ 0.04	$ 0.20
Discontinued operations			
Net income	$ 0.16	$ 0.04	$ 0.20
Diluted income per common share:			
Continuing operations	$ 0.16	$ 0.04	$ 0.20
Discontinued operations			

Net income	$ 0.16	$ 0.04	$ 0.20
Basic weighted average shares	9.8	9.8	9.8
Diluted weighted average shares	9.8	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 $114.4 for the period August 23 through September 30, 2004. This balance has 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 Presenta*tion and Principles of Consolidation Reclassifications.*

(b) Cost of goods sold excludes depreciation and amortization expense attributable to distribution assets of $0.9 that has been included in warehousing and distribution expenses for the period August 23 through September 30, 2004.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOW CHANGES

(in millions)

	Nine months ended September 30, 2005 (Unaudited)		
	As filed in Form 10-Q on November 30, 2005	**Adjustments**	**As Restated**
Cash flows from operating activities:			
Net income	$ 6.7	$ (0.8)	$ 5.9
Adjustments to reconcile net income to net cash provided by operating activities:			
LIFO and inventory reserves	5.0		5.0
Amortization of stock-based compensation expense	3.0		3.0
Allowance for doubtful accounts	0.6		0.6
Depreciation and amortization	11.7		11.7
Loss on early extin			