BOWLIN TRAVEL CENTERS, INC.

Financial Statements

January 31, 2015 and 2014

150 Louisiana NE, Albuquerque, NM 87108 (505) 266-5985

Accounting & Consulting Group, LLP
Certified Public Accountants

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of Bowlin Travel Centers, Inc.

We have audited the accompanying balance sheets of Bowlin Travel Centers, Inc. (the Company) as of January 31, 2015 and 2014, and the related statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2015. Bowlin Travel Center, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bowlin Travel Centers, Inc. as of January 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Certified Public Accountants
Albuquerque, New Mexico
April 14, 2015

BOWLIN TRAVEL CENTERS, INC.
Balance Sheets
January 31, 2015 and 2014

Assets	**2015**	**2014**
Current assets:		
Cash and cash equivalents	$ 3,614,379	$ 2,553,577
Marketable securities	951,167	860,000
Accounts receivable	15,983	25,339
Inventories	3,066,527	3,374,020
Interest receivable	1,168	331
Prepaid expenses	199,056	216,636
Deferred income taxes	59,959	42,990
Total current assets	7,908,239	7,072,893
Property and equipment, net	9,452,605	9,650,441
Capital lease, net	67,118	129,816
Long-term deferred tax assets	378,082	514,882
Assets held for sale	411,871	411,871
Intangible assets, net	48,130	38,044
Investment in real estate	419,389	419,389
Total assets	$ 18,685,434	$ 18,237,336
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	$ 292,788	$ 259,899
Current maturity of capital lease obligation	67,118	62,698
Accounts payable	662,382	633,122
Accrued salaries and benefits	503,460	370,769
Accrued liabilities	354,043	253,251
Deferred revenue, current	21,411	21,410
Total current liabilities	1,901,202	1,601,149
Deferred income taxes	725,459	779,290
Long-term debt, less current maturities	4,732,173	4,480,082
Capital lease obligation, less current maturities	—	67,118
Total liabilities	7,358,834	6,927,639
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, $0.001 par value; 1,000,000 shares authorized, none issued or outstanding at January 31, 2015 and 2014	—	—
Common stock, $0.001 par value; 10,000,000 shares authorized, 4,099,676 issued and outstanding at January 31, 2015 and 4,131,550 issued and outstanding at January 31, 2014	4,583	4,583
Less: treasury stock	483	451
Common stock outstanding	4,100	4,132
Additional paid-in capital, net	9,223,083	9,267,880
Retained earnings	2,099,417	2,037,685
Total stockholders' equity	11,326,600	11,309,697
Total liabilities and stockholders' equity	$ 18,685,434	$ 18,237,336

See accompanying notes to financial statements.

BOWLIN TRAVEL CENTERS, INC.
Statements of Income

	Years ended January 31,		
	2015	**2014**	**2013**
Gross sales	$ 29,003,367	$ 28,523,807	$ 28,411,359
Less discounts on sales	(257,963)	(209,718)	(420,818)
Net sales	28,745,404	28,314,089	27,990,541
Cost of goods sold	18,889,404	19,351,803	19,454,585
Gross profit	9,856,000	8,962,286	8,535,956
General and administrative expense	(8,772,472)	(8,276,092)	(7,853,839)
Depreciation and amortization	(936,450)	(957,077)	(984,471)
Operating income (loss)	147,078	(270,883)	(302,354)
Other non-operating (expense) income:			
Interest income	5,969	6,713	6,038
Gain (loss) on sale of property and equipment	16,879	14,238	42,336
Rental income	157,536	163,078	173,895
Interest expense	(199,730)	(195,918)	(304,615)
Total other non-operating (expense) income	(19,346)	(11,889)	(82,346)
Income (loss) before extraordinary item	127,732	(282,772)	(384,700)
Income tax (expense) benefit	(66,000)	109,200	133,500
Extraordinary item – sale of cell tower lease and easement, net of income tax expense	—	—	73,200
Net income (loss)	$ 61,732	$ (173,572)	$ (178,000)
Income (loss) per share:			
Basic and diluted, net income, extraordinary item	$ —	$ —	$ 0.02
Basic and diluted, net income (loss)	$ 0.02	$ (0.04)	$ (0.04)
Weighted average common shares outstanding	4,099,676	4,131,550	4,146,542

See accompanying notes to financial statements.

BOWLIN TRAVEL CENTERS, INC.
Statements of Stockholders' Equity
For the Years Ended January 31, 2015, 2014 and 2013

	Number of shares	Common stock, at par	Additional paid-in capital	Retained earnings	Total
Balance at January 31, 2013	4,146,542	$ 4,147	$ 9,288,513	$ 2,211,257	$ 11,503,917
Net loss	—	—	—	(173,572)	(173,572)
Treasury stock	(14,992)	(15)	—	—	(15)
Additional paid-in capital, treasury	—	—	(20,633)	—	(20,633)
Balance at January 31, 2014	4,131,550	4,132	9,267,880	2,037,685	11,309,697
Net income	—	—	—	61,732	61,732
Treasury stock	(31,874)	(32)	—	—	(32)
Additional paid-in capital, treasury	—	—	(44,797)	—	(44,798)
Balance at January 31, 2015	4,099,676	$ 4,100	$ 9,223,083	$ 2,099,417	$ 11,326,600

See accompanying notes to financial statements.

BOWLIN TRAVEL CENTERS, INC.
Statements of Cash Flows

		Years ended January 31,		
		2015	**2014**	**2013**
Cash flows from operating activities:				
Net income (loss)	$	61,732	(173,572)	(178,000)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization		936,450	957,077	984,471
Amortization of loan fee		5,885	6,194	6,194
(Gain) loss on sale of property and equipment		(16,879)	(14,238)	(42,336)
Provision for deferred income taxes		66,000	(109,200)	(174,100)
Retirement of debt issuance costs		3,172	—	—
Changes in operating assets and liabilities:				
Accounts receivable		9,356	47,411	(67,259)
Inventories		307,493	117,771	(3,788)
Prepaid expenses and other		17,580	21,075	90,220
Accounts payable and accrued liabilities		262,743	9,165	227,843
Deferred revenue		1	(1)	219
Net cash provided by operating activities		1,653,533	861,682	843,464
Cash flows from investing activities:				
Proceeds from sale of assets		25,871	12,000	35,675
Purchases of property and equipment		(682,168)	(351,512)	(326,700)
Accrued interest receivable		(837)	28	81
Purchase of marketable securities		(951,167)	(860,000)	(850,000)
Franchise fee payment		—	(7,500)	—
Proceeds from sale of marketable securities		860,000	850,000	900,000
Payment received from notes receivable		—	9,934	10,066
Net cash used in investing activities		(748,301)	(347,050)	(230,878)
Cash flows from financing activities:				
Payments on long-term debt		(271,016)	(248,102)	(197,654)
Payments for capital lease obligation		(62,699)	(58,571)	(54,716)
Treasury stock		(32)	(15)	(39)
Retirement of long term debt		(944,001)	—	—
Payments for debt issuance costs		(21,884)	—	—
Proceeds from borrowing		1,500,000	—	—
Additional paid-in capital, treasury stock		(44,798)	(20,633)	(55,224)
Net cash provided by (used in) financing activities		155,570	(327,321)	(307,633)
Net increase in cash and cash equivalents		1,060,802	187,311	304,953
Cash and cash equivalents at beginning of year		2,553,577	2,366,266	2,061,313
Cash and cash equivalents at end of year	$	3,614,379	2,553,577	2,366,266

(Continued)

BOWLIN TRAVEL CENTERS, INC.
Statements of Cash Flows

	Years ended January 31,		
	2015	**2014**	**2013**
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 199,730	$ 195,918	$ 304,615

See accompanying notes to financial statements.

BOWLIN TRAVEL CENTERS, INC.
Notes to Financial Statements
January 31, 2015

(1) Summary of Significant Accounting Policies

(a) Description of Business

Bowlin Travel Centers, Inc. (BTC or the Company) is located in Albuquerque, New Mexico. The Company's tradition of serving the public dates back to 1912, when the founder, Claude M. Bowlin, started trading goods and services with Native Americans in New Mexico. The Company's principal business activities include the operation of ten travel centers and six restaurants strategically located along well-traveled interstate highways in New Mexico and Arizona where there are generally few gas stations, convenience stores or restaurants. Eight of the Company's travel centers offer fuel and the Company operates six full-service restaurants under the Dairy Queen/Brazier, Dairy Queen or Subway trade names. All of the Company's ten travel centers offer a unique variety of Southwestern merchandise to the traveling public in the Southwestern United States, primarily New Mexico. They also sell convenience store food such as chips, nuts, cookies and prepackaged sandwiches along with a variety of bottled and canned drinks.

(b) Cash and Cash Equivalents

The Company considers all liquid investments with an original maturity of three months or less to be cash equivalents. The Company places its temporary cash investments with a local financial institution. Funds in excess of the $250,000 insured by the Federal Deposit Insurance Corporation (FDIC) are invested in overnight US Treasuries.

The Company also considers receivables from credit card transactions that are typically reimbursed within three business days as cash and cash equivalents. Receivables from credit card transactions included in cash and cash equivalents at January 31, 2015 and 2014 were $84,646 and $121,508 respectively.

(c) Marketable Securities

Marketable securities consist of certificates of deposits with maturity dates greater than three months and less than one year. All are fully insured by the Federal Deposit Insurance Corporation (FDIC), as they do not exceed their $250,000 limit.

(d) Inventories

Inventories consist primarily of merchandise and gasoline for resale and are stated at the lower of cost or market value, with cost being determined using the first-in, first-out (FIFO) method. The Company is subject to the uniform capitalization rules and capitalized $118,390 and $118,690 of direct and indirect costs incurred during pre-sale periods to inventory at January 31, 2015 and January 31, 2014 respectively.

(e) Property and Equipment

Property and equipment are carried at cost. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to property and equipment are capitalized. Depreciation is calculated by the Company using primarily straight-line.

(f) Intangible Assets

Debt issuance costs are deferred and amortized over the terms of the respective borrowings on a straight-line basis which is not materially different from the effective interest method. Franchise fees are amortized on a straight-line basis over the shorter of the life of the related franchise agreements or the periods estimated to be benefited, ranging from ten to twenty-five years.

(g) Sales and Cost Recognition

Sales of merchandise are recognized at the time of sale and the associated costs of the merchandise are included in cost of sales.

(h) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(i) Excise and Transaction Privilege Taxes

The Company collects and remits various federal and state excise taxes on petroleum products. Gasoline sales and cost of goods sold included excise taxes of approximately $1,270,245, $1,260,728 and $1,226,971 for fiscal years ended January 31, 2015, 2014 and 2013, respectively.

The Company also collects and remits transaction privilege taxes on sales. Gross receipts taxes of approximately $795,937, $750,247 and $697,126 were collected and remitted for fiscal years ended January 31, 2015, 2014 and 2013, respectively. Sales and cost of sales are presented net of gross receipts taxes.

(j) Impairment of Long-lived Assets and Long-lived Assets to Be Disposed Of

The Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(k) Financial Instruments

The Company's financial instruments are cash and cash equivalents, marketable securities, accounts receivable, notes receivable, accounts payable, accrued liabilities and long-term debt. The carrying amounts of cash and cash equivalents, marketable securities, accounts receivable, notes receivable, accounts payable, accrued liabilities and long-term debt approximate fair value.

(l) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles in the United States of America. The Company has identified the estimated useful lives of its fixed assets and the valuation of deferred taxes as its significant estimates. Actual results could differ from those estimates.

(m) Earnings Per Share

Earnings per share of common stock, both basic and diluted, are computed by dividing net (loss) income by the weighted average common shares outstanding, assuming the shares distributed on January 30, 2001 were outstanding for all periods presented. Diluted earnings per share is calculated in the same manner as basic earnings per share as there were no potential dilutive securities outstanding for all periods presented.

On September 29, 2008, the Company issued a press release announcing plans to begin a stock repurchase program whereby up to 1,000,000 shares of its common stock outstanding may be repurchased in the open market or in privately negotiated purchases from time to time, depending on market conditions and other factors. The purchases will be funded from available working capital and will be made in accordance with applicable securities laws and regulations. On September 19, 2014, the Board of Directors resolved to continue the repurchase program for another year, subject to earlier termination or extension as provided by the Board.

The Company repurchased 31,874 of its outstanding common shares for fiscal year ended January 31, 2015 at an average price per share of approximately $1.406, for a total repurchase of $44,829. The common stock issued and outstanding was reduced by 31,874 shares or $32 (31,874 shares times the par value of $0.001), and additional paid in capital was reduced by $44,797. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

The Company repurchased 14,992 of its outstanding common shares for fiscal year ended January 31, 2014 at an average price per share of approximately $1.377, for a total repurchase of $20,648. The common stock issued and outstanding was reduced by 15,992 shares or $15 (15,992 shares times the par value of $0.001), and additional paid in capital was reduced by $20,633. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

There was no issuance of the Company's outstanding common shares for fiscal years ended January 31, 2015, 2014 and 2013, respectively.

(n) Reclassifications

Certain 2014 and 2013 amounts have been reclassified to conform to 2015 presentation. Such reclassifications had no effect on net income. Property and equipment held for sale is reclassified as a component separate from continuing operations in the balance sheet in accordance with FASB ASC 2005-20-45 – Accounting for Impairment or Disposal of Long-lived Assets. Management's intent is to sell the Company's retail location located in Edgewood, New Mexico, in the ensuing fiscal year. The assets for sale consist of land, buildings, machinery and equipment, mobile homes and billboards. This location was closed in October 2007.

On July 1, 2013, the Company entered into a periodic tenancy commercial lease agreement for the property. The tenant will have a first right of refusal to purchase the property should the Company receive a third party bona fide offer to sell the property.

On January 26, 2015, the Company terminated the periodic tenancy commercial lease agreement for the property.

(o) Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

(p) Deferred Revenue

The current portion of deferred revenue consists of advertising revenue received in advance for billboards that the Company rents. This revenue is recognized in income as services are provided over the term of the contract.

(q) Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was approximately $108,322, $101,470 and $91,776 for fiscal years ended January 31, 2015, 2014 and 2013, respectively.

(r) Freight Costs

General and administrative expense includes inbound freight costs incurred to acquire inventory for sale. Inbound freight costs are expensed as incurred. Freight expense was approximately \$119,063, \$112,554 and \$116,043 for fiscal years ended January 31, 2015, 2014 and 2013, respectively.

(s) Concentration in Suppliers

The Company is an authorized ExxonMobil distributor. The Company sells ExxonMobil gasoline at five travel centers. The ExxonMobil distribution agreement allows the Company to streamline its gasoline supply arrangements and take advantage of volume-driven pricing by consolidating purchases from this supplier. The Company's agreement with ExxonMobil does not prohibit it from entering into similar arrangements with other petroleum companies.

On September 1, 2010, the Company renewed its distribution agreement with ExxonMobil. The new agreement has a five-year term expiring August 31, 2015. The terms of the distribution agreement require the Company to purchase five million gallons in the calendar year immediately preceding the expiration date.

All of the Company's Arizona locations are Shell brand as a result of the Company entering into a retail supply agreement with Arizona Fuel Distributors, L.L.C. during fiscal year ended 2008. The agreement allows the Company to purchase fuel paying a distributor's markup price of \$0.015 cents per gallon. There are no minimum or maximum gallon purchase requirements for the Company under the retail supply agreement with Arizona Fuel Distributors, L.L.C

(2) Property and Equipment

Property and equipment consist of the following at January 31:

	Estimated life (years)	2015	2014
Land		$ 1,999,591	$ 1,999,591
Buildings and improvements	10 - 40	10,564,802	10,412,213
Machinery and equipment	3 - 10	10,139,849	9,668,685
Autos, trucks and mobile homes	3 - 10	2,012,695	2,010,408
Billboards	15 - 20	2,443,170	2,443,172
Construction in progress		19,039	21,219
		27,179,146	26,555,288
Less accumulated depreciation		(17,726,541)	(16,904,847)
Property and equipment, net		$ 9,452,605	$ 9,650,441
Assets held for sale		$ 1,010,533	$ 1,010,533
Less accumulated depreciation		(598,662)	(598,662)
Assets held for sale, net		$ 411,871	$ 411,871

Construction in progress consists of inventory the Company has $19,039 on hand to repair and maintain its billboards as well as for the occasional building of billboards.

	2015	2014	2013
Depreciation expense:	$ 936,450	$ 957,077	$ 984,471

Depreciation expense, including assets under capital lease, was $936,324, $957,077 and $984,471 for fiscal years ending January 31, 2015, 2014 and 2013, respectively, and was charged to operations.

Gains and losses on sale of property and equipment:

	2015	2014	2013
Land	$ —	$ 8,460	$ 8,568
Machinery and equipment	1,200	—	22
Autos, trucks and mobile homes	15,679	5,778	(1,254)
Billboards	—	—	35,000
	$ 16,879	$ 14,238	$ 42,336

The Company’s Edgewood, New Mexico location was closed October 31, 2007 and the property, fixtures and equipment remain for sale and therefore have been identified as a component as defined in FASB ASC 2005-20-45 – Accounting for Impairment or

Disposal of Long-Lived Assets. The carrying value of the property, fixtures and equipment of approximately $412,000 have been reclassified as assets held for sale in the January 31, 2015 and January 31, 2014 balance sheets. The Company continues to list the property for sale. There was no operational activity during fiscal years 2015, 2014 and 2013 and therefore no results of operations.

(3) Intangible Assets

Intangible assets, at cost, consist of the following at January 31:

	2015	2014
Franchise fees	$ 150,500	$ 143,000
Payment for franchise fee	—	7,500
Payment for debt issuance costs	21,884	—
Retirement of debt issuance costs	(3,172)	—
Debt issuance costs	34,755	48,348
	203,967	198,848
Less accumulated amortization	(155,837)	(160,804)
	$ 48,130	$ 38,044

On June 30, 2014, the Company entered into a commercial loan agreement with WestStar Bank that resulted in debt issuance costs of $21,884.

On December 10, 2013, the Company entered into a new Subway operating license agreement for Picacho Peak Plaza. The license was granted for a term of twenty years and in December 2013, the Company paid a franchise fee of $7,500. The fee began amortizing using a straight-line basis when the Subway began operation in March 2014.

The following schedule discloses the estimated amortization expense at January 31:

2015	$ 8,468
2016	8,468
2017	7,887
2018	4,992
2019	3,335
Thereafter	14,980
Total	$ 48,130

(4) Investment in Real Estate

Approximately twelve acres of previously undeveloped land in Alamogordo, New Mexico was sub-divided into thirty-five approximately quarter-acre residential lots. The carrying value of this investment in real estate is $419,389. The subdivision includes paved roads, fencing, water, sewer and electricity. Two manufactured homes were purchased and installed. One lot and manufactured home was sold in December 2003. In December

2005, two lots were sold. The other manufactured home was moved for the Company's use at the new facility in Picacho, Arizona. The thirty-two lots that remain are for sale.

(5) Long-term Debt

Long-term debt consists of the following at January 31:

	2015	2014
Due to a bank, maturity November 2017, interest at 3.14%, monthly installments of $28,186, secured by certain properties	$ 3,559,639	$ 3,781,154
Due to a bank, maturity June 2015, interest at 5.45%, monthly installments of $7,378, secured by one property	—	958,827
Due to a bank, maturity June 2024, interest at 4.75%, monthly installments of $10,940, secured by two properties	1,465,322	—
	5,024,961	4,739,981
Less current maturities	(292,788)	(259,899)
Long-term debt, less current maturities	$ 4,732,173	$ 4,480,082

Future maturities of long-term debt for the years ending January 31 are as follows:

2016	$ 292,788
2017	3,395,987
2018	69,307
2019	72,672
2020	76,200
Thereafter	1,118,007
Total	$ 5,024,961

On June 30, 3014, the Company entered into a commercial loan agreement with WestStar Bank in the amount of $1,500,000 with an interest rate of 4,75% for the first five years, then subject to adjustment June 30, 2019. The Company's real property in Bernalillo County, New Mexico and one property in Dona Ana County, New Mexico serve as security for the loan. The commercial loan agreement matures June 30, 2024. A portion of the proceeds were used to pay off an existing loan with Bank of the West which released the Company's real property in Cochise County, Arizona that was serving as collateral for the debt.

On December 1, 2012, the Company's interest rate on its debt maturing November 2017 changed from 5.92% to 3.14%. The interest rate is subject to adjustment every five years and is based on the CMT interest rate plus 2.5%.

At January 31, 2015 and 2014, respectively, the Company was not aware of any non-compliance with the minimum financial ratios or annual debt covenants.

(6) Capital Lease Obligation

Capital lease obligation consists of the following at January 31:

	2015	2014
Due YESCO LLC, maturity February 2016, interest at 6.8275%, monthly installments of $5,802.	$ 67,118	$ 129,816
Less current maturities	(67,118)	(62,698)
Capital lease obligation, less current maturities	$ —	$ 67,118

Future maturities of capital lease obligation for the years ending January 31 are as follows:

	Lease obligation	Interest	Total
2016	67,118	2,508	69,626
Total	$ 67,118	$ 2,508	$ 69,626

On June 21, 2010, the Company entered into a capital lease agreement with YESCO LLC for two used 14’ x 48’ single face LED signs with individual web cams to be installed in Picacho, Arizona. The term of the lease consists of sixty consecutive months commencing on the first day of the month immediately following the installation of the signs. Installation of the signs was completed in February 2011. The Company will pay YESCO LLC $1,065 as the maintenance component and $5,802 as the base lease component. The Company will pay YESCO LLC $1.00 with the final monthly payment at which time YESCO LLC will transfer ownership of the signs to the Company. As part security for its performance, the Company deposited with YESCO LLC the sum of $38,500. The security deposit has been applied as a capital reduction of the base lease component. The Company will account for the lease in accordance with FASB ASC 840-30.

(7) Income Taxes

Income taxes consist of the following for the years ended January 31:

	Current	Deferred	Extraordinary Item	Total
2015:				
U.S. Federal	$ —	$ 55,000	$ —	$ 55,000
State	—	11,000	—	11,000
	$ —	$ 66,000	$ —	$ 66,000
2014:				
U.S. Federal	$ —	$ (91,000)	$ —	$ (91,000)
State	—	(18,200)	—	(18,200)
	$ —	$ (109,200)	$ —	$ (109,200)
2013:				
U.S. Federal	$ 8,700	$ (80,900)	$ (40,800)	$ (113,000)
State	1,700	(16,200)	(6,000)	(20,500)
	$ 10,400	$ (97,100)	$ (46,800)	$ (133,500)

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 34 percent to pre-tax income as a result of the following for the years ended January 31:

	2015	2014	2013
Computed "expected" tax expense (benefit)	$ 43,429	$ (96,142)	$ (89,998)
State income tax expense (benefit), net of federal tax)benefit,	7,269	(12,034)	(9,546)
Other non-deductible expenses,	15,302	(1,024)	12,844
Total	$ 66,000	$ (109,200)	$ (86,700)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows at January 31:

	2015	2014
Deferred tax assets –		
At January 31, 2015 deferred revenue principally due to accrual for financial reporting purposes	$ 8,350	$ 8,350
At January 31, 2015, compensated absences, principally due to accrual for financial reporting purposes	51,609	34,640
At January 31, 2015, contributions, principally due to limitation as a result of net operating losses	23,647	20,702
At January 31, 2015, net operating loss, principally due to limitation as a result of net operating losses	378,082	514,882
Total gross deferred tax assets	461,688	578,574
Deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	745,317	797,714
Other	3,789	2,278
Total gross deferred liabilities	749,106	799,992
Net deferred tax liability	$ 287,418	$ 221,418

Total gross deferred liabilities decreased as a result of less eligible assets for fiscal year end 2015 for the Company's election to take the 168 allowance of 50% for assets placed in service February 1, 2014 through December 31, 2014 as allowed by the 2010 Tax Relief Act compared to eligible assets for fiscal year end 2014.

Estimated taxable income is approximately $358,000. When applied to the net operating loss carryforward, the amount of unused tax totaled approximately $842,000 at January 31, 2015 which creates a deferred tax asset of approximately $328,000. The loss carry forward will expire in 2031, 20 years after inception.

The Company adopted the provisions of FASB ASC 740-10-15 "Accounting for Uncertainty in Income Taxes" on February 1, 2009. Upon adoption, the Company recognized no change to opening retained earnings.

In the normal course of business, the Company's tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessment by these taxing authorities. Accordingly, the Company believes it is more likely than not that it will realize the benefits of tax positions it has taken in its tax returns or for the amount of any tax benefit that exceeds the cumulative probability threshold in accordance with FASB ASC 740-10-15. Differences between the estimated and actual amounts determined upon ultimate resolution, individually or in the aggregate, are not expected to have a material adverse effect on the Company's financial position.

The Company is not under examination for any open tax years.

(8) Profit-Sharing Plan

The Company maintains a qualified defined contribution profit-sharing plan that covers substantially all employees. The plan year end is December 31. The elected salary reduction is subject to limits as defined by the Internal Revenue Code. The Company provides a matching contribution and additional discretionary contributions as determined by resolution of the board of directors. Legal and accounting expenses related to the plan are absorbed by the Company. The Company's contributions to the profit-sharing plan were $60,891, $51,365 and $60,823 for the years ended January 31, 2015, 2014 and 2013, respectively.

(9) Commitment and Contingencies

The Company leases land at several of its retail operating locations. Included in general and administrative expenses in the accompanying statements of income is rental expense for these land leases of $154,840, $151,338 and $146,656 for the years ended January 31, 2015, 2014 and 2013, respectively. The Company also leases land where several of its retail billboards are located and rent expense for these leases was $223,635, $220,778 and $202,803 for the years ended January 31, 2015, 2014 and 2013, respectively.

The leasing agreements for the various locations include 5 to 35 year leases with remaining lives on those leases ranging from approximately 2 to 24 years at January 31, 2015. One of the contingent rentals has a fixed annual payment of $33,000 adjusted annually according to the consumer price index (CPI) plus 2.5% of merchandise and Dairy Queen sales plus $0.0025 of gasoline gallons sold. One of the contingent rentals has a fixed payment amount of $10,800 plus 3% of merchandise sold plus $0.02 of gasoline gallons sold. One of the contingent leases has a fixed annual payment of $26,237 adjusted every five years according to the consumer price index (CPI) plus 2.5% of merchandise sales and $0.0025 of gasoline gallons sold. In most cases, the Company is responsible for certain repairs and maintenance, insurance, property taxes or property tax increases, and utilities.
Future minimum rental payments under these leases are as follows:

Year ending January 31:		
2016	$	247,129
2017		168,899
2018		128,337
2019		116,342
2020		109,305
Thereafter		878,477
Total	$	1,648,489

Future expenditures include approximately $300,000 to complete fuel containment upgrades.

The Company is periodically subject to claims and lawsuits that arise in the ordinary course of business. It is in the opinion of management that the disposition or ultimate resolution of any such claims and lawsuits will not have a material adverse effect on the financial position of the Company.

(10) Fair Value Measurements

The Company uses a hierarchy that prioritizes the inputs used in measuring fair value such that the highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset of liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3: Inputs to the valuation methodology are unobservable and significant to the fair measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Certificates of deposit are valued at cost plus accrued interest.

The following table sets forth by level, within the fair value hierarchy, the Company's assets and liabilities at fair value as of January 31, 2015:

	Level 1	Level 2	Level 3	Total
Assets				
Certificates of deposit	$ 951,167	$ —	$ —	$ 951,167
Total assets at fair value	$ 951,167	$ —	$ —	$ 951,167
Liabilities				
Total liabilities at fair value	$ —	$ —	$ —	$ —

(11) Extraordinary item.

In October 2012, the Company sold a cell tower lease and easement located in Benson, Arizona to CF Black Dot LLC for $120,000 cash, which is reflected in income as an extraordinary item net of income tax expense.

(12) Subsequent Events

The Company has evaluated events subsequent to January 31, 2015, the balance sheet date, for events that would possibly require adjustment or disclosures in these financial statements, through April 14, 2015, the date that these statements were available to be issued.

On April 1, 2015, the Company entered into a Marketer PMPA (Petroleum Marketing Practices Act) agreement with Western Refining Wholesale, LLC ("Western"). Western will sell ExxonMobil branded motor fuels to the Company for resell at five of the Company's ExxonMobil branded locations. The agreement has a ten-year term expiring March 31, 2025. The terms of the marketer agreement require the Company to purchase certain annual minimum quantities of gasoline and diesel. The Company will purchase fuel paying a distributor's markup price of $0.015 per gallon.

Termination of the Company's ExxonMobil distributorship will eliminate the dealers the Company was doing business with. This will eliminate approximately $3,625,000 in fuel sales as well as approximately $3,620,000 in cost of fuel purchased. The net effect on gross profit is $5,000 which is immaterial to the overall financial statements. In addition to the minimal decrease in gross profit, the Company will also forfeit the one percent discount on gallons purchased or approximately $78,500.