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U.S. Venture, Inc.

Annual Report for the Years Ended
July 31, 2023 and 2022

U.S. VENTURE, INC.

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MANAGEMENT EXPLANATION OF RESULTS— FISCAL 2023 AND 2022 (UNAUDITED)
(Amounts in thousands) (Unaudited)

Results—U.S. Venture, Inc. (“U.S. Venture” or the “Company”) generated consolidated net income (loss) of $64,148 and ($269) for the years ended July 31, 2023 and 2022, respectively, under accounting principles generally accepted in the United States of America (“GAAP” or “U.S. GAAP”).

On a first-in, first-out (FIFO) adjusted economic basis (“Economic”), U.S. Venture generated consolidated net income of $92,578 and $38,982 for the years ended July 31, 2023 and 2022, respectively.

Management believes that adjustments for certain differences between our U.S. GAAP results and the Company’s economic operational performance enhance the ability of users of its financial statements to evaluate results because such items better reflect economic performance. Therefore, the Company adjusts net income determined in accordance with U.S. GAAP to calculate these non-U.S. GAAP measures.

The results for the year and the differences between the GAAP and Economic results for the years ended July 31, 2023 and July 31, 2022, respectively were materially impacted by refined petroleum product price fluctuations. See the Reconciliation of U.S. GAAP Net Income (Loss) to Economic Net Income and to Economic Adjusted EBITDA below for further information. The difference between the Company’s Economic and its U.S. GAAP performance is due to adjustment for the impact of last-in, first-out (LIFO) inventory accounting, inclusion of the impact of valuing refined product inventories at market, recognition of the net renewable obligation or asset, and removal of non-recurring gains and losses that are not comparable year-over-year (see reconciliation to earnings in schedule below):

Reconciliation of U.S. GAAP Net Income (Loss) to
Economic Net Income (Unaudited) and to Economic Adjusted EBITDA (Unaudited)
(In thousands)

	2023	2022
U.S. GAAP net income (loss) attributable to common shareholders (reflects LIFO method of inventory accounting)	$ 64,148	$ (269)
Remove effects of LIFO accounting from net income:		
add/(subtract) — LIFO increment/(decrement)	(27,500)	88,963
FIFO basis net income (Note A)	36,648	88,694
Include effects of non-U.S. GAAP economic adjustments:		
Mark refined product inventories to market	57,791	(34,598)
Recognize net renewable (obligation)/asset	(1,861)	(15,114)
Economic net income (Note B)	92,578	38,982
Add:		
Economic depreciation and amortization	133,470	97,854
Economic interest expense	75,386	22,754
Income tax expense	1,726	4,756
Noncontrolling interest allocation of EBITDA	(1,705)	
Economic net income before interest, taxes, depreciation and amortization ("EBITDA")	301,455	164,346
Remove non-recurring items from EBITDA	66,518	49,017
Economic Adjusted EBITDA as originally reported		$ 213,363
Additional non-recurring items from EBITDA		(4,590)
Economic Adjusted EBITDA (Note C)	$ 367,973	$ 208,773

Notes to Above Schedule:

Note A—FIFO basis net income is calculated as if the Company had used the FIFO method of inventory valuation.

Note B—Economic net income is calculated as if the Company had used the FIFO method of inventory valuation and had included the mark-to-market impact on inventories and the net renewable (obligation)/asset.

Note C— Economic Adjusted EBITDA is calculated as if the Company had used the FIFO method of inventory valuation, had included the mark-to-market impact on petroleum, the net renewable obligation and had removed the effects of any nonoperational gains/losses (e.g. acquisition related expenses, asset disposition gains/losses, etc.). During 2023, the Company revised and published guidelines to calculate economic adjusted EBITDA. The 2022 amount above was revised to include additional non-recurring transactions. (e.g. inflationary margin, container surcharges and annualized acquisitions).

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of U.S. Venture, Inc.

Opinion

We have audited the consolidated financial statements of U.S. Venture, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of July 31, 2023 and 2022, and the related consolidated statements of comprehensive income, equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

October 6, 2023

U.S. VENTURE, INC.

CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 2023 AND 2022
(Amounts in thousands)

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,551	$ 19,013
Margin deposits	33,050	15,593
Derivative assets	82,929	55,845
Accounts receivable—net of allowance of $10,161 and $7,822 in 2023 and 2022, respectively	669,700	681,065
Inventories—net	1,071,923	871,104
Notes receivable—current portion	19,567	8,761
Subchapter S income tax deposit—current portion	15,298	15,298
Other current assets	135,176	98,533
Total current assets	2,038,194	1,765,212
NOTES RECEIVABLE	21,351	10,697
PROPERTY AND EQUIPMENT—Net	330,279	315,853
FINANCE LEASE ASSETS—Net	66,147	25,602
RIGHT OF USE ASSETS—Net	352,664	326,743
OTHER INTANGIBLE ASSETS—Net	73,870	99,693
GOODWILL—Net	415,028	466,768
SUBCHAPTER S INCOME INCOME TAX DEPOSIT	7,441	-
DEFERRED COMPENSATION PLAN INVESTMENTS	91,338	46,923
OTHER NONCURRENT ASSETS	52,286	37,420
TOTAL	$ 3,448,598	$ 3,094,911

(Continued)

U.S. VENTURE, INC.

CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 2023 AND 2022
(Amounts in thousands)

	2023	2022
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,012,636	$ 1,063,612
Derivative liabilities	57,554	61,670
Sales, excise and property taxes payable	51,768	31,568
Accrued liabilities	202,676	190,411
Long-term incentive—current portion	70,223	87,019
Contingent consideration payable	235	303
Subchapter S income tax deposit obligation	7,441	-
Finance lease liability—current portion	19,023	9,212
Operating lease liability—current portion	52,774	50,840
Long-term debt—current portion	42,342	75,508
Total current liabilities	1,516,672	1,570,143
REVOLVING LINES OF CREDIT	904,040	599,100
LONG-TERM INCENTIVE	67,234	98,315
DEFERRED COMPENSATION	92,854	48,578
FINANCE LEASE LIABILITY	48,427	16,989
OPERATING LEASE LIABILITY	316,571	289,979
LONG-TERM DEBT	187,522	209,895
OTHER NONCURRENT LIABILITIES	10,594	3,809
Total liabilities	3,143,914	2,836,808
TOTAL COMMON SHAREHOLDERS’ EQUITY	289,983	248,375
NONCONTROLLING INTERESTS	14,701	9,728
TOTAL	$ 3,448,598	$ 3,094,911

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U.S. VENTURE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
AS OF JULY 31, 2023 AND 2022
(Amounts in thousands)

	2023	2022
NET SALES	$ 14,513,965	$ 14,067,506
OPERATING COSTS AND EXPENSES:		
Petroleum and other product costs	13,315,095	13,199,963
Operating expenses	925,619	748,170
Depreciation and amortization	135,988	97,854
Gain on sale of operating assets	(2,658)	(5,183)
Total operating costs and expenses	14,374,044	14,040,804
OPERATING INCOME	139,921	26,702
OTHER INCOME (EXPENSE):		
Interest income	2,537	2,432
Interest expense	(76,054)	(22,754)
Other expense—net	(3,538)	(7,099)
Total other income (expense)—net	(77,055)	(27,421)
NET INCOME (LOSS)	62,866	(719)
LESS LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1,282)	(450)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	64,148	(269)
OTHER COMPREHENSIVE INCOME (LOSS):		
Change in value of interest rate swap	385	3,318
Foreign currency translation and other	(46)	129
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ 64,487	$ 3,178

See notes to consolidated financial statements.

U.S. VENTURE, INC.

CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED JULY 31, 2023 AND 2022
(Amounts in thousands, except per share amounts)

	Common Stock [1]		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock [2]		Total Common Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount				Shares	Amount			
BALANCES—July 31, 2021	2,912	29	8,261	310,563	(3,547)	(127)	(26,632)	288,674	9,588	298,262
Net income (loss)	-	-	-	(269)	-	-	-	(269)	(450)	(719)
Distributions	-	-	-	(43,477)	-	-	-	(43,477)	-	(43,477)
Equity contribution from acquisition	-	-	-	-	-	-	-	-	590	590
Unrecognized gain related to interest rate swap valuation	-	-	-	-	3,318	-	-	3,318	-	3,318
Foreign currency translation	-	-	-	-	129	-	-	129	-	129
BALANCES—July 31, 2022	2,912	$ 29	$ 8,261	$ 266,817	$ (100)	(127)	$ (26,632)	$ 248,375	$ 9,728	$ 258,103
Net income (loss)	-	-	-	64,148	-	-	-	64,148	(1,282)	62,866
Distributions	-	-	-	(22,879)	-	-	-	(22,879)	-	(22,879)
Equity contribution from acquisition	-	-	-	-	-	-	-	-	6,525	6,525
Unrecognized gain related to interest rate swap valuation	-	-	-	-	385	-	-	385		385
Foreign currency translation and other	-	-	-	-	(46)	-	-	(46)	(270)	(316)
BALANCES—July 31, 2023	2,912	$ 29	$ 8,261	$ 308,086	$ 239	(127)	$ (26,632)	$ 289,983	$ 14,701	$ 304,684

[1] $0.01 par value, 5,000 shares authorized, 2,785 shares outstanding.

[2] At cost.

See notes to consolidated financial statements.

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U.S. VENTURE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022
(Amounts in thousands)

	2023	2022
OPERATING ACTIVITIES:		
Net income (loss)	$ 62,866	$ (719)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	135,988	97,854
Impairment losses on long-lived and intangible assets	2,455	1,504
Amortization of debt financing costs	1,659	1,341
Gain on sale of property and equipment and other assets	(2,658)	(5,183)
Bad debt and investment write off	16,293	500
Change in finance lease liability	(3,456)	137
Change in right of use asset	2,605	2,541
Equity in earnings of unconsolidated entities	284	(3)
(Income) Expense due to utilizing LIFO inventory method	(27,500)	88,963
Changes in operating assets and liabilities:		
Margin deposits	(17,457)	5,739
Derivative assets and liabilities—net	(28,532)	(19,680)
Accounts receivable—net	11,364	(217,829)
Inventories—net	(173,318)	(53,333)
Other assets	(88,815)	(31,020)
Accounts payable	(52,512)	366,737
Accrued liabilities	7,782	97,846
Other liabilities	14,310	(20,200)
Net cash (used) provided by operating activities	(138,642)	315,195
INVESTING ACTIVITIES:		
Purchase of long-lived assets	(52,949)	(55,770)
Acquisitions—net of cash received	(910)	(654,525)
Proceeds on sale of property and equipment and other assets	6,432	3,963
Purchase of equity investment	(1,800)	(26)
Distributions from equity investments	151	-
Deconsolidation of equity investment	(348)	-
Purchase of other investments	(5,726)	(100)
Repayments of notes receivable	5,834	9,525
Issuance of notes receivable	(28,929)	(7,493)
Net cash used for investing activities	(78,245)	(704,426)
FINANCING ACTIVITIES:		
Net increase in line of credit borrowings	304,940	467,409
Payments of finance lease liability	(13,908)	(9,281)
Proceeds from long-term debt	57,081	66,999
Payments of long-term debt	(113,081)	(30,289)
Payments of debt financing costs	(1,199)	(4,767)
Payments of contingent consideration	(355)	(49,091)
Contributions from non-controlling interests	25	590
Distributions to shareholders	(25,358)	(43,478)
Net cash provided by financing activities	208,145	398,092

(Continued)

U.S. VENTURE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022
(Amounts in thousands)

	2023	2022
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	$ 280	$ 129
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,462)	8,990
CASH AND CASH EQUIVALENTS:		
Beginning of year	19,013	10,023
End of year	$ 10,551	$ 19,013

See notes to consolidated financial statements. (Concluded)

1. DESCRIPTION OF OPERATIONS

U.S. Venture, Inc. and subsidiaries (the "Company") are engaged in the distribution of products to commercial and industrial customers in the transportation markets. Products include refined petroleum products, automotive products such as tires, lubricants, compressed natural gas (CNG), renewable natural gas (RNG) and certain other products and services. The Company's products and services are sold throughout the United States with significant refined product supply activity occurring in Chicago, Tulsa, and the Gulf Coast markets. The Company also operates CNG locations in Canada.

Net sales of refined petroleum products can fluctuate due to both volume and commodity price and are affected by available supply, worldwide events, and various other factors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting for Consolidated Entity—The consolidated financial statements include the accounts of U.S. Venture, Inc. and all of its subsidiaries that are more than 50% owned and controlled. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Joint Ventures and VIEs—The majority of the Company's joint ventures are Variable Interest Entities ("VIEs"). The Company accounts for VIEs in accordance with Consolidation (ASC Topic 810), which requires the consolidation of VIEs in which a company has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE. If a reporting enterprise meets these conditions, then it has a controlling financial interest and is the primary beneficiary of the VIE. See Footnote 5 Variable Interest Entities for further information.

Noncontrolling interests— ASC Topic 810 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. ASC Topic 810 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interest of the parent and the interests of the noncontrolling owner. The Company adjusts noncontrolling interest each reporting period for income or loss attributable to the noncontrolling interest. The ownership percentage of each subsidiary during the period is used to calculate the net income or loss attributable to the noncontrolling interest.

Accounting for Equity Method Investments— The equity method of accounting is used for certain ownership interests, over which the Company has significant influence but does not have effective control, and consolidation is not otherwise required. The Company's equity in the net income and losses of these investments is reported in Other expense – net in the accompanying consolidated statements of comprehensive income.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Cash Equivalents—The Company defines cash equivalents as highly liquid, short-term investments with an original maturity of three months or less.

Margin Deposits—Margin deposits represent funds on deposit with national commodity exchanges to satisfy margin requirements for futures contracts.

Inventories—Substantially all inventories are valued at the lower of last-in, first-out cost (LIFO), or market.

Leases— In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 (ASC Topic 842) "Leases".

The Company adopted ASC Topic 842 August 1, 2020 and recognized and measured leases existing at, or entered into after, August 1, 2020 with certain practical expedients available.

The Company elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new standard, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new standard , or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new standard at lease commencement.

The Company also elected the practical expedient related to land easements, allowing the historical or carry forward accounting treatment for land easements on existing agreements. The Company believes the annual value paid, if any, for these easements is undiscernible from the total value of payments made for lease property.

Some of the Company's finance lease agreements contain guaranteed residual value (GRV) which primarily consists of a balloon payment at the end of each lease for which the Company is liable for in its entirety. The Company has an agreement with its primary truck lessor to sell the trucks and trailers at the end of the lease and apply the proceeds received from the sale of that asset against the GRV. The net differential is either paid to or received from the lessor.

The Company elected the practical expedient to account for the lease and non-lease components as a single lease component.

Lease payments, which may include lease components and non-lease components, are included in the measurement of the Company's lease liabilities to the extent that such payments are either fixed amounts or variable lease amounts based on a rate or index (fixed in substance) as stipulated in the lease contract. The Company recognizes these components in operating expenses in the period in which the obligation for those payments is incurred.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Company uses rates implicit in the lease, or if not readily available, the Company uses its incremental borrowing rate. When the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available surrounding the Company's borrowing rates at the lease commencement date in determining the present value of lease payments.

Renewable Obligations—The Company is subject to obligations to deliver Renewable Identification Numbers (RINs) to comply with the Renewable Fuel Standard implemented by the Environmental Protection Agency (EPA) which sets annual quotas for the quantity of renewable fuels (such as ethanol) that must be blended into transportation motor fuels consumed in the United States. In general, the Company is able to produce enough RINs via its RNG operations and its ethanol and biodiesel blending operations to satisfy the obligations.

The Company records an accrued liability in the consolidated balance sheets for the future settlement of its renewable obligation to the EPA.

In fiscal year 2023, the Company settled the calendar years 2020 and 2021 obligations to the EPA. The EPA also extended the calendar 2022 obligation settlement date until fiscal year 2024. This extension enabled the Company to monetize the RINs being held to satisfy calendar 2022 obligations in fiscal 2023 resulting in an obligation of $13,272 associated with calendar year 2022.

In response to refined product market disruption caused by COVID, the EPA extended the calendar 2020 and 2021 obligations settlement date until calendar 2023. This extension enabled the Company to monetize the RINs being held to satisfy calendar 2021 obligations in fiscal 2022 resulting in an obligation as of July 31, 2022 of $12,738 associated with calendar year 2021.

Property and Equipment—Additions and improvements are capitalized at cost, whereas expenditures for normal maintenance and repairs are charged to expense as incurred. The cost of property and equipment is depreciated over the estimated useful lives of the assets or its corresponding lease term, whichever is shorter, principally by using the straight-line method. Estimated useful lives are as follows:

	Years
Buildings, tanks and improvements	15–40
Equipment and transportation vehicles	5–15
Software and hardware	3-7

Notes Receivable— In the normal course of business, the Company may enter into financing arrangements with third parties resulting in a note receivable recorded on the Company's consolidated balance sheet. In July 2023, the Company entered into a $25,000 note receivable with an unrelated third party. The proceeds were used to facilitate the third party's purchase of a property. The Company then entered into a lease to operate a portion of the property purchased by the third party. The note matures in 18 months and bears interest at 15%, with $12,500 due upon the one year anniversary of the note. As of July 31, 2023, $12,500 was classified as Notes receivable - current portion and $12,500 as Notes receivable as a noncurrent asset in the consolidated balance sheets.

Long-Lived Assets—The Company reviews its recoverability of the carrying amount of property, plant, and equipment assets (collectively, "long-lived assets"), using the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360, *Property, Plant, and Equipment,* when circumstances indicate that the carrying amount of the asset may not be recoverable. The Company evaluates the recoverability of the carrying amount of long-lived assets whenever events or changes in circumstance indicate that the carrying amount of an asset may not be fully recoverable through future cash flows. Factors that could trigger an impairment review include a significant decrease in the market value of an asset or significant negative economic trends. Impairment of long-lived assets of $2,455 was recorded in 2023, $1,894 relating to certain costs capitalized from a headquarters building project that has been deemed to have no future value and $561 related to a property the Company is in the process of selling that has declined in value. Impairment of long-lived assets of $1,504 was recorded in 2022 relating to certain costs capitalized from an information technology project that has been deemed to have no future value.

Intangible Assets—The Company reviews its recoverability of both finite and indefinite-lived intangible assets, excluding goodwill, using ASC 350, *Intangibles,* when circumstances indicate that the carrying amount of the asset may not be recoverable. Finite-lived intangible assets such as purchased supply contracts, customer relationship intangibles, and other contract assets are amortized over their estimated useful lives. Indefinite-lived intangible assets related to water rights are evaluated for impairment when circumstances indicate that the carrying amount of the assets may not be recoverable. No intangible asset impairment losses were recorded in 2023 and 2022.

The Company adopted FASB Accounting Standards Update (ASU) 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination*, effective August 1, 2018. The Company has elected not to recognize separately from goodwill (1) customer-related intangibles unless they are capable of being sold or licensed independently from other assets of the business or (2) noncompetition agreements.

Goodwill—The Company adopted FASB ASU 2014-02, *Accounting for Goodwill*, effective August 1, 2013. The Company has elected to amortize goodwill on a straight-line basis over a useful life of 10 years. The Company tests goodwill for impairment only when a triggering event occurs. When a triggering event occurs, the Company will test goodwill for impairment at the entity level and will measure the impairment as the excess of the entity's carrying amount over its fair value. No goodwill impairment losses were recorded in 2023 and 2022.

Petroleum-Related Derivative Instruments—In the normal course of business, the Company enters into petroleum-related financially settled exchange-traded futures, options, and swap contracts that meet the definition of a derivative. In addition, a number of the Company's forward contracts to buy and sell petroleum-related physical commodities in the future are also derivative instruments. The Company uses these derivative instruments to mitigate commodity price risk related to existing and anticipated purchases and sales of gasoline, oil, and other refined products in its petroleum operations business and for speculative purposes. The derivatives and hedging topic of ASC 815, *Derivatives and Hedging*, establishes accounting and financial reporting standards for derivative instruments and requires, in part, that the Company recognize derivative instruments on the consolidated balance sheets as assets or liabilities at their fair value. Due to the complexity and administrative burden of applying hedge accounting, the Company has not designated these instruments as accounting hedges. As a result, unrealized gains and losses on derivatives are recognized in income immediately, within petroleum and other product costs, based on the changes in market value of each contract and are reflected as either derivative assets or derivative liabilities on the consolidated balance sheets.

Interest Rate Swap—The Company entered into an interest rate swap on November 30, 2018 to hedge the variability in future cash flows associated with the Company's variable-rate debt. The interest rate swap converts $50 million of the Company's variable-rate debt to a fixed SOFR-based interest rate of 2.92% to align with the base rate of the Company's credit agreement. The swap will expire in November of fiscal 2024 based on the original term of five years. At inception, the Company designated the swap as a cash flow hedge in accordance with ASC 815.

The Company determined that the swap qualified for the private company simplified hedge accounting approach in ASC 815 and elected to measure the swap at settlement value. The settlement value of the swap represented an asset of $410 and asset of $25 as of July 31, 2023 and 2022, respectively, and is included in Other noncurrent assets in the consolidated balance sheets.

Fair Value of Financial Instruments—The Company values its financial instruments at fair value, with the exception of the interest rate swap, which is measured at settlement value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820, *Fair Value Measurement*, establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 1 inputs primarily consist of exchange-traded contracts. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2—Valuations based on quoted prices in markets for which all significant inputs are observable, either directly or indirectly. Level 2 inputs primarily consist of over-the-counter (OTC) broker quotes.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Level 3 inputs primarily consist of unobservable market data or are valued based on models and/or assumptions.

Contracts utilized by the Company include exchange-traded, OTC, and bilaterally executed derivative contracts. Exchange-traded derivatives, namely futures contracts, are valued at market based on unadjusted quoted prices in active markets and are classified within Level 1. Other actively traded derivative values are determined using broker or dealer quotations, similar observable market transactions in either the listed or OTC markets, or valued using pricing models where significant valuation inputs are directly or indirectly observable in active markets. Derivative instruments, primarily forward contracts that meet these characteristics, are classified within Level 2. Bilaterally executed agreements are derivative contracts entered into directly with third parties, and at times, these instruments may be tailored to meet the specific customer's requirements, such as delivery location. The Company uses a consistent modeling approach to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, market corroborated inputs (i.e., inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information, and are characterized as Level 3 instruments.

The Company has a risk oversight committee whose primary responsibility includes directly or indirectly ensuring that all valuation methods are applied in accordance with predefined policies. The development and maintenance of the forward price curves has been assigned to the risk control officer, who is part of the corporate finance function and is independent from any of the trading functions within the Company.

The fair value of the Company's financial instruments, including long-term debt, approximate their carrying value as of July 31, 2023 and 2022. The fair values of long-term debt instruments are estimated based on quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturity, without considering the effect of third-party credit enhancements. Due to the short maturity of cash and cash equivalents, accounts and notes receivable, accounts payable, and revolving lines of credit, the carrying amounts approximate fair value.

Debt Financing Costs – Debt financing costs are amortized on a straight-line basis over the debt term. Amortization expense was $1,659 and $1,341 in fiscal 2023 and 2022, respectively and recorded as a component of interest expense.

Income Tax Status—As part of the Company's reorganization into U.S. Venture Holding, Inc. ("HoldCo") in October 2020, HoldCo's shareholders have elected to be taxed as an S-Corporation under the Internal Revenue Code (and similar state tax law provisions in certain states) and therefore, HoldCo and its subsidiaries, including the Company, generally are not directly subject to federal or state income taxes. Beginning in November 2020, tax payments were paid by the Company on behalf of HoldCo. For the years ended July 31, 2023 and 2022, the Company incurred $1,719 and $4,756, respectively, in income or franchise taxes where the Company is required or has elected to pay the tax at the entity level.

Based on their ownership in HoldCo, shareholders include the Company's taxable income or loss in their personal income tax returns. Shareholder distributions are made for the purpose of funding the shareholders' personal income tax liabilities pertaining to the taxable income of the Company. Because the Company has a fiscal year-end of July 31 and the individual shareholders generally use a calendar year-end for reporting income taxes, the Company is required to pay amounts to the Internal Revenue Service (IRS) relating to the Company's income not yet included in the individual shareholders' tax returns. These S-Corporation income tax assets are recorded on the Company's consolidated balance sheets as current or noncurrent depending on the status of taxable income for each fiscal year reported. The S-Corporation income tax balances represent either prepayments or amounts not yet paid to the IRS relating to the Company's income not yet included in the individual shareholders' tax returns.The S-Corporation income tax assets amounted to $22,739 and $15,298 at July 31, 2023 and 2022, respectively. The Company also recorded a current liability on its consolidated balance sheets for the deposit due to the IRS in May of the following year that relates to current fiscal year income. The S-Corporation income tax liability amounted to $7,441 and $0 recorded as of July 31, 2023 and 2022, respectively.

The Company accounts for its uncertain tax positions only if the position is more likely than not of being sustained on audit, based on the technical merits of the position. There were no liabilities for uncertain tax positions as of July 31, 2023 or 2022.

Shipping and Handling Fees and Costs—Shipping and handling fees billed to customers are included in net sales with the corresponding cost incurred included in petroleum and other product costs in the accompanying consolidated statements of comprehensive income. Shipping and handling costs that are not billed to customers are included in operating expenses in the accompanying consolidated statements of comprehensive income. Management believes this presentation of shipping and handling costs is consistent with the operating characteristics and management of the Company's businesses.

Sales and Other Taxes—The Company has elected to exclude sales and other taxes collected concurrent with revenue-producing activities from revenue.

Revenue Recognition—The Company recognizes revenue based on ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). See Footnote 3 Revenue Recognition for the Company's policies for recognizing revenue along other disclosures required by ASC 606.

Concentration of Credit Risk—The majority of accounts and notes receivable are from other petroleum companies, commercial and industrial companies, gas stations, auto dealerships, and retailers of automotive parts. The Company sets credit limits and performs periodic credit evaluations of its customers' financial condition and may require collateral depending on the customers' financial condition. Certain notes receivable are secured by real estate mortgages, other security interests, or personal guarantees.

The Company is exposed to credit loss in the event of nonperformance by counterparties, including the Company's prime brokers, on forward and futures contracts. The Company also enters into inventory exchange transactions with counterparties and is exposed to counterparty nonperformance risk. The Company does not expect nonperformance by any of these counterparties. This is due to the quality of the counterparties and because futures contracts, the Company's primary derivative instruments, are traded on regulated exchanges that require margin posting, reducing potential credit and nonperformance risk.

The Company determines the allowance for doubtful accounts for each of its businesses on a disaggregated basis. The following table shows the composition of the allowance for doubtful accounts as of July 31:

	2023	2022
Refined petroleum products	$ 3,226	$ 2,187
Automotive parts and other	6,935	5,635
Total	$10,161	$ 7,822

Supplemental Cash Flows Information— The Company paid $69,953 and $19,521 for interest for the years ended July 31, 2023 and 2022, respectively. The Company paid no income taxes and $6,075 for the years ended July 31, 2023 and 2022, respectively. The following table shows the significant noncash transactions as of July 31:

	2023	2022
Construction costs to property and equipment funded through accounts payable	$ 5,161	$ 3,625
S-Corporation income tax asset	7,441	-
S-Corporation income tax liability	7,441	-

New Accounting Pronouncements—In March 2023, the FASB issued Accounting Standards Update 2023-02, *Investments—Equity Method and Joint Ventures* (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method ("ASU 2023-02"), which allows the use of the proportional amortization method to amortize the cost of an investment in a tax credit structure in proportion to the income tax benefits received from the tax credit structure. The Company applies this accounting treatment to its investment in a limited partnership that provides 45Q tax credits and deductions to the Company's shareholders. See Footnote 9 Other Noncurrent Assets for further information.

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which changes the impairment model for most financial assets and certain other instruments. Under the new guidance, entities will be required to measure expected credit losses for financial instruments, including trade receivables, based on historical experience, current conditions and reasonable forecasts. This guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted for interim and annual periods beginning after December 15, 2018. This new guidance will require a modified retrospective transition approach, where the entity will need to apply a cumulative-effect adjustment to retained earnings (accumulated deficit) as of the beginning of the first reporting period in which the guidance is adopted. The Company does not anticipate a material adjustment from adoption of ASU 2016-13 on the consolidated financial statements.

3. REVENUE RECOGNITION

At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service that is distinct. To identify the performance obligations, the Company considers all of the goods or services promised in the contract, regardless of whether they are explicitly stated or are implied by customary business practices.

Substantially all revenue recorded in the accompanying consolidated statements of comprehensive income is derived from contracts with customers.

Net sales, for the years ended July 31, 2023 and 2022, included in the results of operations are summarized below:

	2023	2022
Refined petroleum products	$ 9,403,596	$ 10,265,685
Automotive parts and other	5,110,369	3,801,821
Net sales	$ 14,513,965	$ 14,067,506

When Performance Obligations are Satisfied—For substantially all of the Company's product sales, revenue is recognized at a point in time when control is transferred to the customer, either at shipment or delivery, at which time the customer is able to direct the use of, and obtain substantially all of the benefits from, the goods transferred.

Principal agent consideration— In certain of the Company's arrangements, another party may be involved in providing services to its customer. The Company evaluates whether it can recognize revenue gross as a principal or net as an agent. The Company records revenue on a gross basis when it is the principal in the arrangement. To determine whether it is a principal or an agent, the Company identifies the specified good or service to be provided to the customer and assesses whether it controls the specified good or service before that good or service is transferred to the customer. The Company evaluates a number of indicators of whether it controls the good or service before the good or service is transferred to the customer, including whether the Company has primary fulfillment responsibility and obligation to perform the services being sold to the customer; the Company has latitude in establishing the sales price; and the Company has inventory risk.

Significant Payment Terms—For substantially all of the Company's wholesale refined petroleum products, payment is due within 30 days of delivery of the product. For sales of all other products and services, payment is generally due within 30 to 90 days.

Variable Consideration—The Company provides volume-based rebates related to sales of both refined petroleum and automotive and distribution products. When a customer is eligible for a rebate program, the Company reduces the revenue recognized using an estimate of rebates to be paid based on historical experience and current facts. In addition, a right of return exists for certain automotive and distribution products. When a right of return exists, the Company reduces the revenue recognized by an estimate of future returns based on historical experience and current facts. Based on the Company's historical experience, the likelihood of a significant reversal of revenue when the uncertainty associated with rebates and product returns is resolved is considered to be remote.

Contract Costs—The Company has elected to expense contract costs as incurred if the amortization period is expected to be one year or less. If the amortization period of these costs is expected to be greater than one year, the costs are capitalized.

Contract Balances—In certain cases, the Company bills customers in advance of goods being transferred or services being performed. In those cases, a contract liability exists when the Company has received consideration from the customer in advance of revenue recognition.

In certain circumstances, the Company provides upfront sales incentives to customers that sign long term retail supply agreements. In order to match the costs of these incentives with the supply agreement revenues, such incentives are capitalized as a contract asset and amortized over the life of the underlying contract as a reduction to net sales.

Details of the Company's balances related to contracts with customers at July 31, 2023 and 2022 are as follows:

	2023	**2022**
Receivables	$ 667,660	$681,065
Contract asset—current	2,619	2,312
Contract asset—noncurrent	22,395	18,766
Contract liability	14,391	13,715

The current and noncurrent portions of contract assets are recorded as other current assets and other noncurrent assets, respectively, within the consolidated balance sheets. Contract liabilities are recorded as accrued liabilities within the consolidated balance sheets.

4. ACQUISITIONS

There were no major acquisitions performed in 2023. Total acquisitions in 2023 were $910 for two asset purchases.

In August 2021, the Company acquired the Fort Worth, Texas, terminal assets from Chevron, USA ("Chevron") for $12,166 in cash with $600 of the total paid in May 2021. In March 2022, the Company acquired the Baltimore, Maryland blending plant assets from BP Lubricants USA, Inc ("BP"), Inc for $7,567 in cash. In June 2022, the Company acquired the assets of five bulk fuel terminals in the Southeast United States from Buckeye Partners, L.P. ("Buckeye") for $52,339 in cash. All three asset acquisitions expand the Company's presence in these major markets.

In October 2021, the Company acquired Treadmaxx Tire Distributors, Inc. ("Treadmaxx") for $193,544 in cash and a note payable to seller of $1,456. In January 2022, the Company acquired Max Finkelstein, Inc. ("MFI") for $389,509 in cash and $48,551 net payable to seller ($50,000 of notes payable from sellers offset by $1,449 in working capital adjustments due to the Company). Both transactions were accounted for as business combinations. These acquistions expanded the Company's automotive distribution business into the Eastern United States.

The table below shows the recognized values of the assets acquired and liabilities assumed at the date of the acquisitions described above:

	Chevron	Buckeye	BP	Treadmaxx	MFI	Total
Accounts receivable	$ -	$ 521	$ -	$ 18,794	$ 59,442	$ 78,757
Inventories	110	1,161	-	82,618	201,601	285,490
Other current assets	-	-	35	6,903	8,260	15,198
Fixed assets	12,088	51,000	7,532	5,319	21,103	97,042
Right of use assets	-	-	-	14,413	49,003	63,416
Finance lease assets	-	-	-	4,506	-	4,506
Identifiable intangible assets:						
Favorable leases	-	-	-	-	10,089	10,089
Trademark	-	-	-	-	35,865	35,865
Goodwill	-	-	-	131,845	199,574	331,419
Total assets	12,198	52,682	7,567	264,398	584,937	921,782
Accounts payable	-	-	-	(45,514)	(93,233)	(138,747)
Accrued liabilities	(32)	(343)	-	(2,276)	(4,641)	(7,292)
Payable to seller	-	-	-	(1,456)	(48,551)	(50,007)
Operating lease liability	-	-	-	(17,102)	(49,003)	(66,105)
Finance lease liability	-	-	-	(4,506)	-	(4,506)
Total liabilities	(32)	(343)	-	(70,854)	(195,428)	(266,657)
Total cash paid (net of cash received)	$ 12,166	$ 52,339	$ 7,567	$ 193,544	$ 389,509	$ 655,125

During 2022, the Company fully settled the contingent consideration liability incurred with the 2018 purchase of Tire's Warehouse, LLC through payment to prior shareholders of $46,094.

There were no definite-lived intangible assets acquired in 2023. In 2022 the Company acquired definite-lived assets of MFI, which had a weighted average ("WAVG") useful life of 3 years and relate to other intangible assets.

5. VARIABLE INTEREST ENTITIES

We consolidate VIEs if we determine we are the primary beneficiary of the project entity because we control the activities that most significantly impact the economic performance of the entity. The following is a summary of the significant VIEs where we are the primary beneficiary:

	July 31, 2023	
	Total Assets	Total Liabilities
Flint Logistics Group	$ 51,205	$ 44,885
Intellifluids, LLC	$ 3,091	$ 1,475

Flint Logistics Group. Flint Logistics Group, a joint venture with Flint Energy Fuels, LLC, was established in August 2022 and the Company holds a 51% ownership interest. The legal entity was designed to provide last-mile logistics of fuel and lubricant products. The Company is the primary provider of these products. In accordance with the Company's policy the Company was determined to be the primary beneficiary due to subordinated financial support provided to Flint Logistics Group. Creditors of Flint Logistics Group do not have recourse to the general credit of Company. The Company shall contribute an additional $3,000 contingent upon Flint Logistics Group reaching an EBITDA of at least $5,000 for one trailing 12-months; this contribution shall not occur if Flint Logistics Group does not achieve this result by August 1, 2025.

Intellifluids, LLC. Intellifluids, LLC, a joint venture with Energie Row, LLC, was established in August 2021 and the Company holds a 51% ownership interest. The legal entity was designed to purchase, store, distribute, and trade lubricants and base oils for lubricants (specifically chemicals). In accordance with the Company's policy the Company was determined to be the primary beneficiary due to subordinated financial support provided to Intellilfuids, LLC. The Company has offered to provide a promissory note allowing up to $5,000 to cover working capital needs, and is required to contribute an additional $1,200 to the joint venture by July 31, 2024. Creditors of Intellifluids, LLC do not have recourse to the general credit of the Company.

6. INVENTORIES

Inventories at July 31, 2023 and 2022, are summarized as follows:

	2023	2022
Refined petroleum products at FIFO values	$ 298,204	$ 212,944
Lower of cost or market reserve	-	(3,543)
Less LIFO reserve	(56,693)	(100,332)
Refined petroleum products using LIFO valuation	241,511	109,069
Automotive parts inventory at FIFO values	896,142	857,432
Less LIFO Reserve	(115,423)	(99,284)
Automotive parts inventory using LIFO valuation	780,719	758,148
Other inventories	49,693	3,887
Inventory—net	$ 1,071,923	$ 871,104

The Company recorded a decrement in certain LIFO pools in the amount of $7,690 and $186,186 for the year ended July 31, 2023 and 2022, respectively.

7. PROPERTY AND EQUIPMENT—NET

Cost and accumulated depreciation of property and equipment at July 31, 2023 and 2022, are summarized as follows:

	2023	2022
Land and improvements	$ 51,412	$ 53,859
Buildings and improvements	33,418	28,235
Equipment and transportation vehicles	377,757	355,972
Software	60,957	28,650
Construction in progress	30,147	53,372
Property and equipment	553,691	520,088
Less—accumulated depreciation	(223,412)	(204,235)
Net property and equipment	$ 330,279	$ 315,853

In March 2023, the Company capitalized $23,770 related to enterprise resource planning software for the Company's distribution of automotive products. The software is depreciated over a seven year estimated life.

The Company recorded depreciation expense in the amount of $33,431 and $23,542 for the year ended July 31, 2023 and 2022, respectively.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Details of the Company's intangible assets, excluding goodwill, at July 31, 2023 and 2022, are as follows:

	2023		
	Gross Value	Accumulated Amortization	Net Book Value
Intangible assets:			
Customer relationship intangibles	$ 86,126	$ (64,232)	$ 21,894
Purchased supply contracts	10,158	(7,194)	2,964
Storage agreements	7,700	(6,673)	1,027
Marketing rights	12,300	(6,318)	5,982
Throughput agreements	2,672	(2,672)	-
Other intangible assets	61,414	(36,759)	24,655
Water rights	17,348	-	17,348
Total intangible assets	$ 197,718	$ (123,848)	$ 73,870

	2022		
	Gross Value	Accumulated Amortization	Net Book Value
Intangible assets:			
Customer relationship intangibles	$ 86,126	$ (58,392)	$ 27,734
Purchased supply contracts	10,158	(6,157)	4,001
Storage agreements	7,700	(5,903)	1,797
Marketing rights	12,300	(5,342)	6,958
Throughput agreements	2,672	(2,672)	-
Other intangible assets	61,414	(19,559)	41,855
Water rights	17,348	-	17,348
Total intangible assets	$ 197,718	$ (98,025)	$ 99,693

Intangible amortization expense for fiscal years 2023 and 2022 was $25,823 and $18,473, respectively.

Intangible amortization expense for each of the five succeeding fiscal years at July 31, 2023, is estimated to be:

2024	$ 21,913
2025	13,195
2026	6,499
2027	6,200
2028	4,779

Details of the Company's goodwill, at July 31, 2023 and 2022 are as follows:

	2023	2022
Gross value	$ 596,338	$ 588,512
Accumulated amortization	(181,310)	(121,744)
Net goodwill	$ 415,028	$ 466,768

Goodwill amortization expense for fiscal years 2023 and 2022 was $59,567 and $46,569, respectively.

During fiscal years 2023 and 2022, respectively, $7,829 and $332,616 of goodwill was recorded as part of acquisitions and consolidations. During fiscal years 2023 and 2022, respectively, there was no disposal of goodwill.

9. OTHER NONCURRENT ASSETS

Other noncurrent assets at July 31, 2023 and 2022, are summarized as follows:

	2023	2022
Long-term prepaid sales incentives	$ 22,394	$ 18,765
Tax-related investments	15,996	-
Other investments	6,649	14,979
Equity method investments	4,129	2,529
Investment property	2,536	-
Long-term derivative assets	582	1,147
Other noncurrent assets	$ 52,286	$ 37,420

In June 2023, the Company impaired an investment in a holding company, Grupo de Almacenamiento de Combustibles Aditivados, S.AP.I de C.V. (GALCOA) in Other Investments, for $8,244. The holding company was designed to provide petroleum storage infrastructure in Mexico; however, due to political headwinds in Mexico it is unlikely the project will continue as previously expected, and thus has been fully impaired.

In 2023, the Company invested $5,726 in a limited partnership to generate 45Q tax credits and deductions. The investment, classified in Tax-related Investments, had an initial asset and liability value of $22,904. The asset amortizes over the 2 year life of the partnership and the liability is reduced as payments are made. The balance of the investment at July 31, 2023 is $15,996. In fiscal year 2023, the Company has made additional investments of $2,300 in venture funds to assist start-up companies.

Throughout fiscal year 2023, the Company invested $1,800 in a joint venture, Freedom RNG Project, LLC, an equity method investment, to build and operate a renewable natural gas dairy digester.

10. LONG-TERM DEBT

Long-term debt at July 31, 2023 and 2022, are summarized as follows:

	2023	2022
Revolving line of credit (at 6.93% and 3.49% interest on July 31, 2023 and 2022, respectively)	$ 904,040	$ 599,100
Long-term debt with bank (at 7.89% and 5.12% interest on July 31, 2023 and 2022, respectively)	130,329	106,722
Long-term debt of non-wholly-owned subsidiaries (weighted average interest rates of 15.67% and 0% on July 31, 2023 and 2022, respectively)	11,627	1,413
Mortgage and equipment notes payable—secured by corporate headquarters, barge vessels, and certain RNG assets (weighted average interest rates of 4.63% and 3.85% on July 31, 2023 and 2022, respectively)	19,629	21,352
Unsecured notes payable (weighted average interest rates of 9.14% and 6.59% on July 31, 2023 and 2022, respectively)	74,285	162,383
Unamortized deferred financing costs	(6,006)	(6,467)
Total long-term debt, net	1,133,904	884,503
Less:		
Long-term debt—current portion	44,100	76,972
Unamortized deferred financing cost - current portion	(1,758)	(1,464)
Long-term debt—long-term portion	$ 1,091,562	$ 808,995

In December 2021, the Company replaced its existing revolving credit facility set to mature on March 1, 2024 with a new revolving credit facility (“Credit Agreement”). This Credit Agreement, dated December 29, 2021, is an Asset Based Lending facility. Upon execution, the Credit Agreement allowed for a revolving borrowing capacity of up to $1,300,000, a term debt feature of $109,459 which was fully drawn in December 2021, and an accordion feature to increase the maximum borrowing amount up to $300,000, or to $1,709,459 in total, upon request.

In March 2022, the Company exercised an amendment (“March 2022 Amendment”) to access the accordion feature for $250,000, increasing the total revolver borrowing capacity to $1,550,000. Additionally, $50,000 of the accordion feature was set aside for an increase in the term debt.

As of July 31, 2022 the maximum borrowing amount was $1,956,722, which was comprised of a revolving borrowing capacity of up to $1,550,000, a term debt feature outstanding of $106,722, and an accordion feature to increase the maximum borrowing amount up to $300,000, upon request.

In September 2022, under the “March 2022 Amendment”, $36,371 of the $50,000 accordion set aside for the term debt was funded leaving the remainder unused.

In July 2023, the Company exercised an amendment (“July 2023 Amendment”) which increased the total revolver borrowing capacity to $1,575,000.

As of July 31, 2023 the maximum borrowing amount was $2,005,329, which was comprised of a revolving borrowing capacity of up to $1,575,000, a term debt feature outstanding of $130,329, and an accordion feature to increase the maximum borrowing amount up to $300,000, upon request.

The amounts available for borrowing under the Credit Agreement are limited to the borrowing base, as defined in the Credit Agreement. This agreement has a maturity date of December 29, 2026. Prior to the March 2022 Amendment, advances on the Credit Agreement, both revolving and term, bore interest at the 30-day London InterBank Offered Rate (LIBOR) plus a variable spread based on excess availability. After the March 2022 Amendment, advances on the Credit Agreement, both revolving and term, bear interest at the daily Secured Overnight Financing Rate (SOFR), plus a credit spread adjustment, plus a variable spread based on excess availability.

At July 31, 2023 and 2022, the Company classified the revolving amounts outstanding under the Credit Agreement as long-term on the consolidated balance sheets because (1) the Credit Agreement extends to December 29, 2026, and (2) management estimates that the Company will not be required to repay revolving amounts due under the Credit Agreement over the next twelve months.

The Credit Agreement also allows for the issuance by the lender banks of standby and documentary letters of credit for the account of the Company. These letters of credit, like the advances identified above, reduce the remaining amount available under the Credit Agreement. The Company had outstanding letters of credit of $10,157 and $25,297 as of July 31, 2023 and 2022, respectively. The unused amount under the Credit Agreement and the Prior Credit Agreement based on maximum capacity available was $660,803 and $925,603 as of July 31, 2023 and 2022, respectively.

All borrowings under the Credit Agreement are collateralized by a security agreement covering many of the Company's current assets and certain terminals. Such agreements restrict pledging the Company's assets to another party, except for warehouses and remaining terminals. The Credit Agreement contains various restrictive covenants relating to financial ratios that are either springing or fixed including, among others, fixed charge coverage ratio, cash dominion, position limits, and borrowing base limitations. In all circumstances, financial covenants under the Credit Agreements are measured using FIFO economic results, which removes the effects of LIFO inventory reserves and allows for the mark-to-market of refined products inventories. The Company has complied with all reporting and financial covenant testing requirements at July 31, 2023 and 2022.

Future debt payments related to long-term debt maturities at July 31, 2023, are as follows:

	Long-term Maturities	Revolver Maturity	Total Maturities
2024	$ 45,513	$ -	$ 45,513
2025	34,342	-	34,342
2026	33,892	-	33,892
2027	99,763	904,040	1,003,803
2028	14,227	-	14,227
Thereafter	8,133	-	8,133
Total	$ 235,870	$ 904,040	$ 1,139,910

The Company intends to renew or replace the Credit Agreement prior to maturity.

11. DERIVATIVE FINANCIAL INSTRUMENTS

As of July 31, the Company had the following notional volumes of outstanding petroleum-related derivatives (barrels in thousands) and RINs:

	2023		2022	
	Purchases	Sales	Purchases	Sales
Physical forward contracts:				
Gasoline	3,763	(3,478)	2,707	(2,135)
Oil	2,260	(2,059)	1,185	(2,733)
RINs	2,125	(3,131)	-	-
Carbon Credits	2,500	(2)	-	-
Other	1,159	(498)	533	(28)
Financial contracts:				
Gasoline	123	(2,158)	458	(1,626)
Oil	167	(3,089)	776	(714)
RINs	-	-	883	(1,480)
Other	-	-	2,157	(1,046)

The following table shows the impact that petroleum-related derivative assets and liabilities had on the Company's consolidated balance sheets as of July 31:

	2023	
	Asset	Liability
Commodity derivatives		
Derivative assets and liabilities	$ 82,929	$ 57,554
Other noncurrent assets and liability	173	3,505

	2022	
	Asset	Liability
Commodity derivatives		
Derivative assets and liabilities	$ 55,845	$ 61,670
Other noncurrent assets and liability	1,123	1,787

The Company does not net derivative assets and derivative liabilities that are subject to master netting or similar arrangements. The following tables show the potential effect of netting positions that are subject to master netting or similar arrangements:

	July 31, 2023		
	Gross Amount	Potential Effects of Netting, Including Cash Collateral	Net Amount
Derivative assets subject to master netting or similar arrangements	$ 22,771	$ 10,172	$ 12,599
Derivative assets not subject to master netting or similar arrangments	60,740	-	60,740
Total derivative assets	$ 83,511	$ 10,172	$ 73,339
Derivative liabilities subject to master netting or similar arrangements	$ 14,753	$ 10,172	$ 4,581
Derivative liabilities not subject to master netting or similar arrangements	46,306	-	46,306
Total derivative liabilities	$ 61,059	$ 10,172	$ 50,887

	July 31, 2022		
	Gross Amount	Potential Effects of Netting, Including Cash Collateral	Net Amount
Derivative assets subject to master netting or similar arrangements	$ 7,431	$ 1,644	$ 5,787
Derivative assets not subject to master netting or similar arrangments	49,561	-	49,561
Total derivative assets	$ 56,992	$ 1,644	$ 55,348
Derivative liabilities subject to master netting or similar arrangements	$ 2,654	$ 1,644	$ 1,010
Derivative liabilities not subject to master netting or similar arrangements	60,803	-	60,803
Total derivative liabilities	$ 63,457	$ 1,644	$ 61,813

The Company classifies as trading activities those transactions that, at inception, are intended to be settled in the near term with the objective of generating profits on short-term differences in prices. All applicable gains and losses related to energy trading activities, whether or not settled physically, are shown net in the consolidated statements of comprehensive income in petroleum and other product costs. Cash flows from derivative activities are presented within the derivative assets and liabilities—net line item within operating activities in the consolidated statements of cash flows.

The following table shows the Company's cash collateral positions as of July 31:

	2023	2022
Cash collateral provided to others	$ 33,050	$ 15,593

Cash collateral provided to others is recorded as margin deposits within the consolidated balance sheets.

As of July 31, 2023 and 2022, none of the derivative agreements with over-the-counter trading counterparties required the Company to provide cash collateral, letters of credit or other forms of collateral. Therefore, the Company is not subject to credit contingent collateral features with derivative contracts that would require the Company to post collateral in the future in the event of negative credit events affecting the Company.

12. FAIR VALUE MEASUREMENTS

The Company's assets and liabilities recorded at fair value have been categorized within the fair value hierarchy in accordance with ASC 820, which is discussed further within Note 2.

The following table sets forth, by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of July 31, 2023 and 2022. Each financial asset and liability is classified in its entirety based on the lowest level of input that is significant to the fair value measurement.

	July 31, 2023		
	Level 1	**Level 2**	**Total**
Assets:			
Cash and cash equivalents	$ 10,551	$ -	$ 10,551
Margin deposits	33,050	-	33,050
Rabbi trust investments	91,338	-	91,338
Derivative contracts	-	83,512	83,512
Total assets	$ 134,939	$ 83,512	$ 218,451
Total liabilities - derivative contracts	$ -	$ 61,060	$ 61,060

	July 31, 2022		
	Level 1	**Level 2**	**Total**
Assets:			
Cash and cash equivalents	$ 19,013	$ -	$ 19,013
Margin deposits	15,593	-	15,593
Rabbi trust investments	46,923	-	46,923
Derivative contracts	-	56,992	56,992
Total assets	$ 81,529	$ 56,992	$ 138,521
Total liabilities - derivative contracts	$ -	$ 63,457	$ 63,457

Realized and unrealized gains and losses included in earnings are recorded through petroleum and other product costs on the consolidated statements of comprehensive income. Gains and losses on the Company's derivative instruments were as follows:

	Amount of Gain (Loss) Recognized in Income	
	2023	2022
Derivatives not designated as hedges:		
Financial contracts	$ (13,508)	$ (288,249)
Forward contracts	33,071	(73,694)
Total derivatives not designated as hedges	$ 19,563	$ (361,943)

13. POSTRETIREMENT AND OTHER COMPENSATION ARRANGEMENTS

The Company offers a nonqualified deferred compensation plan in which highly compensated associates, as defined by the Employee Retirement Income Security Act of 1974, are eligible to defer a percentage of their compensation for future retirement. As of July 31, 2023 and 2022, $91,338 and $46,923, respectively, was deferred by associates and reported as deferred compensation liability.

Amounts deferred by participants in the nonqualified deferred compensation plan are held in a Rabbi Trust. Investments in the Rabbi Trust consist of mutual funds and are recorded at fair value as deferred compensation plan investments in the consolidated balance sheets.

14. LONG-TERM INCENTIVE PLAN

The Company has established a long-term incentive plan ("LTIP") for officers, key employees, and the Board of Directors in which participants are awarded stock appreciation rights ("SARs") and restricted stock units ("RSUs") annually.

The SARs vest ratably on the first, second and third anniversaries of the date of grant. The employee RSUs have cliff vesting on the third anniversary of the date of grant. The Board of Director RSU's are 100% vested upon acceptance of the grant. The Company expenses the costs of these awards over the respective service period.

The SARs awards are granted with an exercise price equal to the appraised value of the Company's stock as of the date of the grant. The SARs provide for cash payment of the excess of the appraised value of the Company's stock on the date of exercise, plus profit distributions paid from grant date to exercise date, over the award value as of the grant date. SARS can be exercised any time after the second anniversary date until the seventh anniversary date at which time all SARs are paid in full.

The RSU awards are granted with an exercise price equal to the current appraised value of the Company. The RSUs provide for cash payment of the appraised value of the Company's stock on the date of exercise plus profit distributions paid from grant date to exercise date. Employee RSUs are paid in full at the third anniversary date of the award. Board of Directors RSU's are paid in full when the Board member leaves the Board.

The following table summarizes the activity of the SARs and RSUs awarded units for all participants, including Board members, as of July 31, 2023 and 2022:

Total awards outstanding	SAR	RSU
Outstanding—July 31, 2021	148,625	204,216
Granted	24,258	18,028
Exercised	(13,171)	(19,870)
Outstanding—July 31, 2022	159,712	202,374
Granted	23,917	18,782
Exercised	(18,335)	(116,128)
Outstanding—July 31, 2023	165,294	105,028
Vested as of July 31, 2023	158,900	97,318

As of July 31, 2023, total compensation expense related to SARs and RSUs not yet vested that will be recognized in future periods is $307 and $4,664, respectively. The following table summarizes the compensation expense for all LTIP participants for the years ended July 31, 2023 and 2022:

Compensation Expense for LTIP Award	2023	2022
SAR	$ 2,568	$ 27,653
RSU	12,229	42,776
Total compensation expense	$ 14,797	$ 70,429

The total LTIP liability for all participants as of July 31, 2023 and 2022 was $107,838 and $172,755, respectively.

The Company has also established incentive plans that have a long-term component for certain other key employees. Total compensation expense related to these plans for the years ended July 31, 2023 and 2022 was $20,932 and $6,403, respectively. The total liability for these plans as of July 31, 2023 and 2022 was $23,371 and $12,579, respectively.

15. LEASES

The Company leases various types of equipment, warehouse space, office facilities and storage, under noncancelable agreements, which expire at various dates. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, Operating lease liability – current portion, and Operating lease liability on the consolidated balance sheets. Finance leases are reported separately as Finance lease assets, Finance lease liability – current portion and Finance lease liability on the consolidated balance sheets. Equipment leases have remaining terms of 1-9 years, Vehicle leases have remaining terms of 1-7 years and Real estate leases have remaining terms of 1-13 years.

As of July 31, 2023, the Company had entered into lease agreements that had not commenced; these leases include various types of equipment, warehouse space, and storage, which expire at various dates. The Company entered into two material real estate leases that have not yet commenced with future short-term and long-term lease payments of $969 and $13,820 respectively, that are not yet recorded on its consolidated balance sheets. These leases will commence in fiscal year 2024 with non-cancelable lease terms of 3 to 10 years.

The Company's components of lease expense for the year ended July 31, are as follows:

	2023	**2022**
Operating lease cost	$ 67,728	$ 59,678
Variable lease cost	$ 23,673	$ 18,170
Short-term lease cost	$ 18,241	$ 11,587
Amortization of right-of-use assets	17,167	9,270
Interest on lease liabilities	2,025	728
Finance lease cost	$ 19,192	$ 9,998

Other information related to leases as of and for the year ended July 31, are as follows:

	2023	**2022**
Finance leases		
Net finance lease assets	$ 66,147	$ 25,602
Current portion of lease liability	$ 19,023	$ 9,212
Non-current portion of lease liability	48,427	16,989
Total lease liability	$ 67,450	$ 26,201
Average remaining lease term (years)	4.42	3.44
Average discount rate	4.03%	2.77%
Assets capitalized through finance leases	27,488	15,408
Operating cash flows	2,025	728
Financing cash flows	16,426	9,281
Operating leases		
Leased assets	$ 352,664	$ 326,743
Current portion of lease liability	$ 52,774	$ 50,840
Non-current portion of lease liability	316,571	289,979
Total lease liability	$ 369,345	$ 340,819
Average remaining lease term (years)	8.15	8.32
Average discount rate	3.05%	2.79%
Assets capitalized through operating leases	65,873	148,600
Operating cash flows	65,303	56,334
Short term leases		
Operating cash flows	$ 18,241	$ 11,587

Future minimum lease payments under noncancellable leases as of July 31, 2023:

	Operating Lease	Finance Lease
2024	$ 63,219	$ 21,303
2025	60,095	17,641
2026	56,386	13,615
2027	52,739	8,482
2028	43,681	5,467
Thereafter	144,756	6,822
Total future minimum payments	$ 420,876	$ 73,330
Less imputed interest	51,531	5,881
Total	$ 369,345	$ 67,449

16. RELATED-PARTY TRANSACTIONS

The Company, certain of its shareholders, and employees, have financial interests in companies that engage in business activities with the Company. Management reviews such transactions with the Board of Directors on a regular basis.

Better Way Investments, LLC (“BWI”), is a wholly owned subsidiary of HoldCo, whose primary purpose is to own and operate facilities which are then leased to the Company. BWI currently leases four properties at market rate to the Company. The Company has a right of use asset and operating lease liability for these leases of $17,882 and $8,563 in the consolidated balance sheets as of July 31, 2023 and 2022, respectively. Total lease costs incurred related to BWI totaled $2,357 and $1,609 for 2023 and 2022, respectively, which is recorded in operating expenses in the consolidated statements of comprehensive income.

The Company has made investments in strategic water assets through two entities, Great Plains Irrigation Company LLC (“GPIC”) and Basin Lands, LLC (“Basin”), of which certain shareholders of the Company also have directly invested in these entities and are actively involved in their operation.

The Company provided funds of $2,658 to Basin and GPIC via promissory notes during fiscal year 2022, with no similar amount in 2023. Such notes were eliminated upon consolidation of these entities. Basin received funds from certain related party shareholders of $542 during fiscal year 2022 with no similar amount in 2023.

The Company has administrative service arrangements with BWI, Basin and GPIC generally performing all administrative activities for these entities at rates that approximate market.

17. SAVINGS AND RETIREMENT PLAN

The Company has a qualified 401(k) plan covering substantially all associates who have met all service requirements. The Company matches employee contributions up to specified levels and also makes a discretionary contribution to qualified associates. Total matching and discretionary contributions expense amounted to $18,319 and $13,877 in fiscal years 2023 and 2022, respectively.

18. EQUITY

Common Stock Repurchase Agreement—The Company has a common stock repurchase agreement that provides the guidelines for establishing an appraised value for all common stock of the Company.

The agreement establishes the terms for trading and transferring the stock between shareholders and/or the Company. Under certain circumstances, the Company may be required to buy shares of common stock from a shareholder(s) up to 5% of first-in, first-out (FIFO) economic equity, or $23,292 and $19,389, as of July 31, 2023 and 2022, respectively. In 2023 and 2022, the Company did not purchase any shares under the terms of this agreement.

19. CONTINGENCIES

The Company accrues liabilities for contingent losses when management believes that a loss is probable and the amounts can be reasonably estimated, while contingent gains are recognized only when realized. In the event any losses are sustained in excess of accruals, the excess will be charged against income at that time.

The Company has recorded a liability of $7,000 and $4,000 as of July 31, 2023 and 2022, respectively, related to a commercial lawsuit. Litigation is ongoing and while the Company believes it has meritorious defenses, any potential adverse judgment could exceed the liability recorded by an amount that could be material.

The Company is also involved in various claims and lawsuits incidental to its business. In addition, the Company is contingently liable under performance guarantees in various contractual arrangements. In the opinion of management, the ultimate liabilities related to these claims and guarantees will not have a material effect on the consolidated financial statements.

Environmental Laws and Regulation—The Company is subject to extensive federal, state, and local environmental laws and regulations.

20. SUBSEQUENT EVENTS

Subsequent events were evaluated for potential recognition or disclosure through October 6, 2023, which is the date the financial statements were available to be issued.

On September 11, 2023, the Company closed on a $5,695 acquisition of Pacific Tire Distributors, headquartered in Portland, Oregon. Pacific Tire Distributors has four locations serving customers in the Pacific Northwest.

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