BOWLIN TRAVEL CENTERS, INC.

Financial Statements

January 31, 2018 and 2017

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Report of Independent Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Bowlin Travel Centers, Inc. (the Company) as of January 31, 2018 and 2017, and the related statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Carr, Riggs & Ingram, L.L.C.

We have served as the Company's auditor since 2007.

Albuquerque, New Mexico
April 10, 2018

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BOWLIN TRAVEL CENTERS, INC.
Balance Sheets
January 31, 2018 and 2017

Assets		**2018**		**2017**
Current assets:				
Cash and cash equivalents	$	4,033,464	$	3,523,226
Marketable securities		964,680		953,030
Accounts receivable		17,868		17,735
Inventories		3,587,355		3,687,382
Interest receivable		3,044		1,397
Prepaid income taxes		155,967		49,715
Prepaid expenses		247,067		231,529
Total current assets		9,009,445		8,464,014
Property and equipment, net		10,058,586		9,333,124
Capital lease, net		405,669		221,463
Assets held for sale		486,807		486,807
Intangible assets, net		9,265		12,069
Investment in real estate		334,389		334,389
Total assets	$	20,304,161	$	18,851,866
Liabilities and Stockholders' Equity				
Current liabilities:				
Current maturities of long-term debt	$	157,854	$	308,711
Current maturity of capital lease obligation		86,102		40,324
Accounts payable		673,484		636,421
Accrued salaries and benefits		844,992		612,450
Accrued liabilities		344,274		338,515
Deferred revenue, current		38,339		53,208
Total current liabilities		2,145,045		1,989,629
Deferred income taxes		756,221		680,021
Capital lease obligation, less current maturities		319,567		181,139
Long-term debt, less current maturities		4,749,921		4,104,886
Total liabilities		7,970,754		6,955,675
Commitments and contingencies		—		—
Stockholders' equity:				
Preferred stock, $0.001 par value; 1,000,000 shares authorized, none issued or outstanding at January 31, 2018 and 2017		—		—
Common stock, $0.001 par value; 10,000,000 shares authorized, 4,022,387 issued and outstanding at January 31, 2018 and 4,040,672 issued and outstanding at January 31, 2017		4,583		4,583
Less: treasury stock, $0.001 par value; 560,961 shares at January 31, 2018 and 542,676 at January 31, 2017		560		542
Common stock outstanding		4,023		4,041
Additional paid-in capital, net		9,093,172		9,130,513
Retained earnings		3,236,212		2,761,637
Total stockholders' equity		12,333,407		11,896,191
Total liabilities and stockholders' equity	$	20,304,161	$	18,851,866

See accompanying notes to financial statements.

BOWLIN TRAVEL CENTERS, INC.
Statements of Income

	Years ended January 31,		
	2018	**2017**	**2016**
Gross sales	$ 27,751,427	$ 25,883,486	$ 25,853,086
Less discounts on sales	(327,544)	(378,659)	(320,667)
Net sales	27,423,883	25,504,827	25,532,419
Cost of goods sold	15,255,132	13,870,390	14,315,809
Gross profit	12,168,751	11,634,437	11,216,610
General and administrative expense	(10,565,150)	(10,013,349)	(9,572,874)
Depreciation and amortization	(1,006,324)	(985,353)	(953,935)
Operating income	597,277	635,735	689,801
Other non-operating (expense) income:			
Interest income	9,815	8,301	6,926
Gain on sale of cell tower leases and easements	300,479	—	—
Gain (loss) on sale of property and equipment	(7,486)	—	7,994
Impairment on investment in real estate	—	(85,000)	—
Rental income	84,935	100,451	154,607
Interest expense	(210,245)	(179,119)	(185,876)
Total other non-operating (expense) income	177,498	(155,367)	(16,349)
Income before income tax expense	774,775	480,368	673,452
Income tax expense	(300,200)	(209,700)	(281,900)
Net income	$ 474,575	$ 270,668	$ 391,552
Income per share:			
Net income	$ 0.12	$ 0.07	$ 0.10
Common shares outstanding	4,022,387	4,040,672	4,078,690

See accompanying notes to financial statements.

BOWLIN TRAVEL CENTERS, INC.
Statements of Stockholders' Equity
For the Years Ended January 31, 2018, 2017 and 2016

	Number of shares	Common stock, at par	Additional paid-in capital	Retained earnings	Total
Balance at January 31, 2016	4,078,690	$ 4,079	$ 9,193,383	$ 2,490,969	$ 11,688,431
Net loss	—	—	—	270,668	270,668
Treasury stock	(38,018)	(38)	—	—	(38)
Additional paid-in capital, treasury	—	—	(62,870)	—	(62,870)
Balance at January 31, 2017	4,040,672	4,041	9,130,513	2,761,637	11,896,191
Net income	—	—	—	474,575	474,575
Treasury stock	(18,285)	(18)	—	—	(18)
Additional paid-in capital, treasury	—	—	(37,341)	—	(37,341)
Balance at January 31, 2018	4,022,387	$ 4,023	$ 9,093,172	$ 3,236,212	$ 12,333,407

See accompanying notes to financial statements.

BOWLIN TRAVEL CENTERS, INC.
Statements of Cash Flows

		Years ended January 31,		
		2018	**2017**	**2016**
Cash flows from operating activities:				
Net income	$	474,575	270,668	391,552
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization		1,006,324	985,353	953,935
(Gain) loss on sale of property and equipment		7,486	—	(7,994)
(Gain) on sale of cell tower leases and easements		(300,479)	—	—
Provision for deferred income taxes		76,200	110,703	281,900
Changes in operating assets and liabilities:				
Accounts receivable		(133)	6,862	(8,614)
Inventories		100,027	(416,719)	(204,136)
Prepaid expenses and other		(15,539)	(7,676)	(24,797)
Prepaid income taxes		(106,252)	(49,715)	—
Accounts payable and accrued liabilities		275,364	7,463	60,038
Deferred revenue		(14,869)	31,798	(1)
Net cash provided by operating activities		1,502,704	938,737	1,441,883
Cash flows from investing activities:				
Proceeds from sale of assets		—	—	8,500
Proceeds from sale of cell tower leases and easements		300,479	—	—
Purchases of property and equipment		(1,656,093)	(699,614)	(998,292)
Accrued interest receivable		(1,647)	(170)	(59)
Purchase of marketable securities		(964,680)	(953,030)	(953,832)
Proceeds from sale of marketable securities		953,030	953,832	951,167
Net cash used in investing activities		(1,368,911)	(698,982)	(992,516)
Cash flows from financing activities:				
Payments on long-term debt		(256,008)	(294,714)	(286,197)
Payments for capital lease obligation		(80,374)	(39,619)	(67,116)
Treasury stock		(18)	(38)	(21)
Retirement of long term debt		(2,974,601)	—	—
Proceeds from borrowing		3,724,787	—	—
Additional paid-in capital, treasury stock		(37,341)	(62,870)	(29,700)
Net cash provided by (used in) financing activities		376,445	(397,241)	(383,034)
Net increase (decrease) in cash and cash equivalents		510,238	(157,486)	66,333
Cash and cash equivalents at beginning of year		3,523,226	3,680,712	3,614,379
Cash and cash equivalents at end of year	$	4,033,464	3,523,226	3,680,712

(Continued)

BOWLIN TRAVEL CENTERS, INC.
Statements of Cash Flows

	Years ended January 31,		
	2018	**2017**	**2016**
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 210,245	$ 179,119	$ 185,876
Noncash investing and financing activities:			
Impairment on investment in real estate	$ —	$ 85,000	$ —
Capital lease obligation	$ 287,782	$ 261,081	$ —

See accompanying notes to financial statements.

(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 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) Significant Accounting Policies

The following summary of significant accounting policies is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are the representation of the Company's management who is responsible for their integrity and objectivity. The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for established accounting and financial reporting principles. The more significant of the Company's accounting policies are described below.

During fiscal year ended January 31, 2018, the Company adopted FASB issued Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes (ASU 2015-17). The ASU is part of the Board's simplification initiative aimed at reducing complexity in accounting standards. To simplify presentation, the new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. As a result, each jurisdiction will now only have one net noncurrent deferred tax asset or liability.

During fiscal year ended January 31, 2018, the Company adopted FASB issued Accounting Standards Update 2015-03, Deferred Financial Costs (ASU 2015-03). The ASU is part of the Board's simplification initiative aimed at reducing complexity in accounting standards. To simplify presentation, the new guidance requires that debt issuance costs be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability.

(c) 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 believes that there is not a significant risk with respect to these deposits.

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, 2018 and 2017 were $131,266 and $110,235 respectively.

(d) 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. Certificates of deposit are measured at cost plus accrued interest. The balance of marketable securities at January 31, 2018 and January 31, 2017 was $964,680 and $953,030 respectively.

(e) 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 capitalized $167,821 and $171,074 of direct and indirect costs incurred during fiscal years ending January 31, 2018 and January 31, 2017 respectively.

(f) 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.

(g) 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.

(h) 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.

(i) 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 Tax Cuts and Jobs Act was passed on December 22, 2017. The effect of this legislation on the Company was to change the effective federal income tax rates from a graduated rate system to a flat 21%. In prior years, the Company used the effective rate of 34% to calculate deferred tax assets and liabilities. At January 31, 2018 management evaluated the effect of the change in the effective rate on deferred taxes using the 21% rate versus the 34% rate and have determined the effect was not significant and have no included the change in estimate in the current year provision for income tax.

(j) Taxes Imposed on Revenue Transactions

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 $1,663,099, $1,614,457 and $1,456,603 for fiscal years ended January 31, 2018, 2017 and 2016, respectively.

The Company also collects and remits transaction privilege taxes on sales. New Mexico and Arizona gross receipts taxes of approximately $976,539, $950,818 and $905,245 were collected and remitted for fiscal years ended January 31, 2018, 2017 and 2016, respectively. Sales and cost of sales are presented net of gross receipts taxes.

(k) Impairment on Investment in Real Estate and Assets Held for Sale

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.

(l) 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.

(m) 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.

(n) Earnings per Share

Earnings per share of common stock is computed by dividing net (loss) income by the common shares outstanding, assuming the shares distributed on January 30, 2001 were 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 22, 2017, 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 18,285 of its outstanding common shares, as treasury stock, for fiscal year ended January 31, 2018 at an average price per share of approximately $2.043, for a total repurchase of approximately $37,359. The common stock issued and outstanding was reduced by 18,285 shares or approximately $18 (18,285 shares times the par value of $0.001), and additional paid in capital was reduced by approximately $37,341. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

The Company repurchased 38,018 of its outstanding common shares for fiscal year ended January 31, 2017 at an average price per share of approximately $1.6547, for a total repurchase of $62,908. The common stock issued and outstanding was reduced by 38,018 shares or $38 (38,018 shares times the par value of $0.001), and additional paid in capital was reduced by $62,870. 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, 2018, 2017 and 2016, respectively.

(o) Reclassifications

The Company adopted FASB ASU 2015-17, Balance Sheet Classification of Deferred Taxes, which requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet.

(p) 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.

(q) Deferred Revenue

The current portion of deferred revenue consists of advertising revenue received in advance for billboards that the Company rents as well as an advance with Excelsior Mining Company, Inc. to lease a portion of the property and for a non-exclusive access and utilities easement. This revenue is recognized in income as services are provided over the terms of the billboard contracts and the option.

(r) Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was approximately $174,138, $167,522 and $159,400 for fiscal years ended January 31, 2018, 2017 and 2016, respectively.

(s) 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 $155,185, $170,898 and $153,385 for fiscal years ended January 31, 2018, 2017 and 2016, respectively.

(t) Concentration in Suppliers

The Company is an authorized ExxonMobil retailer. On April 1, 2015, the Company entered into a Marketer PMPA (Petroleum Marketing Practices Act) agreement with Western Refining Wholesale, LLC ("Western"). Western will provide ExxonMobil branded motor fuels to the Company for resale at five of the Company's ExxonMobil branded locations. The agreement has a ten-year term expiring March 31, 2025, and requires the Company to purchase 1,370,520 gallons of fuel annually at a distributor's markup price of $0.015 per gallon. During fiscal year ending January 31, 2018, the Company purchased approximately 2,600,000 gallons of fuel. In addition, Western will award the Company $225,000 for approved Exxon image upgrades.

The Company renewed its retail supply agreement with Arizona Fuel Distributors, L.L.C. to purchase Shell brand fuels for the Company's three Arizona locations. The Company will pay the rack price, applicable taxes, plus freight. The retail supply agreement is for a period of ten years beginning on August 22, 2017 and expiring on August 22, 2027. At expiration the agreement will continue on a month to month basis until the parties either execute a new agreement or Arizona Fuel Distributors, LLC terminates the agreement. There are no minimum or maximum gallon purchase requirements for the Company.

(2) Property and Equipment

Property and equipment consist of the following at January 31:

	Estimated life (years)	2018	2017
Land		$ 1,999,591	$ 1,999,591
Buildings and improvements	10 - 40	10,899,933	10,909,793
Machinery and equipment	3 - 10	11,626,147	11,163,886
Autos, trucks and mobile homes	3 - 10	2,280,943	2,224,139
Billboards	15 - 20	2,807,986	2,867,972
Construction in progress		990,385	17,281
		30,604,985	29,182,662
Less accumulated depreciation		(20,546,399)	(19,849,538)
Property and equipment, net		$ 10,058,586	$ 9,333,124
Assets held for sale		$ 1,085,469	$ 1,085,469
Less accumulated depreciation		(598,662)	(598,662)
Assets held for sale, net		$ 486,807	$ 486,807

Construction in progress consists of inventory in the amount of $19,276 that the Company has on hand to repair and maintain its billboards as well as for the occasional building of billboards, $32,453 that the Company has on hand to repair, maintain and replace various computer and security related components, and expenditures of $938,656 for the remodel project at The Thing DQ Travel Centers in Benson, Arizona. The Company estimates that approximately $2,000,000 will complete the project.

	2018	2017	2016
Depreciation expense:	$ 1,006,324	$ 985,353	$ 953,935

Depreciation expense, including assets under capital lease, was $1,006,324, $985,353 and $953,935 for fiscal years ending January 31, 2018, 2017 and 2016, respectively, and was charged to operations.

Gains and losses on sale of property and equipment:

	2018	2017	2016
Machinery and equipment	$ (7,486)	$ —	$ —
Autos, trucks and mobile homes	—	—	7,994
	$ (7,486)	$ —	$ 7,994

The Company's Edgewood, New Mexico location was closed October 31, 2007 and the property remains for sale and therefore has been identified as a component as defined in FASB ASC 205-20-45 – Accounting for Impairment or Disposal of Long-Lived Assets. The carrying value of the property of approximately $487,000 has been reclassified as assets held for sale in the January 31, 2018 and January 31, 2017 balance sheets. The Company continues to list the property for sale. There was no operational activity during fiscal years 2018, 2017 and 2016 and therefore no results of operations.

(3) Intangible Assets

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

	2018	2017
Franchise fees	$ 150,500	$ 150,500
Less accumulated amortization franchise fees	(141,235)	(138,431)
	$ 9,265	$ 12,069

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

2020	$ 2,804
2021	1,148
2022	375
2023	375
2024	375
Thereafter	4,188
Total	$ 9,265

(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 was $334,389. 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 facility in Picacho, Arizona. The thirty-two lots that remain are for sale. At fiscal year ended January 31, 2017, in accordance with FASB ASC 205-20-45 – Accounting for Impairment or Disposal of Long-Lived Assets, the Company reviewed the carrying value of the property to determine whether it was impaired. As a result the carrying value was reduced by $85,000 to reflect fair market value. The property was evaluated for impairment again at January 31, 2018 and no further impairment was considered necessary. The amount of the carrying value was determined by using the county assessor's full value of the land times the lots that remain for sale.

(5) Long-term Debt

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

		2018	2017
Due to a bank, maturity November 2017, interest at 3.14%, monthly installments of $28,186, secured by two properties		—	3,095,660
Due to a bank, maturity June 2024, interest at 4.75%, monthly installments of $10,940, secured by two properties	$	1,269,022	$ 1,337,063
Due to a bank, maturity March 2029, interest at 4.95%, monthly installments of $7,600 plus interest for the first eighteen months, secured by two properties		3,694,387	—
		4,963,409	4,432,723
Less: unamortized debt issuance costs		(55,634)	(19,126)
Long-term debt, less unamortized debt issuance costs		4,907,775	4,413,597
Less current maturities		(157,854)	(308,711)
Total long-term debt, less current maturities	$	4,749,921	$ 4,104,886

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

2019	$	157,854
2020		194,263
2021		225,471
2022		237,022
2023		249,149
Thereafter		3,844,016
Total	$	4,907,775

The Company's real estate debt with its primary lender Bank of the West matured November 30, 2017. The Company paid off the loan with a portion of the proceeds from a new commercial loan agreement dated September 25, 2017 with WestStar Bank.

On June 30, 2014, 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 September 25, 2017, the Company entered into a commercial loan agreement with WestStar Bank in the amount of $5,000,000 with an interest rate of 4.95%. The Company's real property in Cibola County, New Mexico and in Torrance County, New Mexico serve as security for the loan. The commercial loan agreement matures March 25,

2029. A portion of the proceeds were used to pay off an existing loan with Bank of the West. The remaining proceeds are being used to complete a major remodel at The Thing DQ Travel Center in Benson, Arizona. On February 19, 2018 the commercial loan agreement was modified to include an additional amount borrowed of $1,000,000.

On November 30, 2017, the Company entered into a commercial loan agreement with WestStar Bank in the amount of $200,000 with an interest rate of 4.95%. The proceeds will be used for fuel equipment. The commercial loan agreement matures May 30, 2018 and converts into a five year loan at that date. The balance of the loan was zero as of January 31, 2018.

At January 31, 2018 and 2017, respectively, the Company was in compliance with the minimum financial ratios or annual debt covenants.

(6) Capital Lease Obligation

Capital lease obligation consists of the following at January 31:

	2018	2017
Due YESCO LLC, maturity August 31, 2022, interest at 7.50%, monthly installments of $4,837.	$ 224,531	$ —
Due YESCO LLC, maturity October 31 2021, interest at 7.50%, monthly installments of $4,630.	181,138	221,463
	405,669	221,463
Less current maturities	(86,102)	(40,324)
Capital lease obligation, less current maturities	$ 319,567	$ 181,139

On May 15, 2017, the Company entered into a capital lease agreement with YESCO LLC for a new double sided LED sign which was installed in Benson, 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 sign. The installation was completed in August 2017. The Company will pay YESCO LLC $48 as the maintenance component and $4,837 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 sign to the Company. As part security for its performance, the Company deposited with YESCO LLC the sum of $23,200. 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.

On August 25, 2016, the Company entered into a capital lease agreement with YESCO LLC for a new double sided LED sign which was installed in Bluewater, New Mexico. The term of the lease consists of sixty consecutive months commencing on the first day of the month immediately following the completion of installation of the sign. Installation of the sign was completed in October 2016. The Company will pay YESCO LLC $686 as the maintenance component and $4,630 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 $30,000. 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	Total
2018:			
U.S. Federal	$ 186,600	$ 63,500	$ 250,100
State	37,400	12,700	50,100
	$ 224,000	$ 76,200	$ 300,200
2017:			
U.S. Federal	$ 139,700	$ 35,000	$ 174,700
State	28,000	7,000	35,000
	$ 167,700	$ 42,000	$ 209,700
2016:			
U.S. Federal	$ 243,300	$ (8,500)	$ 234,800
State	48,800	(1,700)	47,100
	$ 292,100	$ (10,200)	$ 281,900

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:

	2018	2017	2016
Computed “expected” tax expense (benefit)	$ 263,424	$ 163,325	$ 242,974
State income tax expense (benefit), net of federal tax benefit	33,052	23,093	29,508
Other non-deductible expenses,	3,724	23,282	9,418
Total	$ 300,200	$ 209,700	$ 281,900

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:

	2018	2017
Deferred tax assets –		
At January 31, 2018 deferred revenue principally due to accrual for financial reporting purposes	$ 14,648	$ 20,329
At January 31, 2018, compensated absences, principally due to accrual for financial reporting purposes	44,183	50,459
At January 31, 2018, contributions, principally due to limitation as a result of net operating losses	—	13,999
Total gross deferred tax assets	58,831	84,787
Deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	815,052	764,808
Total gross deferred liabilities	815,052	764,808
Net deferred tax liability	$ 756,221	$ 680,021

Total gross deferred liabilities increased as a result of more eligible assets for fiscal year end 2018 for the Company's election to take the 168 allowance of 50% for assets placed in service February 1, 2017 through September 27, 2017 as allowed by the 2010 Tax Relief Act compared to eligible assets for fiscal year end 2017, and 100% for assets placed in service September 28, 2017 through January 31, 2018 as allowed by the Tax Cuts and Jobs Act signed into law December 22, 2017.

The Company adopted the provisions of FASB ASC update 2015-17 "Balance Sheet Classification of Deferred Taxes (Topic 740)" on January 31, 2018. Upon adoption, the Company presents all deferred tax assets and liabilities, along with any related valuation allowance, as noncurrent on the balance sheet.

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. There are no uncertain tax positions as of January 31, 2018 and 2017, respectively.

The Company is not under examination for open tax years January 31, 2017, January 31, 2016 and January 31, 2015, respectively.

(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 $75,452, $75,192 and $65,555 for the years ended January 31, 2018, 2017 and 2016, 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 $163,372, $163,460 and $160,135 for the years ended January 31, 2018, 2017 and 2016, respectively. The Company also leases land where several of its retail billboards are located and rent expense for these leases was $231,721, $229,990 and $218,588 for the years ended January 31, 2018, 2017 and 2016, respectively.

The leasing agreements for the various locations include 5 to 35 year leases with remaining lives on those leases ranging from approximately 4 to 20 years at January 31, 2018. 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 $28,861 adjusted every five years according to the consumer price index (CPI) plus 2.5% of merchandise sales and $0.0025 of gasoline gallons sold. One of the contingent rentals is $33,500 adjusted every year by $500 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:		
2019	$	257,984
2020		247,574
2021		171,086
2022		113,871
2023		99,541
Thereafter		1,115,550
Total	$	2,005,606

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) Sale of Cell Tower Leases and Easements

In March 2017, the Company sold three cell tower leases and easements located in Luna County, New Mexico to Global Signal Acquisitions IV LLC for $300,479 cash, which is recorded as a gain in other non-operating income.

(11) Subsequent Pronouncements

Leases: In February 2016, the Financial Accounting Standards Board (FASB), issued Accounting Standards Update No. 2016-02, Leases (Topic 842). The amendments in this update were issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2019. Early application is permitted, however, the Company has not yet adopted.

Revenue Recognition: The Financial Accounting Standards Board (FASB), issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). The amendments in this update were issued to provide a more robust framework for addressing revenue issues, improve the comparability of revenue recognition across entities and industries, and to simplify the revenue recognition requirements. Topic 606 modifies contract revenue recognition to focus on allocating the transaction price to the performance obligations in the contract and recognize revenue when the obligation is satisfied. The amendments in this update are effective for fiscal years beginning after December 15, 2018. Early application is permitted, however, the Company has not yet adopted.

(12) Subsequent Events

The Company has evaluated events subsequent to January 31, 2018, the balance sheet date, for events that would possibly require adjustment or disclosures in these financial statements, through April 10, 2018, the date that these statements were available to be issued.

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