UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 01, 2023

ARKO
A Family of Community Brands

ARKO Corp.

(Exact name of Registrant as Specified in Its Charter)

Delaware	001-39828	85-2784337
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

8565 Magellan Parkway Suite 400 Richmond, Virginia	23227-1150
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (804) 730-1568

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	ARKO	The Nasdaq Stock Market LLC
Warrants, each warrant exercisable for one share of Common Stock at an exercise price of $11.50	ARKOW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

This Current Report on Form 8-K/A (this "Amendment") is being filed as an amendment to the Current Report on Form 8-K filed by ARKO Corp., a Delaware corporation ("ARKO"), with the Securities and Exchange Commission on March 2, 2023 (the "Original Form 8-K"). The Original Form 8-K reported, among other matters, the completion of the Company's acquisition of the assets and certain liabilities of Transit Energy Group, LLC and certain of its affiliated entities (collectively, "TEG" and such acquisition and related transactions, the "TEG Acquisition").

This Amendment amends the Original Form 8-K solely to include the consolidated financial statements of TEG and pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K, respectively. No other amendments are being made to the Original Form 8-K.

Except as set forth in this Amendment, the disclosure contained in the Original Form 8-K remains unchanged, and this Amendment should be read together with the Original Form 8-K, which provides a more complete description of the TEG Acquisition.

The pro forma financial information included in this Amendment has been presented for informational purposes only, is based on various adjustments and assumptions and is not necessarily indicative of what the Company's consolidated statement of operations or consolidated balance sheet would have been had the TEG Acquisition and other adjustments been completed as of the dates indicated, nor is such information necessarily indicative of what the Company's consolidated statement of operations or balance sheet will be for any future periods.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated financial statements of Transit Energy Group, LLC and Subsidiaries as of and for the years ended December 31, 2021 and 2020 are filed herewith as Exhibit 99.1 to this Current Report on Form 8-K/A and are incorporated herein by reference.

The unaudited consolidated financial statements of Transit Energy Group, LLC and Subsidiaries as of and for the nine months ended September 30, 2022 are filed herewith as Exhibit 99.2 to this Current Report on Form 8-K/A and are incorporated herein by reference.

(b) Pro Forma Financial Information.

Unaudited pro forma condensed combined financial statements for the year ended December 31, 2021 and as of and for the nine months ended September 30, 2022 are filed herewith as Exhibit 99.3 to this Current Report on Form 8-K/A and are incorporated herein by reference.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of Independent Certified Public Accountants
99.1	Audited consolidated financial statements of Transit Energy Group, LLC and Subsidiaries as of and for the years ended December 31, 2021 and 2020
99.2	Unaudited consolidated financial statements of Transit Energy Group, LLC and Subsidiaries as of and for the nine months ended September 30, 2022
99.3	Unaudited pro forma condensed combined financial statements for the year ended December 31, 2021 and as of and for the nine months ended September 30, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

			ARKO Corp.
Date:	May 17, 2023	By:	/s/ Arie Kotler
		Name:	Arie Kotler
		Title:	President, Chief Executive Officer and Chairman of the Board

Exhibit 23.1

Consent of Independent Certified Public Accountants

We have issued our report dated April 15, 2022, with respect to the consolidated financial statements of Transit Energy Group, LLC and subsidiaries included in the Current Report on Form 8-K/A of ARKO Corp. filed on May 17, 2023. We consent to the incorporation by reference of said report in the Registration Statements of ARKO Corp. on Form S-8 (File No. 333-261642) and on Forms S-3 (File No. 333-252302 and File No. 333-252106).

/s/ Grant Thornton LLP

Grant Thornton LLP
Charlotte, North Carolina
May 17, 2023

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Transit Energy Group, LLC and Subsidiaries

December 31, 2021 and 2020

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Transit Energy Group, LLC and Subsidiaries

Opinion
We have audited the consolidated financial statements of Transit Energy Group, LLC (a Delaware corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in members' capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

•Exercise professional judgment and maintain professional skepticism throughout the audit.
•Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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.

/s/ Grant Thornton LLP

Charlotte, North Carolina April
15, 2022

Transit Energy Group, LLC and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,

		2021		2020
ASSETS				
Current assets				
Cash	$	2,638,329	$	4,763,130
Accounts receivable, net		14,631,706		6,377,652
Inventory		21,741,314		8,386,059
Other current assets		7,206,151		5,878,159
Total current assets		46,217,500		25,405,000
Property and equipment, net		109,926,774		65,257,705
Fuel supply contract, net		18,620,878		16,548,667
Goodwill		25,266,682		15,368,051
Total assets	$	200,031,834	$	122,579,423
LIABILITIES AND MEMBERS' CAPITAL				
Current liabilities				
Accounts payable	$	19,989,294	$	10,460,866
Accrued expenses		4,189,273		1,962,155
Current portion of deferred revenue		1,081,041		1,004,286
Revolving credit facility		4,000,000		
Current portion of long-term debt		3,500,000		35,561,568
Total current liabilities		32,759,608		48,988,875
Long-term liabilities				
Long-term debt, net of deferred financing costs and current portion		60,903,417		
Subordinated debt - related party		-		26,526,979
Deferred revenue, long term		4,882,495		5,072,738
Deferred gain on sale-leaseback		916,814		-
Asset retirement obligations		9,568,844		6,074,926
Unfavorable market leases		3,014,998		3,276,180
Total liabilities		112,046,176		89,939,698
Members' Capital				
Class A members' interests		153,757,773		100,600,000
Class B members' interests		406,168		145,257
Retained deficit		(66,178,283)		(68,105,532)
Total members' capital		87,985,658		32,639,725
Total liabilities and members' capital	$	200,031,834	$	122,579,423

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

Transit Energy Group, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31,

	2021	2020
Revenues		
Fuel revenue	$ 558,718,459	$ 240,085,977
Merchandise and food revenue	96,117,748	61,837,080
Other revenue	15,137,790	12,104,566
Total revenue	669,973,997	314,027,623
Cost of goods sold		
Fuel cost of goods sold	524,345,272	221,733,500
Merchandise and food cost of goods sold	68,004,113	43,882,317
Other cost of goods sold	813,513	770,876
Total cost of goods sold	593,162,898	266,386,693
Gross profit	76,811,099	47,640,930
Operating expenses		
Selling, general and administrative	67,324,346	51,573,238
Class B members' interest compensation expense	260,911	63,000
Depreciation and amortization	9,084,302	9,972,163
Income (loss) from operations	141,540	(13,967,471)
Other (income) expenses		
Other (income) expense	(3,074,007)	326,898
Bargain purchase gain	(1,350,942)	-
Interest expense	2,639,240	7,807,943
NET INCOME (LOSS)	$ 1,927,249	$ (22,102,312)

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

CONSOLIDATED STATEMENTS OF MEMBERS' CAPITAL

Years ended December 31,

	Class A Members' Interests	Class B Members' Interests	Retained Deficit	Total Members' Capital
Balance, December 31, 2019	$ 100,600,000	$ 82,257	$ (46,003,220)	$ 54,679,037
Class B members' interests compensation expense	-	63,000	-	63,000
Net loss	-	-	(22,102,312)	(22,102,312)
Balance, December 31, 2020	100,600,000	145,257	(68,105,532)	32,639,725
Capital contribution	53,157,773	-	-	53,157,773
Class B members' interests compensation expense	-	260,911	-	260,911
Net income	-	-	1,927,249	1,927,249
Balance, December 31, 2021	$ 153,757,773	$ 406,168	$ (66,178,283)	$ 87,985,658

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

Transit Energy Group, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 1,927,249	$ (22,102,312)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,084,302	9,972,163
Loss on disposal	1,595,644	1,175,561
Retirement of asset retirement obligation	(733,316)	(1,228,734)
Bargain purchase gain	(1,350,942)	-
Amortization/write-off of deferred financing costs	461,725	4,316,202
Paid-in-kind interest	-	526,979
Allowance for doubtful accounts	193,297	500,000
Class B members' interests compensation expense	260,911	63,000
Accretion of asset retirement obligations	247,234	144,265
Changes in operating activities:		
Accounts receivable	(74,909)	737,195
Inventory	(4,257,148)	(140,644)
Other current assets	(991,878)	591,296
Deferred revenue	(113,488)	(1,134,286)
Accounts payable	(343,352)	3,458,641
Accrued expenses	2,227,118	323,045
Net cash provided by (used in) operating activities	8,132,447	(2,797,629)
Cash flows from investing activities:		
Purchase of property and equipment	(8,813,763)	(9,502,045)
Proceeds from sale of property and equipment	14,548,526	9,250,000
Proceeds from sale-leaseback	62,819,006	-
Piedmont acquisition	(15,569,058)	-
Market Express acquisition	(43,192,823)	-
Pine Belt acquisition	(30,639,930)	-
Rose Oil acquisition	(48,420,124)	-
Net cash used in investing activities	(69,268,166)	(252,045)
Cash flows from financing activities:		
Capital contributions	25,000,000	-
Payment of deferred financing costs	(3,933,308)	(4,316,202)
Borrowings on related party debt	1,630,794	26,000,000
Borrowings on BNP facility	-	61,326,568
Payments on BNP facility	(35,561,568)	(25,765,000)
Payments on JPM facility	(39,115,000)	-
Borrowing on JPM facility	110,990,000	-
Borrowings on Truist revolver	-	89,078,656
Payments on Truist revolver	-	(139,958,527)
Net cash provided by financing activities	59,010,918	6,365,495
NET (DECREASE) INCREASE IN CASH	(2,124,801)	3,315,821
Cash, cash equivalents - beginning of period	4,763,130	1,447,309
Cash, cash equivalents - end of period	$ 2,638,329	$ 4,763,130
Supplemental disclosures of cash flow information -		
Cash paid during the year for:		
Interest	$ 2,639,240	$ 2,820,497
Non-cash transactions:		
Forgiveness of related party debt	$ 28,157,773	$ -
Measurement period adjustment related to acquisition	$ -	$ 1,604,028

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of a Business and Basis of Presentation

The inception of Transit Energy Group, LLC (TEG or Company) was on May 1, 2019 and incorporated in the state of Delaware. Operations commenced on July 30, 2019, when an agreement was entered into in which a business combination occurred and created the wholly owned operating entities of Energy Carriers, LLC, Energy Distributors, LLC and Flash Market, LLC. As part of this business combination certain assets were contributed to TEG. In conjunction with the accounting for the business combination, the Company applied pushdown accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Company and its subsidiaries operate a chain of convenience stores selling petroleum in the Southeastern United States, in the states of Alabama, Arkansas, Missouri, Mississippi, North Carolina, South Carolina and Tennessee and a petroleum distribution division that supplies petroleum to convenience stores and petroleum stations operated by independent outside operators in certain of the foregoing states. The Company has 110 combined company operated, 46 consignment and 145 dealer operated locations as of December 31, 2021.

Accounting Principles

The Company’s consolidated financial statements and accompanying consolidated notes are presented in accordance with U.S. GAAP. Intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Upon formation of the business, the Company assessed the impact of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* by evaluating contracts, identifying performance obligations, determining when the performance obligations were satisfied to allow revenue recognition and determining the amount of revenue to recognize. Under ASC 606, revenue is to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services.

The Company recognizes revenue based on consideration received and/or specified in contracts or agreements with customers when it satisfies its performance obligations by transferring control over products or services to a customer.

Sales tax assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. Fuel excise tax imposed by governmental authorities, and collected by the Company from customers, are included in revenue and cost of sales and totaled approximately $82,000,000 and $59,000,000 for the years ended December 31, 2021 and 2020, respectively.

Vendor allowances include rebates and other funds received from vendors to promote their products. The Company often receives such allowances on the basis of quantitative contract terms that vary by product and vendor or directly on the basis of purchases made. Rebates are recognized as reductions of costs when products are sold; reimbursements of operating expenses are recorded as reductions of the related expense when earned.

The following is a description of principal activities from which the Company generates its revenue. Generally, goods or services are transferred to our customers at a point in time and any contracts entered into with customers are short-term in nature.

Retail Fuel

The Company sells diesel fuel and gasoline to customers at their convenience stores at prices that are established daily. Retail fuel revenue is recognized at the time the customer takes possession of the fuel, which is when the performance obligation is satisfied. Payment takes place at the time of purchase. In the normal course of business, the Company does not accept product returns.

Wholesale Fuel

The Company sells fuels in bulk quantities and by the truckload (over the rack) to wholesale customers at a fixed price determined at the date of a contract or at variable prices based on a market or index rate. Wholesale fuel revenue is recognized at the time of delivery of the products, depending on shipping terms and title transfer. Contracts with customers state the final terms of the sale, including the description, quantity, and price for goods sold. Payment is typically due in full within three to 40 days of delivery. There is only one performance obligation in each contract. In the normal course of business, the Company does not accept product returns.

Merchandise

The Company sells a variety of food, grocery and other merchandise products and services at stated retail prices in the convenience stores. Merchandise revenue is recognized at the time the customer takes possession of the merchandise, which is when the performance obligation is satisfied. Payment takes place at the time of purchase. In the normal course of business, the Company does not accept product returns.

Other

Other revenue includes freight revenue, ATM and money order fee income, and lottery income. For freight income, the Company recognizes revenue upon delivery to the dealer as all deliveries occur on the same day as shipment. For ATM fee income, the customer pays an ATM fee for withdrawing cash and revenue is recognized at that time. For money orders, the customer pays a money order fee when purchasing a money order and revenue is recognized at that time. Lottery income is recognized at the time of sale to the consumer and the Company collects a commission. Lottery, money order and ATM revenue are recognized net. Revenue is recognized at the time the service is provided, which is when the performance obligation is complete.

Cash

The Company maintains cash balances with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers $250,000 for substantially all depository accounts. The Company from time to time may have amounts on deposit in excess of the insured limits.

Accounts Receivable

The majority of accounts receivable are typically from dealers, vendors and credit card companies in the ordinary course of business. As such, the Company has not experienced significant write-offs for the years ended December 31, 2021 or 2020. The Company assesses its need for an allowance for potential losses in the collection of its receivables. The Company has a reserve of $693,297 and $500,000 for uncollectable receivables as of December 31, 2021 and 2020, respectively. Receivables are typically due within 30 days and are stated as amounts due. Accounts that are outstanding longer than the payment terms are considered past due. The Company writes off receivable amounts after determination that the balances are uncollectible.

Inventories

Inventory is stated at the lower of cost or net realizable value. Inventory cost is determined using the average cost, net of vendor rebates, using the first-in, first-out (FIFO) basis, which approximates the actual cost of the inventory. The Company periodically reviews inventory for obsolescence and records a charge to cost of revenues for any amounts required to reduce the carrying value of inventories to net realizable value.

Concentration of Credit Risk

Financial instruments that subject us to credit risk consist principally of receivables. The Company maintains allowances for doubtful accounts which the Company believes are sufficient to provide for losses which may be sustained on realization of these receivables. For the years ended December 31, 2021 and 2020, no customers accounted for more than 10% of revenue or receivables.

The Company sources approximately 15% and 37.7% of its fuel from a single vendor for the years ended December 31, 2021 and 2020, respectively. Additionally, for the year end December 31, 2021, the Company sources an additional 56% of its fuel from four other fuel vendors, which all exceed 10% of fuel purchase volume.

Property and Equipment

Property and equipment are carried at cost or, if acquired through a business combination, at the fair value of the assets as of the acquisition date. Depreciation is recognized using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and leasehold improvements	10 to 40 years
Vehicles	5 years
Fuel equipment	5 to 30 years
Convenience store equipment	5 to 15 years

Amortization of leasehold improvements is based upon the shorter of the remaining terms of the leases including renewal periods that are reasonably assured or the estimated useful lives. Expenditures for maintenance and repairs are charged directly to expense when incurred and major improvements are capitalized. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the assets are completed and placed into use.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable tangible and intangible assets of businesses acquired. Goodwill is tested at least annually for impairment by first comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of the impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by performing an assumed purchase price allocation, using the reporting unit's fair value (as determined in the first step) as the purchase price. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The Company performed a quantitative assessment in testing goodwill for impairment for the year ended December 31, 2021 and December 31, 2020, which resulted in no impairment.

Long-lived Assets

The Company reviews its long-lived assets, which include property and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be fully recoverable. Events or changes in circumstances are evaluated based on a number of factors including operating results, business plans and forecasts, general and industry trends, and economic projections and anticipated cash flows. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the assets. 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 those assets, typically determined by the undiscounted cash flows associated with those assets. These future cash flows are based on management's projection of future financial results, including revenues, costs, working capital changes, and capital expenditures. Actual results may differ from those estimates. Based on management's assessment, no impairment of long-lived assets exists for the years ended December 31, 2021 and 2020.

Environmental Remediation Liabilities

The Company accrues for environmental remediation liabilities when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company had no environmental remediation liabilities as of December 31, 2021 and 2020.

Fair Value of Financial Instruments

The carrying value of cash, accounts receivable, other current assets, accounts payable, accrued expenses and other current liabilities approximate their fair values due to the relatively short maturity of the respective instruments. The carrying amount of the term loan, revolver and subordinated debt – related party approximates fair value due to interest charges based on variable market rates.
The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs. The excess of the purchase price for the Company's business combination over the fair value of acquired net assets was allocated to goodwill and other intangible assets. The estimated fair value of the assets acquired and liabilities assumed as discussed in Note C was determined utilizing Level 3 inputs.

Income Taxes

The Company is a limited liability company and is treated as a partnership for income tax purposes. Consequently, all the effects of the Company’s income or loss are passed through to the members. Accordingly, no provision or liability for income taxes has been included in the consolidated financial statements. Tax years ending after December 31, 2019 remain open and are subject to examination by the taxing authorities.

Management is not aware of any material uncertain tax positions as of December 31, 2021 and 2020. Any interest or penalties associated with an unrecognized tax expense would be classified as interest expense or other expense in the consolidated statements of operations.

Class B Members’ Interests Compensation Expense

The Company measures and recognizes compensation expense for members’ interests awards by expensing the fair value of each award at its grant date over the service period necessary for each award to vest. The Company accounts for forfeitures of members’ interests compensation awards as they occur.

Debt Financing Costs

Deferred financing costs are recorded as a contra-liability in long-term debt, net in the consolidated balance sheets. The deferred financing costs are amortized as interest expense over the life of the loan using the straight-line method, which approximates the effective interest method.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-2). This update requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets to give investors, lenders and other financial statement users a more comprehensive view of a company’s long-term financial obligations as well as the assets it owns versus leases. This distinction will affect how leases are measured and presented in the consolidated statement of operations and the consolidated statement of cash flows. This update is effective for annual periods ending after December 15, 2021, and for the interim periods beginning after December 15, 2022. Early adoption is permitted. This update permits adoption by use of either the retrospective or the modified retrospective methods. The Company will adopt this guidance effective January 1, 2022 (first day of fiscal 2022). The Company is currently evaluating the impact this guidance will have on our consolidated financial statements as well as the expected adoption method.

NOTE B - BUSINESS ACQUISITION

On November 8, 2021, the Company acquired the business of Market Express through a stock purchase agreement in which retail and dealer site assets were acquired and liabilities assumed. The Company financed its share of the consideration from its own sources and from an unrelated third party real estate fund (Real Estate Fund). The transaction was accounted for under the provisions of ASC 805, *Business Combinations*. Accordingly, the Company recorded the tangible assets and liabilities and identifiable intangible assets at their estimated fair values. The goodwill is attributable to the general reputation of the business and the collective experience of the management and employees of the Company and not deductible for tax purposes.

In connection with this acquisition, the Company incurred $529,483 of transaction expenses during the year ended December 31, 2021 and are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

A summary of the preliminary purchase price and allocation is as follows:

	Amount
Accounts receivable	$ 2,268,000
Inventory	1,960,000
Other current assets	11,306
Property and equipment	39,197,844
Fuel supply contract	580,000
Goodwill	3,905,673
Total assets acquired	47,922,823
Accounts payable	(2,530,000)
Asset retirement obligation	(2,200,000)
Total liabilities assumed	(4,730,000)
Consideration paid in cash	13,074,979
Consideration provided by the Real Estate Fund	30,117,844
Total consideration	$ 43,192,823

On September 30, 2021, the Company acquired the business of Rose Oil through a stock purchase agreement in which retail and dealer site assets were acquired and liabilities assumed. The Company financed its share of the consideration from its own sources and from a Real Estate Fund. The transaction was accounted for under the provisions of ASC 805, *Business Combinations*. Accordingly, the Company recorded the tangible assets and liabilities and identifiable intangible assets at their estimated fair values. The goodwill is attributable to the general reputation of the business and the collective experience of the management and employees of the Company and not deductible for tax purposes.

In connection with this acquisition, the Company incurred $573,700 of transaction expenses during the year ended December 31, 2021 and are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

A summary of the preliminary purchase price and allocation is as follows:

	Amount
Accounts receivable	$ 727,223
Inventory	1,797,760
Other current assets	324,808
Property and equipment	40,361,519
Fuel supply contract	2,100,000
Goodwill	5,214,069
Total assets acquired	50,525,379
Accounts payable	(1,105,255)
Asset retirement obligation	(1,000,000)
Total liabilities assumed	(2,105,255)
Consideration paid in cash	25,608,605
Consideration provided by the Real Estate Fund	22,811,519
Total consideration, net of cash acquired of $23,865	$ 48,420,124

On March 15, 2021, the Company acquired the business of Pine Belt Oil through a stock purchase agreement in which retail and dealer site assets were acquired and liabilities assumed. The Company financed its share of the consideration from its own sources. The transaction was accounted for under the provisions of ASC 805, *Business Combinations*. Accordingly, the Company recorded the tangible assets and liabilities and identifiable intangible assets at their estimated fair values. The goodwill is attributable to the general reputation of the business and the collective experience of the management and employees of the Company and not deductible for tax purposes.

In connection with this acquisition, the Company incurred $508,303 of transaction expenses during the year ended December 31, 2021 and are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

A summary of the preliminary purchase price and allocation is as follows:

	Amount
Accounts receivable	$ 5,377,219
Inventory	3,340,347
Property and equipment	26,200,000
Fuel supply contract	1,500,000
Goodwill	778,889
Total assets acquired	37,196,455
Accounts payable	(6,236,525)
Asset retirement obligation	(320,000)
Total liabilities assumed	(6,556,525)
Total cash consideration, net of cash acquired of $38,677	$ 30,639,930

On March 15, 2021, the Company acquired the assets of Piedmont Petroleum through an asset purchase agreement in which certain retail site assets were acquired and liabilities assumed. The Company financed its share of the consideration from its own sources. The transaction was accounted for under the provisions of ASC 805, *Business Combinations*. Accordingly, the Company recorded the tangible assets and liabilities at their estimated fair values.

In connection with this acquisition, the Company incurred $231,740 of transaction expenses during the year ended December 31, 2021 and are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

A summary of the preliminary purchase price and allocation is as follows:

	Amount
Inventory	$ 2,000,000
Property and equipment	15,380,000
Total assets acquired	17,380,000
Asset retirement obligation	(460,000)
Gain on bargain purchase	(1,350,942)
Total liabilities assumed	(1,810,942)
Total cash consideration	$ 15,569,058

During the measurement period, the Company will continue to obtain information to assist in determining the fair value of net assets acquired, which may differ materially from these preliminary estimates. Measurement period adjustments, if applicable, will be applied in the reporting period in which the adjustment amounts are determined.

NOTE C - INVENTORY

Inventory as of December 31, 2021 and 2020, consisted of the following:

	2021	2020
Merchandise inventory	$ 10,953,072	$ 5,929,936
Fuel inventory	10,310,647	2,198,363
Lottery inventory	477,595	257,760
Total inventory	$ 21,741,314	$ 8,386,059

NOTE D - PROPERTY AND EQUIPMENT, NET

Property and equipment, net at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Land	$ 27,056,000	$ 15,250,000
Buildings and leasehold improvements	49,048,832	21,018,358
Convenience store equipment	39,991,556	32,315,892
Vehicles	3,529,998	2,755,042
Construction in progress	1,809,817	633,446
	121,436,203	71,972,738
Accumulated depreciation	(11,509,429)	(6,715,033)
Property and equipment, net	$ 109,926,774	$ 65,257,705

Depreciation of property and equipment was $7,237,695 and $8,307,717 for the years ended December 31, 2021 and 2020, respectively, and is included in depreciation and amortization within the accompanying consolidated statements of operations.

Sale-Leaseback

During 2021, the Company entered into a sale-leaseback transaction whereby it disposed of fixed assets with a net book value of $61,839,148 and received proceeds of $62,819,006, net of expenses. The gain on sale was deferred and is being recognized ratably over the term of 15 years and is included as an offset to selling general and administrative expenses on the consolidated statements of operations.

NOTE E - GOODWILL AND INTANGIBLE ASSETS, NET

The carrying amount of goodwill is $25,266,682 and $15,368,051 as of December 31, 2021 and 2020, respectively. The change in the carrying value of goodwill was as follows:

		Goodwill
Balance as of December 31, 2019	$	13,764,023
Measurement period adjustment		1,604,028
Balance as of December 31, 2020		15,368,051
Market Express acquisition		3,905,673
Rose Oil acquisition		5,214,069
Pine Belt Oil acquisition		788,889
Balance as of December 31, 2021	$	25,266,682

As part of the 2021 acquisitions, the Company generated an additional $4,180,000 in fuel supply contact intangibles for the year ended December 31, 2021. Other intangible assets consisted of the following:

		2021		2020
Fuel supply contract	$	23,460,000	$	19,280,000
Unfavorable market leases		(3,650,000)		(3,650,000)
Total intangibles, gross		19,810,000		15,630,000
Accumulated amortization – fuel supply contract		(4,839,122)		(2,731,333)
Accumulated amortization – unfavorable market leases		635,002		373,820
Total intangibles, net	$	15,605,880	$	13,272,487

Amortization for the years ended December 31, 2021 and 2020 was $1,846,607 and $1,664,446, respectively, which is included in depreciation and amortization within the accompanying consolidated statements of operations.

Future estimated amortization expense for intangibles is as follows:

Year Ending December 31,		
2022	$	2,081,360
2023		2,081,360
2024		2,088,478
2025		2,093,246
2026		2,123,287
Thereafter		5,138,149
Total	$	15,605,880

NOTE F - DEBT

Debt consists of the following:

	2021	2020
JPM Revolver	$ 4,000,000	$ -
JPM Term	48,125,000	-
JPM Delayed Term	19,750,000	-
Subordinated debt - related party	-	26,526,979
BNP facility	-	35,561,568
Less: current portion	7,500,000	35,561,568
Less: deferred financing costs	3,471,583	-
Total long-term debt, net	$ 60,903,417	$ 26,526,979

Scheduled principal payments of debt are as follows:

	Amount
2022	$ 7,500,000
2023	5,250,000
2024	5,250,000
2025	7,000,000
2026	46,875,000
Total	$ 71,875,000

Debt

On March 27, 2020, the Company entered into a facility with BNP PARIBAS (BNP) for a combined amount of $150 million of which $50 million was available after meeting certain compliance provisions stated in the agreement. This facility had an original maturity date of September 2023. On September 28, 2020, the Company executed a revised and amended credit agreement with BNP that included a $24.5 million capital injection from Energy Capital Partners (majority shareholder), which was used to partially pay down the balance owed on the credit facility. The remaining BNP loan balance of $35.6 million was structured as interest-only term debt maturing on March 28, 2021. As part of the various BNP credit facilities, the Company incurred $4,316,202 in deferred financing costs in which a majority of these costs related to the initial agreement and were subsequently written off during the year. The interest rate on this term note was variable based on an index rate of LIBOR plus an applicable margin. There were no financial covenants on this term note.

As of December 31, 2020, the Company had $26.5 million of subordinated debt owed to Energy Capital Partners. This balance consisted of the $24.5 million capital injection on September 28th, plus an additional

$1.5 million on December 14, 2020, plus capitalized interest. The promissory note underlying this debt agreement had an original maturity date of December 31, 2024, and bears interest at a rate of 8% per annum. The interest was “payable-in-kind” monthly and added to the principal balance. On March 12, 2021, coincident with the closing of the JPM Facility, the subordinated debt was forgiven and converted to members’ equity.

On March 12, 2021, the Company entered into a new syndicated senior credit facility with JP Morgan Chase Bank (the Facility) as lead arranger, which provided the Company with capital to pay off the BNP facility and fund future acquisitions. The Facility includes a term loan (the Term Loan) totaling $50 million with a maturity date of March 2026, and a revolving line of credit (the Revolver) with maximum borrowing of $15 million, also maturing in March 2026. Additionally, the Company has the ability to add up to $20 million to its term loan and exercised its ability in October and November 2021 to withdrawal an additional

$20 million. This delayed draw has the same terms as the Term Loan. The Facility is secured by mortgages on certain parcels of real property owned by the Company. Additionally, the Revolver is secured by a borrowing base of eligible accounts receivable and inventories. The interest rate on the Term Loan and Revolver is variable based on an index rate of LIBOR plus an applicable margin. The Facility contains certain debt covenants (measured quarterly) that define maximum total leverage ratio and minimum fixed charge coverage ratio. The Company is in compliance with all covenants.

The Company capitalized $3,933,308 in costs related to its debt financing with JP Morgan Chase. Fees and costs classified as debt issuance costs relate to costs incurred to obtain long-term financing. Accumulated amortization attributable to debt issuance costs associated with JP Morgan Chase Bank totaled $461,725 as of December 31, 2021.

NOTE G - ASSET RETIREMENT OBLIGATIONS

The Company recognizes the estimated future cost to dispose of underground storage tanks over the estimated useful life of the storage tank in accordance with authoritative guidance. The Company records a discounted liability for the fair value of an asset retirement obligation with a corresponding increase in the carrying value of the related long-lived asset at the time an underground storage tank is installed. The Company amortizes the amount added to the property and equipment and recognizes accretion expense in connection with the discounted liability over the remaining life of the respective underground storage tanks.

The estimated liability is based on the historical experience in disposing of the tanks, estimated tank useful lives, external estimates as to the cost to dispose of the tanks in the future, and federal and state regulatory requirements. The liability is discounted using a credit adjusted risk-free rate of 5%. Revisions to the liability and the related long-lived asset could occur due to changes in tank disposal costs, tank useful lives, or if federal and state regulators enact new guidance on the removal of such tanks. The liability is included in long-term accrued liabilities.

	2021	2020
Beginning balance	$ 6,074,926	$ 7,159,395
Additions	3,980,000	-
Retirement	(733,316)	(1,228,734)
Accretion expense	247,234	144,265
Ending balance	$ 9,568,844	$ 6,074,926

NOTE H - COMMITMENTS AND CONTINGENCIES

The Company leases certain operating locations and equipment under operating leases that will expire at various dates through 2036. Rent expense was approximately $4,597,000 and $5,514,680 for the years ended December 31, 2021 and 2020, respectively and included in selling, general and administrative in the consolidated statements of operations. At December 31, 2021, the Company’s minimum annual rental commitments under operating leases were as follows:

As of December 31,		2021
2022	$	7,749,106
2023		7,467,245
2024		7,471,235
2025		7,108,360
2026		6,457,101
Thereafter		77,923,450
Total	$	114,176,497

Fuel Vendor Agreements

The Company enters into fuel supply contracts with various major fuel suppliers. These fuel supply contracts have expiration dates at various times through 2031. In connection with certain of these fuel supply and related incentive agreements, the Company received upfront payments for rebranding costs and other incentives. If the Company defaults under the terms of any contract, including not purchasing committed fuel purchase volume, or terminates any supply agreement prior to the end of the applicable term, the Company must reimburse the respective fuel supplier for the unearned unamortized portion of the payments received to date, based on the amortization schedule outlined in each respective agreement. The payments are amortized and recognized as a reduction to fuel cost using the straight-line method based on the term of each agreement or based on fuel volume purchased. The amount of the unamortized liability was approximately $6.0 million and $6.1 million as of December 31, 2021 and 2020, respectively, which was recorded in deferred revenue on the consolidated balance sheets. The Company has $1.8 million and $2.3 million in receivables related to vendor agreements, which was recorded in other current assets as of December 31, 2021 and 2020, respectively included in other current assets on the consolidated balance sheets. As of December 31, 2020, the Company was in compliance with its principal fuel vendor agreements.

Legal Proceedings

From time to time, the Company may be involved in various legal proceedings incidental to the ordinary course or business. The Company does not believe that any of these proceedings will have a material adverse effect on its business or financial condition.

NOTE I - CLASS A MEMBERS' INTERESTS

Energy Capital Partners contributed cash to the Company in exchange for 100% of Class A members' interests. The Company's certificate of incorporation, dated May 1, 2019, discusses, among other matters, seniority, dividend rights, voting rights, and liquidation rights. The certificate of incorporation authorizes Class A Members' Interests and Class B Members' Interests.

NOTE J - CLASS B MEMBERS' INTERESTS

On July 30, 2019 the Company adopted a Profit Participation Plan (the Plan). The Plan provides incentives to eligible employees in the form of incentive nonvoting Class B Members' Interests, which allows for the eligible person to share in the profits of the Company over certain thresholds defined in the agreement upon change in control of the Company. During the year ended December 31, 2021, the Company granted 3,700 member interests, had 1,780 member interests forfeited and has a reserve of 1,585 member interests for future grants. During the year ended December 31, 2020, the Company granted 3,150 time vested member interests, had 5,305 member interests forfeited and had a reserve of 3,505 member interests for future grants. Class B member interests vest on the first anniversary of the grant date and annually thereafter over five years. The Company had $260,911 and $63,000 in expense related to these members' interests in the years ended December 31, 2021 and December 31, 2020, respectively, which is included in Class B members' interest compensation expense in the consolidated statements of operations. Upon termination of employment, the employees will forfeit any unvested units.

NOTE K - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 15, 2022 the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

In 2022, the Company plans to continue its strategy of growth through acquisition, and closed on the purchase of a single site acquisition in North Carolina in March of 2022 for a purchase price of $3.2 million. The Company has also signed a PSA with an acquisition target for an estimated purchase price of $35.0 million, which includes 24 company operated convenience stores located in Louisiana. Through these acquisitions, the Company continues to expand its presence in the Southeast region of the United States.

Exhibit 99.2

Condensed Consolidated Financial Statements

Transit Energy Group, LLC and Subsidiaries

September 30, 2022

TABLE OF CONTENTS

Transit Energy Group, LLC and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEET

September 30, 2022

ASSETS		
Current assets		
Accounts receivable, net	$	21,120,495
Inventory		25,738,555
Other current assets		10,173,057
Total current assets		57,032,107
Property and equipment, net		145,726,178
Fuel supply contract, net		16,861,378
Goodwill		56,440,021
Total assets	$	276,059,684
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities		
Accounts payable	$	22,397,507
Accrued expenses		6,191,095
Current portion of deferred revenue		1,072,627
Revolving credit facility		10,778,752
Current portion of long-term debt		6,550,000
Total current liabilities		46,989,981
Long-term liabilities		
Long-term debt, net of deferred financing costs and current portion		117,663,933
Deferred revenue, long term		4,193,045
Deferred gain on sale-leaseback		1,485,787
Asset retirement obligations		11,518,821
Unfavorable market leases		2,649,523
Total liabilities		184,501,090
Members' Capital		
Class A members' interests		153,757,773
Class B members' interests		601,851
Retained deficit		(62,801,030)
Total members' capital		91,558,594
Total liabilities and members' capital	$	276,059,684

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

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

Transit Energy Group, LLC and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

Nine Months Ended September 30, 2022

Revenues		
Fuel revenue	$	796,600,040
Merchandise and food revenue		110,498,814
Other revenue		13,894,374
Total revenue		920,993,228
Cost of goods sold		
Fuel cost of goods sold		748,156,039
Merchandise and food cost of goods sold		77,101,515
Total cost of goods sold		825,257,554
Gross profit		95,735,674
Operating expenses		
Selling, general and administrative		80,369,285
Class B members' interest compensation expense		195,683
Depreciation and amortization		8,510,728
Income from operations		6,659,978
Other (income) expenses		
Other (income) expense		(1,095,072)
Interest expense		4,377,797
NET INCOME	$	3,377,253

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

Transit Energy Group, LLC and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL

Nine Months Ended September 30, 2022

	Class A Members' Interests	Class B Members' Interests	Retained Deficit	Total Members' Capital
Balance, December 31, 2021	$ 153,757,773	$ 406,168	$ (66,178,283)	$ 87,985,658
Class B members' interests compensation expense	-	195,683	-	195,683
Net income	-	-	3,377,253	3,377,253
Balance, September 30, 2022	153,757,773	601,851	(62,801,030)	91,558,594

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

Transit Energy Group, LLC and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Nine Months Ended September 30, 2022

Cash flows from operating activities:		
Net income	$	3,377,253
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		8,510,728
Gain on disposal		(1,646,130)
Amortization of deferred financing costs		(364,484)
Class B members' interests compensation expense		195,683
Accretion of asset retirement obligations		159,001
Changes in operating activities:		
Accounts receivable		(7,381,789)
Inventory		1,412,828
Other current assets		(2,966,906)
Deferred revenue		(128,891)
Accounts payable		2,408,213
Accrued expenses		1,327,415
Net cash provided by operating activities		4,902,921
Cash flows from investing activities:		
Purchase of property and equipment		(11,062,534)
Proceeds from sale of property and equipment		8,657,064
Business acquisitions, net of cash		(72,089,532)
Net cash used in investing activities		(74,495,002)
Cash flows from financing activities:		
Payments on JPM facility		(24,075,000)
Borrowing on JPM facility		84,250,000
Borrowings on JPM Revolver		51,384,601
Payments on JPM Revolver		(44,605,849)
Net cash provided by financing activities		66,953,752
NET DECREASE IN CASH		(2,638,329)
Cash and cash equivalents - beginning of period		2,638,329
Cash and cash equivalents - end of period	$	-
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$	3,463,990
Non-cash transactions:		
Measurement period adjustment related to acquisition	$	2,741,866

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of a Business and Basis of Presentation

The inception of Transit Energy Group, LLC (TEG or Company) was on May 1, 2019 and incorporated in the state of Delaware. Operations commenced on July 30, 2019, when an agreement was entered into in which a business combination occurred and created the wholly owned operating entities of Energy Carriers, LLC, Energy Distributors, LLC and Flash Market, LLC. As part of this business combination certain assets were contributed to TEG. In conjunction with the accounting for the business combination, the Company applied pushdown accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Company and its subsidiaries operate a chain of convenience stores selling petroleum in the Southeastern United States, in the states of Alabama, Arkansas, Missouri, Mississippi, North Carolina, South Carolina and Tennessee and a petroleum distribution division that supplies petroleum to convenience stores and petroleum stations operated by independent outside operators in certain of the foregoing states. The Company has approximately 150 combined company operated, 47 consignment and 146 dealer operated locations as of September 30, 2022.

Accounting Principles

The Company's condensed consolidated financial statements and accompanying condensed consolidated notes are presented in accordance with U.S. GAAP. Intercompany balances and transactions are eliminated in consolidation. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2021.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Under ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, revenue is to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services.

The Company recognizes revenue based on consideration received and/or specified in contracts or agreements with customers when it satisfies its performance obligations by transferring control over products or services to a customer.

Sales tax assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. Fuel excise tax imposed by governmental authorities, and collected by the Company from customers, are included in revenue and cost of sales and totaled approximately $127,000,000 for the nine months ended September 30, 2022.

Vendor allowances include rebates and other funds received from vendors to promote their products. The Company often receives such allowances on the basis of quantitative contract terms that vary by product and vendor or directly on the basis of purchases made. Rebates are recognized as reductions of costs when products are sold; reimbursements of operating expenses are recorded as reductions of the related expense when earned.

The following is a description of principal activities from which the Company generates its revenue. Generally, goods or services are transferred to our customers at a point in time and any contracts entered into with customers are short-term in nature.

Retail Fuel

The Company sells diesel fuel and gasoline to customers at their convenience stores at prices that are established daily. Retail fuel revenue is recognized at the time the customer takes possession of the fuel, which is when the performance obligation is satisfied. Payment takes place at the time of purchase. In the normal course of business, the Company does not accept product returns.

Wholesale Fuel

The Company sells fuels in bulk quantities and by the truckload (over the rack) to wholesale customers at a fixed price determined at the date of a contract or at variable prices based on a market or index rate. Wholesale fuel revenue is recognized at the time of delivery of the products, depending on shipping terms and title transfer. Contracts with customers state the final terms of the sale, including the description, quantity, and price for goods sold. Payment is typically due in full within three to 40 days of delivery. There is only one performance obligation in each contract. In the normal course of business, the Company does not accept product returns.

Merchandise

The Company sells a variety of food, grocery and other merchandise products and services at stated retail prices in the convenience stores. Merchandise revenue is recognized at the time the customer takes possession of the merchandise, which is when the performance obligation is satisfied. Payment takes place at the time of purchase. In the normal course of business, the Company does not accept product returns.

Other

Other revenue includes freight revenue, ATM and money order fee income, and lottery income. For freight income, the Company recognizes revenue upon delivery to the dealer as all deliveries occur on the same day as shipment. For ATM fee income, the customer pays an ATM fee for withdrawing cash and revenue is recognized at that time. For money orders, the customer pays a money order fee when purchasing a money order and revenue is recognized at that time. Lottery income is recognized at the time of sale to the consumer and the Company collects a commission. Lottery, money order and ATM revenue are recognized net. Revenue is recognized at the time the service is provided, which is when the performance obligation is complete.

Cash

The Company maintains cash balances with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers $250,000 for substantially all depository accounts. The Company from time to time may have amounts on deposit in excess of the insured limits.

Accounts Receivable

The majority of accounts receivable are typically from dealers, vendors and credit card companies in the ordinary course of business. As such, the Company has not experienced significant write-offs for the nine months ended September 30, 2022. The Company assesses its need for an allowance for potential losses in the collection of its receivables. The Company has a reserve of $750,000 for uncollectable receivables as of September 30, 2022. Receivables are typically due within 30 days and are stated as amounts due.

Accounts that are outstanding longer than the payment terms are considered past due. The Company writes off receivable amounts after determination that the balances are uncollectible.

Inventories

Inventory is stated at the lower of cost or net realizable value. Inventory cost is determined using the average cost, net of vendor rebates, using the first-in, first-out (FIFO) basis, which approximates the actual cost of the inventory. The Company periodically reviews inventory for obsolescence and records a charge to cost of revenues for any amounts required to reduce the carrying value of inventories to net realizable value.

Concentration of Credit Risk

Financial instruments that subject us to credit risk consist principally of receivables. The Company maintains allowances for doubtful accounts which the Company believes are sufficient to provide for losses which may be sustained on realization of these receivables. For the nine months ended September 30, 2022, no customers accounted for more than 10% of revenue or receivables.

The Company sources approximately 20% of its fuel from a single vendor for the nine months ended September 30, 2022. Additionally, for the nine months ended September 30, 2022, the Company sources an additional 50% of its fuel from five other fuel vendors, which all exceed 10% of fuel purchase volume.

Property and Equipment

Property and equipment are carried at cost or, if acquired through a business combination, at the fair value of the assets as of the acquisition date. Depreciation is recognized using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and leasehold improvements	10 to 40 years
Vehicles	5 years
Fuel equipment	5 to 30 years
Convenience store equipment	5 to 15 years

Amortization of leasehold improvements is based upon the shorter of the remaining terms of the leases including renewal periods that are reasonably assured or the estimated useful lives. Expenditures for maintenance and repairs are charged directly to expense when incurred and major improvements are capitalized. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the assets are completed and placed into use.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable tangible and intangible assets of businesses acquired. Goodwill is tested at least annually for impairment by first comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of the impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by performing an assumed purchase price allocation, using the reporting unit’s fair value (as determined in the first step) as the purchase price. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The Company did not perform a quantitative assessment in testing goodwill for impairment in the nine months ended September 30, 2022.

Long-lived Assets

The Company reviews its long-lived assets, which include property and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be fully recoverable. Events or changes in circumstances are evaluated based on a number of factors including operating results, business plans and forecasts, general and industry trends, and economic projections and anticipated cash flows. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the assets. 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 those assets, typically determined by the undiscounted cash flows associated with those assets. These future cash flows are based on management's projection of future financial results, including revenues, costs, working capital changes, and capital expenditures. Actual results may differ from those estimates. Based on management's assessment, no impairment of long-lived assets exists for the nine months ended September 30, 2022.

Environmental Remediation Liabilities

The Company accrues for environmental remediation liabilities when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company had no environmental remediation liabilities as of September 30, 2022.

Fair Value of Financial Instruments

The carrying value of cash, accounts receivable, other current assets, accounts payable, accrued expenses and other current liabilities approximate their fair values due to the relatively short maturity of the respective instruments. The carrying amount of the term loan, revolver and subordinated debt – related party approximates fair value due to interest charges based on variable market rates.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs. The excess of the purchase price for the Company's business combination over the fair value of acquired net assets was allocated to goodwill and other intangible assets. The estimated fair value of the assets acquired and liabilities assumed as discussed in Note B was determined utilizing Level 3 inputs.

Income Taxes

The Company is a limited liability company and is treated as a partnership for income tax purposes. Consequently, all the effects of the Company's income or loss are passed through to the members. Accordingly, no provision or liability for income taxes has been included in the consolidated financial statements. Tax years ending after December 31, 2019 remain open and are subject to examination by the taxing authorities.

Management is not aware of any material uncertain tax positions as of September 30, 2022. Any interest or penalties associated with an unrecognized tax expense would be classified as interest expense or other expense in the consolidated statements of operations.

Class B Members' Interests Compensation Expense

The Company measures and recognizes compensation expense for members' interests awards by expensing the fair value of each award at its grant date over the service period necessary for each award to vest. The Company accounts for forfeitures of members' interests compensation awards as they occur.

Debt Financing Costs

Deferred financing costs are recorded as a contra-liability in long-term debt, net in the condensed consolidated balance sheet. The deferred financing costs are amortized as interest expense over the life of the loan using the straight-line method, which approximates the effective interest method.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-2). This update requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets to give investors, lenders and other financial statement users a more comprehensive view of a company's long-term financial obligations as well as the assets it owns versus leases. This distinction will affect how leases are measured and presented in the consolidated statement of operations and the consolidated statement of cash flows. This update is effective for annual periods ending after December 15, 2021, and for the interim periods beginning after December 15, 2022. Early adoption is permitted. This update permits adoption by use of either the retrospective or the modified retrospective methods. The Company has not adopted this guidance as of September 30, 2022. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements as well as the expected adoption method.

NOTE B - BUSINESS ACQUISITIONS

On May 23, 2022, the Company acquired the assets of Dixie Mart through an asset purchase agreement in which certain retail site assets were acquired and liabilities assumed. The Company financed its share of the consideration from its own sources. The transaction was accounted for under the provisions of ASC 805, *Business Combinations*. Accordingly, the Company recorded the tangible assets and liabilities at their estimated fair values.

In connection with this acquisition, the Company incurred $815,215 of transaction expenses during the nine months ended September 30, 2022 and were included in selling, general and administrative expenses in the condensed consolidated statement of operations.

A summary of the preliminary purchase price and allocation is as follows:

		Amount
Inventory	$	2,793,883
Property and equipment		21,792,500
Goodwill		12,474,017
Total assets acquired		37,060,400
Asset retirement obligation		(1,206,000)
Total liabilities assumed		(1,206,000)
Total cash consideration, net of cash acquired of $60,517	$	35,854,400

On June 29, 2022, the Company acquired the assets of McCoy Oil through an asset purchase agreement in which certain retail site assets were acquired and liabilities assumed. The Company financed its share of the consideration from its own sources. The transaction was accounted for under the provisions of ASC 805, *Business Combinations*. Accordingly, the Company recorded the tangible assets and liabilities at their estimated fair values.

In connection with this acquisition, the Company incurred $126,615 of transaction expenses during the nine months ended September 30, 2022 and were included in selling, general and administrative expenses in the condensed consolidated statement of operations.

A summary of the preliminary purchase price and allocation is as follows:

		Amount
Inventory	$	795,803
Property and equipment		3,188,000
Goodwill		5,635,653
Total assets acquired		9,619,456
Asset retirement obligation		(414,000)
Total liabilities assumed		(414,000)
Total cash consideration, net of cash acquired of $4,653	$	9,205,456

On July 12, 2022, the Company acquired the assets of Sayle Oil through an asset purchase agreement in which certain retail site assets were acquired and liabilities assumed. The Company financed its share of the consideration from its own sources. The transaction was accounted for under the provisions of ASC 805, *Business Combinations*. Accordingly, the Company recorded the tangible assets and liabilities at their estimated fair values.

In connection with this acquisition, the Company incurred $292,367 of transaction expenses during the nine months ended September 30, 2022 and were included in selling, general and administrative expenses in the condensed consolidated statement of operations.

A summary of the preliminary purchase price and allocation is as follows:

		Amount
Inventory	$	1,668,258
Property and equipment		12,497,500
Goodwill		10,321,793
Total assets acquired		24,487,551
Asset retirement obligation		(760,000)
Total liabilities assumed		(760,000)
Total cash consideration, net of cash acquired of $59,293	$	23,727,551

On March 22, 2022, the Company acquired the assets of Stallings Brothers Holdings, Inc. through an asset purchase agreement in which certain retail site assets were acquired and liabilities assumed for $3,250,000. The Company financed its share of the consideration from a third party real estate fund. The transaction was accounted for under the provisions of ASC 805, *Business Combinations*. Accordingly, the Company recorded the tangible assets and liabilities at their estimated fair values.

During the measurement period, the Company will continue to obtain information to assist in determining the fair value of net assets acquired, which may differ materially from these preliminary estimates. Measurement period adjustments, if applicable, will be applied in the reporting period in which the adjustment amounts are determined.

NOTE C - INVENTORY

Inventory as of September 30, 2022 consisted of the following:

Merchandise inventory	$	14,730,070
Fuel inventory		10,351,805
Lottery inventory		656,680
Total inventory	$	25,738,555

NOTE D - PROPERTY AND EQUIPMENT, NET

Property and equipment, net at September 30, 2022 consisted of the following:

Land	$	31,809,000
Buildings and leasehold improvements		73,801,620
Convenience store equipment		54,182,373
Vehicles		3,526,448
Construction in progress		114,767
		163,434,208
Accumulated depreciation		(17,708,030)
Property and equipment, net	$	145,726,178

Depreciation of property and equipment was $6,950,067 for the nine months ended September 30, 2022, and was included in depreciation and amortization within the condensed consolidated statement of operations.

NOTE E - GOODWILL AND INTANGIBLE ASSETS, NET

The change in the carrying value of goodwill was as follows:

Balance as of December 31, 2021	$	25,266,682
Measurement period adjustments		2,741,876
Acquisitions (see Note B)		28,431,463
Balance as of September 30, 2022	$	56,440,021

Other intangible assets at September 30, 2022 consisted of the following:

Fuel supply contract	$	23,460,000
Unfavorable market leases		(3,483,365)
Total intangibles, gross		19,976,635
Accumulated amortization – fuel supply contract		(6,598,622)
Accumulated amortization – unfavorable market leases		833,842
Total intangibles, net	$	14,211,855

Amortization for the nine months ended September 30, 2022 was $1,560,661, which was included in depreciation and amortization within the condensed consolidated statement of operations.

NOTE F - DEBT

Debt at September 30, 2022 consisted of the following:

JPM Revolver	$	10,778,752
JPM Term		128,050,000
Total debt		138,828,752
Less: current portion		17,328,752
Less: deferred financing costs		3,836,067
Total long-term debt, net	$	117,663,933

Scheduled principal payments of debt consisted of the following:

Three months ended December 31, 2022	$	12,416,252
Year ended December 31, 2023		6,550,000
Year ended December 31, 2024		9,006,250
Year ended December 31, 2025		9,825,000
Year ended December 31, 2026		12,281,250
Year ended December 31, 2027		88,750,000

Total	$	138,828,752

On May 23, 2022, the Company entered into an amended and restated credit agreement with JP Morgan Chase Bank (the Facility) as the lead arranger, which restructured the credit agreement dated March 12, 2021, increasing the term loan (the Term Loan) to a total of $105 million with a maturity date of May 23, 2027 and a revolving line of credit (the Revolver) with maximum borrowing of $30 million, also maturing in March 2027. Additionally, the Company had the ability to add up to $26 million to its term loan and exercised its ability to withdrawal an additional $26 million during 2022. This delayed draw had the same terms as the Term Loan. The Facility was secured by mortgages on certain parcels of real property owned by the Company. Additionally, the Revolver is secured by a borrowing base of eligible accounts receivable and inventories. The interest rate on the Term Loan and Revolver was variable based on an adjusted rate of SOFR plus an applicable margin. The Facility contained certain debt covenants (measured quarterly) that define maximum total leverage ratio and minimum fixed charge coverage ratio. The Company was in compliance with all covenants at September 30, 2022.

Refer to Note K below for additional information on the repayment of these obligations.

The Company capitalized $5,044,180 in costs related to its debt financing with JP Morgan Chase Bank (JPM). Fees and costs classified as debt issuance costs relate to costs incurred to obtain long-term financing. Accumulated amortization attributable to debt issuance costs associated with JPM totaled $1,200,011 as of September 30, 2022.

NOTE G - ASSET RETIREMENT OBLIGATIONS

The Company recognizes the estimated future cost to dispose of underground storage tanks over the estimated useful life of the storage tank in accordance with authoritative guidance. The Company records a discounted liability for the fair value of an asset retirement obligation with a corresponding increase in the carrying value of the related long-lived asset at the time an underground storage tank is installed. The Company amortizes the amount added to the property and equipment and recognizes accretion expense in connection with the discounted liability over the remaining life of the respective underground storage tanks.

The estimated liability is based on the historical experience in disposing of the tanks, estimated tank useful lives, external estimates as to the cost to dispose of the tanks in the future, and federal and state regulatory requirements. The liability is discounted using a credit adjusted risk-free rate of 5%. Revisions to the liability and the related long-lived asset could occur due to changes in tank disposal costs, tank useful lives, or if federal and state regulators enact new guidance on the removal of such tanks.

Balance at December 31, 2021	$	9,568,844
Additions		2,480,000
Retirement		(689,024)
Accretion expense		159,001
Balance at September 30, 2022	$	11,518,821

NOTE H - COMMITMENTS AND CONTINGENCIES

The Company leases certain operating locations and equipment under operating leases that will expire at various dates through 2036. Rent expense was approximately $7,053,000 for the nine months ended September 30, 2022 and included in selling, general and administrative in the condensed consolidated statement of operations.

Future minimum lease payments consisted of the following:

Three months ended December 31, 2022	$	1,932,355
Year ended December 31, 2023		7,467,245
Year ended December 31, 2024		7,471,234
Year ended December 31, 2025		7,108,360

Year ended December 31, 2026		84,380,550
Total	$	108,359,744

Fuel Vendor Agreements

The Company enters into fuel supply contracts with various major fuel suppliers. These fuel supply contracts have expiration dates at various times through 2031. In connection with certain of these fuel supply and related incentive agreements, the Company received upfront payments for rebranding costs and other incentives. If the Company defaults under the terms of any contract, including not purchasing committed fuel purchase volume, or terminates any supply agreement prior to the end of the applicable term, the Company must reimburse the respective fuel supplier for the unearned unamortized portion of the payments received to date, based on the amortization schedule outlined in each respective agreement. The payments are amortized and recognized as a reduction to fuel cost using the straight-line method based on the term of each agreement or based on fuel volume purchased. The amount of the unamortized liability was approximately $5,200,000 as of September 30, 2022, which was recorded in deferred revenue on the consolidated balance sheet. The Company had approximately $1,200,000 in receivables related to vendor agreements, which was recorded in other current assets on the condensed consolidated balance sheet as of September 30, 2022.

Legal Proceedings

From time to time, the Company may be involved in various legal proceedings incidental to the ordinary course or business. The Company does not believe that any of these proceedings will have a material adverse effect on its business or financial condition.

NOTE I - CLASS A MEMBERS' INTERESTS

Energy Capital Partners contributed cash to the Company in exchange for 100% of Class A members' interests. The Company's certificate of incorporation, dated May 1, 2019, discusses, among other matters, seniority, dividend rights, voting rights, and liquidation rights. The certificate of incorporation authorizes Class A Members' Interests and Class B Members' Interests.

NOTE J - CLASS B MEMBERS' INTERESTS

On July 30, 2019, the Company adopted a Profit Participation Plan (the Plan). The Plan provides incentives to eligible employees in the form of incentive nonvoting Class B Members' Interests, which allows for the eligible person to share in the profits of the Company over certain thresholds defined in the agreement upon change in control of the Company. During the nine months ended September 30, 2022, the Company granted 650 member interests and had a reserve of 935 member interests for future grants. Class B member interests vest on the first anniversary of the grant date and annually thereafter over five years. Upon termination of employment, the employees will forfeit any unvested units.

NOTE K - SUBSEQUENT EVENTS

Transit Energy Group, LLC and certain of its affiliated entities entered into a Purchase and Sale Agreement with GPM Investments, LLC ("GPM") and certain of GPM's subsidiaries, including GPM Petroleum, LLC, a Delaware limited liability company ("Buyer"), in September of 2022 to sell the assets and certain liabilities of the Company and certain of its affiliated entities. The transaction was consummated on March 1, 2023. The purchase price was approximately $370 million plus the value of inventory at the closing, of which $50 million was deferred and payable in two annual installments of $25 million, which Buyer may elect to pay in either cash or, subject to the satisfaction of certain conditions, shares of ARKO Corp. common stock, on the first and second anniversaries of the closing. As part of the transaction, the outstanding balances on the Term Loan and Revolver were fully paid on the closing date and the Plan terminated.

The Company has evaluated subsequent events through May 17, 2023, the date these condensed consolidated financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these condensed consolidated financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On March 1, 2023 (the "Closing Date"), GPM Investments, LLC, a Delaware limited liability company ("GPM") and a subsidiary of ARKO Corp., a Delaware corporation (the "Company" or "ARKO") and certain of GPM's subsidiaries, including GPM Petroleum, LLC, a Delaware limited liability company, completed their acquisition of the assets and certain liabilities of Transit Energy Group, LLC, a Delaware limited liability company, and certain of its affiliated entities (collectively "TEG") pursuant to the Asset Purchase Agreement entered into by and between Buyer and Seller on September 9, 2022, as amended (the "Purchase Agreement" and such acquisition, together with the other related transactions contemplated by the Purchase Agreement, the "TEG Acquisition").

The accompanying unaudited pro forma condensed combined financial statements (the "pro forma financial statements") have been prepared to reflect the effects of the TEG Acquisition on the consolidated financial statements of the Company as follows: (i) the unaudited pro forma condensed combined balance sheet (the "pro forma balance sheet") is presented as if the TEG Acquisition had occurred on September 30, 2022; and (ii) the unaudited pro forma condensed combined statements of operations (the "pro forma statements of operations") for the year ended December 31, 2021 and the nine months ended September 30, 2022 are presented as if the TEG Acquisition had occurred on January 1, 2021. The historical financial statements have been adjusted to reflect factually supportable items that are directly attributable to the TEG Acquisition and, with respect to the statements of operations only, that are expected to have a continuing impact on the combined results. The pro forma adjustments have been prepared based on assumptions that the Company believes are reasonable, but that are subject to change once additional information becomes available and the preliminary purchase price allocation for the TEG Acquisition is finalized.

The pro forma financial statements have been prepared using the acquisition method of accounting in Accounting Standards Codification 805, Business Combinations ("ASC 805"), with the Company treated as the acquirer. The acquisition method of accounting is dependent upon certain valuations that have yet to progress to a stage at which there is sufficient information for definitive measures. Accordingly, the pro forma adjustments are preliminary, have been made solely for the purpose of providing pro forma financial statements in accordance with the requirements of the Securities and Exchange Commission, and are subject to revision based on a final determination of fair value as of the date of the TEG Acquisition. Differences between these preliminary estimates and the final acquisition accounting may be material; therefore, the pro forma financial statements presented below is not necessarily indicative of what the combined company's financial condition or results of operations would have been had the TEG Acquisition been completed on the applicable dates of these pro forma financial statements. In addition, the pro forma financial statements do not purport to project the future financial condition and results of operations of the combined company.

The pro forma financial statements should be read in conjunction with:

- The accompanying notes to the pro forma financial statements;
- The audited consolidated financial statements of the Company contained in its Annual Report on Form 10-K for the year ended December 31, 2021 and the accompanying notes thereto;
- The unaudited condensed consolidated financial statements of the Company contained in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 and the accompanying notes thereto;
- Historical audited consolidated financial statements as of and for the year ended December 31, 2021, which consist of the audited consolidated financial statements of Transit Energy Group, LLC and Subsidiaries and the accompanying notes thereto, which are included as Exhibit 99.1 to the Company's Current Report on Form 8-K/A with which these pro forma financial statements are filed; and
- Historical interim unaudited consolidated financial statements as of and for the nine months ended September 30, 2022, which consist of the unaudited consolidated financial statements of Transit Energy Group, LLC and Subsidiaries and the accompanying notes thereto, which are included as Exhibit 99.2 to the Company's Current Report on Form 8-K/A with which these pro forma financial statements are filed.

The unaudited pro forma condensed combined financial statements included herein does not give effect to any potential cost reductions or other operating efficiencies that could result from the TEG Acquisition.

ARKO Corp.
Unaudited Pro Forma Condensed Combined Balance Sheet
September 30, 2022
(in thousands)

	ARKO Corp. Historical	TEG Historical	Pro Forma Adjustments		ARKO Corp. Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 283,375	$ —	$ 379	(a)	
			(80,702)	(b)	
			55,000	(c)	$ 258,052
Restricted cash	14,194	—	—		14,194
Short-term investments	2,122	—	—		2,122
Trade receivables, net	121,736	21,121	(21,121)	(a)	121,736
Inventory	224,545	25,739	(5,595)	(a)	244,689
Other current assets	98,842	10,173	(9,232)	(a)	99,783
Total current assets	744,814	57,033	(61,271)		740,576
Non-current assets:					
Property and equipment, net	591,024	145,726	191,112	(a)	
			(206,415)	(h)	721,447
Right-of-use assets under operating leases	1,127,100	—	189,395	(a), (h)	1,316,495
Right-of-use assets under financing leases, net	185,518	—	—		185,518
Goodwill	197,711	56,440	(56,440)	(a)	197,711
Intangible assets, net	192,651	16,861	18,139	(a)	227,651
Equity investment	2,991	—	—		2,991
Deferred tax asset	17,773	—	—		17,773
Other non-current assets	29,683	—	97	(a)	29,780
Total assets	$ 3,089,265	$ 276,060	$ 74,617		$ 3,439,942
Liabilities					
Current liabilities:					
Long-term debt, current portion	$ 11,477	$ 17,329	$ (17,329)	(c)	$ 11,477
Accounts payable	211,125	22,397	(22,064)	(a)	211,458
Other current liabilities	148,199	7,264	(5,464)	(a)	
			23,587	(i)	
			1,124	(h)	174,710
Operating leases, current portion	55,952	—	3,005	(a), (h)	58,957
Financing leases, current portion	5,741	—	—		5,741
Total current liabilities	432,494	46,990	(17,141)		462,343
Non-current liabilities:					
Long-term debt, net	722,097	117,664	(62,664)	(c)	777,097
Asset retirement obligation	63,759	11,519	(4,421)	(a)	70,857
Operating leases	1,141,450	—	185,795	(a), (h)	1,327,245
Financing leases	227,182	—	—		227,182
Other non-current liabilities	132,276	8,328	(8,131)	(a)	
			22,258	(i)	
			50,480	(h)	205,211
Total liabilities	2,719,258	184,501	166,176		3,069,935
Series A redeemable preferred stock	100,000	—	—		100,000
Shareholders' equity:					
Common stock	12	—	—		12
Treasury stock, at cost	(40,042)	—	—		(40,042)
Additional paid-in capital	226,808	—	—		226,808
Accumulated other comprehensive income	9,119	—	—		9,119
Retained earnings	73,990	—	—		73,990
Members' capital	—	91,559	(91,559)	(l)	—
Total shareholders' equity	269,887	91,559	(91,559)		269,887
Non-controlling interest	120	—	—		120
Total equity	270,007	91,559	(91,559)		270,007
Total liabilities, redeemable preferred stock and equity	$ 3,089,265	$ 276,060	$ 74,617		$ 3,439,942

ARKO Corp.
Unaudited Pro Forma Condensed Combined Statement of Operations
Nine Months Ended September 30, 2022
(in thousands, except per share data)

	ARKO Corp. Historical	TEG Historical	Pro Forma Adjustments		ARKO Corp. Pro Forma Combined
Revenues:					
Fuel revenue	$ 5,648,954	$ 796,600	$ —		$ 6,445,554
Merchandise revenue	1,244,558	110,499	—		1,355,057
Other revenues, net	69,209	13,894	—		83,103
Total revenues	6,962,721	920,993	—		7,883,714
Operating expenses:					
Fuel costs	5,250,105	748,156	—		5,998,261
Merchandise costs	866,110	77,101	—		943,211
Store operating expenses	534,197	—	61,046	(k)	
			8,281	(h)	603,524
General and administrative expenses	100,695	—	18,089	(k)	
			5	(h)	
			(619)	(e)	118,170
Selling, general and administrative expenses	—	80,369	(80,369)	(k)	—
Class B members' interest compensation expense	—	196	(196)	(e)	—
Depreciation and amortization	75,050	8,511	1,178	(f)	
			3,689	(g)	88,428
Total operating expenses	6,826,157	914,333	11,104		7,751,594
Other expenses (income), net	3,269	(1,095)	1,234	(k)	3,408
Operating income	133,295	7,755	(12,338)		128,712
Interest and other financial income	2,509	—	—		2,509
Interest and other financial expenses	(45,619)	(4,378)	2,635	(c)	
			(1,050)	(i)	
			(2,887)	(h)	(51,299)
Income before income taxes	90,185	3,377	(13,640)		79,922
Income tax expense	(31,060)	—	2,566	(j)	(28,494)
Loss from equity investment	(7)	—	—		(7)
Net income	$ 59,118	$ 3,377	$ (11,074)		$ 51,421
Less: Net income attributable to non-controlling interests	182	—	—		182
Net income attributable to ARKO Corp.	$ 58,936	$ 3,377	$ (11,074)		$ 51,239
Series A redeemable preferred stock dividends	(4,301)	—	—		(4,301)
Net income attributable to common shareholders	$ 54,635	$ 3,377	$ (11,074)		$ 46,938
Net income per share attributable to common shareholders - basic	$ 0.45				$ 0.38
Net income per share attributable to common shareholders - diluted	$ 0.43				$ 0.38
Weighted average shares outstanding:					
Basic	121,950				121,950
Diluted	123,527				123,527

ARKO Corp.
Unaudited Pro Forma Condensed Combined Statement of Operations
Year Ended December 31, 2021
(in thousands, except per share data)

	ARKO Corp. Historical	TEG Historical	Pro Forma Adjustments		ARKO Corp. Pro Forma Combined
Revenues:					
Fuel revenue	$ 5,714,333	$ 558,718	$ —		$ 6,273,051
Merchandise revenue	1,616,404	96,118	—		1,712,522
Other revenues, net	86,661	15,138	—		101,799
Total revenues	7,417,398	669,974	—		8,087,372
Operating expenses:					
Fuel costs	5,275,907	524,345	814	(k)	5,801,066
Merchandise costs	1,143,494	68,004	—		1,211,498
Other cost of goods sold	—	814	(814)	(k)	—
Store operating expenses	630,518	—	48,748	(k)	
			5,889	(h)	685,155
General and administrative expenses	124,667	—	16,733	(k)	
			84	(h)	
			(826)	(e)	140,658
Selling, general and administrative	—	67,324	(67,324)	(k)	—
Class B members' interest compensation expense	—	261	(261)	(e)	—
Depreciation and amortization	97,194	9,085	3,599	(f)	
			5,153	(g)	115,031
Total operating expenses	7,271,780	669,833	11,795		7,953,408
Other expenses (income), net	3,536	(3,074)	3,587	(d)	
			(1,351)	(k)	
			1,843	(k)	4,541
Operating income	142,082	3,215	(15,874)		129,423
Bargain purchase gain	—	1,351	(1,351)	(k)	—
Interest and other financial income	3,005	—	—		3,005
Interest and other financial expenses	(74,212)	(2,639)	562	(c)	
			(2,738)	(i)	
			(3,927)	(h)	(82,954)
Income before income taxes	70,875	1,927	(23,328)		49,474
Income tax expense	(11,634)	—	5,351	(j)	(6,283)
Income from equity investment	186	—	—		186
Net income	$ 59,427	$ 1,927	$ (17,977)		$ 43,377
Less: Net income attributable to non-controlling interests	229	—	—		229
Net income attributable to ARKO Corp.	$ 59,198	$ 1,927	$ (17,977)		$ 43,148
Series A redeemable preferred stock dividends	(5,735)	—	—		(5,735)
Net income attributable to common shareholders	$ 53,463	$ 1,927	$ (17,977)		$ 37,413
Net income per share attributable to common shareholders - basic	$ 0.43				$ 0.30
Net income per share attributable to common shareholders - diluted	$ 0.42				$ 0.30
Weighted average shares outstanding:					
Basic	124,412				124,412
Diluted	125,437				125,437

ARKO Corp.
Notes to Unaudited Pro Forma Condensed Combined Financial Statements

1. Basis of Presentation

The pro forma financial statements have been prepared to reflect the effects of the TEG Acquisition on the financial statements of the Company. The pro forma balance sheet is presented as if the TEG Acquisition had occurred on September 30, 2022. The pro forma statements of operations for the year ended December 31, 2021, and the nine months ended September 30, 2022, are presented as if the TEG Acquisition had occurred on January 1, 2021. The historical consolidated financial statements have been adjusted to reflect factually supportable items that are directly attributable to the TEG Acquisition and, with respect to the statements of operations only, that are expected to have a continuing impact on the combined results.

The pro forma financial statements have been prepared using the acquisition method of accounting in ASC 805, Business Combinations, with the Company treated as the acquirer. The acquisition method of accounting is dependent upon certain valuations and other studies that have yet to progress to a stage where there is sufficient information for definitive measures. Accordingly, the pro forma adjustments are preliminary, have been made solely for the purpose of providing pro forma financial statements in accordance with the requirements of the Securities and Exchange Commission, and are subject to revision based on a final determination of fair value as of the date of acquisition. Differences between these preliminary estimates and the final acquisition accounting may be material; therefore, the pro forma financial statements presented below are not necessarily indicative of what the combined company's financial condition or results of operations would have been had the TEG Acquisition been completed on the applicable dates of these pro forma financial statements. In addition, the pro forma financial statements do not purport to project the future financial condition and results of operations of the combined company.

2. Estimated Consideration and Preliminary Purchase Price Allocation

The purchase price for the TEG Acquisition was approximately $370 million, as adjusted in accordance with the terms of the Purchase Agreement, plus the value of inventory at the Closing Date, of which $50 million was deferred and payable in two annual payments of $25 million, which the Company may elect to pay either in cash or, subject to the satisfaction of certain conditions, shares of ARKO's common stock, $0.0001 par value per share, on the first and second anniversaries of the Closing Date. The Company paid approximately $81 million of the non-deferred purchase price including the value of inventory and other closing adjustments, of which approximately $55.0 million was financed with borrowings under GPM Petroleum LP's revolving credit facility with a syndicate of banks led by Capital One, National Association (the "GPMP Capital One Line of Credit"). An affiliate of Oak Street Real Estate Capital Net Property Fund, LP ("Oak Street"), under the Company's standby real estate purchase, designation and lease program agreement with Oak Street, dated as of May 3, 2021 (as amended, the "Program Agreement"), paid the balance of the non-deferred purchase price for fee simple ownership in 104 sites. At the Closing Date, pursuant to the Program Agreement, the Company entered into a master lease with Oak Street for the sites Oak Street acquired in the transaction under customary lease terms.

The Company has performed a preliminary valuation of the fair value of the assets acquired and liabilities assumed. The following table summarizes the preliminary allocation of the purchase price of the TEG Acquisition:

		Amount (in thousands)
Fair value of consideration transferred:		
Cash	$	25,702
GPMP Capital One Line of Credit		55,000
Liability resulting from deferred purchase price		45,845
Payable to TEG		500
Consideration provided by Oak Street		258,019
Total consideration	$	385,066
Assets acquired and liabilities:		
Cash and cash equivalents	$	379
Inventory		20,144
Other assets		930
Property and equipment, net		336,838
Intangible assets		35,000
Right-of-use assets under operating leases		58,141
Environmental receivables		108
Total assets		451,540
Other liabilities		(1,611)
Environmental liabilities		(219)
Asset retirement obligation		(7,098)
Operating leases		(57,546)
Total liabilities		(66,474)
Total identifiable net assets		385,066
Goodwill	$	—

The initial accounting treatment of the TEG Acquisition reflected in these pro forma financial statements is provisional as the Company has not yet finalized the initial accounting treatment of the business combination, and in this regard, has not finalized the valuation of some of the assets and liabilities acquired and the goodwill resulting from the TEG Acquisition, mainly due to the limited period of time between the Closing Date and the date of these pro forma financial statements. Therefore, some of the financial information presented with respect to the TEG Acquisition in these pro forma financial statements remains subject to change.

3. Pro Forma Adjustments and Assumptions

The pro forma adjustments are based on currently available information and certain assumptions that the Company believes are reasonable. The actual effects of the TEG Acquisition may differ materially from the pro forma adjustments included herein. However, management believes that the assumptions used to prepare the pro forma adjustments provide a reasonable basis for presenting the significant effects of the TEG Acquisition and that the pro forma adjustments are factually supportable, give appropriate effect to the expected impact of events that are directly attributable to the TEG Acquisition, and reflect those items expected to have a continuing impact on the Company. The pro forma financial statements may not be indicative of the results that actually would have occurred if the Company had completed the TEG Acquisition on the dates indicated or that could be achieved in the future.

The following pro forma adjustments, as applicable, are included in the pro forma financial statements:

(a)Reflects the adjustment of the historical carrying amount of TEG's assets acquired and liabilities assumed as of September 30, 2022 to the preliminary estimated fair value of the assets acquired and liabilities assumed as of the Closing Date.

(b)Reflects the recognition of the preliminary purchase price, including cash consideration paid of $384.5 million, net of $258.0 million proceeds from Oak Street treated as a sale-leaseback for accounting purposes and deferred consideration of $50.0 million, discounted to $45.8 million on the Closing Date.

(c)Certain adjustments that are directly related to the TEG Acquisition were made to debt and debt related accounts. The adjustments were as follows:

1.A $55.0 million increase to long-term debt which reflects the draw from the GPMP Capital One Line of Credit.

2.The elimination of TEG's indebtedness of $135.0 million, which was not assumed by the Company.

3.Elimination of historical interest expense and recording of the interest expense associated with the new debt as discussed in Note 2 to these pro forma financial statements. The following table summarizes the change in estimated interest expense:

		Nine Months Ended September 30, 2022		Year Ended December 31, 2021
		(in thousands)		
Estimated interest expense	$	1,584	$	1,830
Less historical interest expense		(4,219)		(2,392)
Total	$	(2,635)	$	(562)

(d)Reflects incremental amount of estimated transaction costs incurred or to be incurred related to the TEG Acquisition that are not already reflected in the historical financial statements. The transaction costs have been recorded in the pro forma statement of operations for the year ended December 31, 2021 as the costs would have been incurred shortly after the transaction and are one-time in nature.

(e)Reflects the reduction of compensation expense for former management personnel of TEG who were not retained by the Company at the Closing Date.

(f)The following table summarizes the change in preliminary estimated depreciation expense:

		Nine Months Ended September 30, 2022		Year Ended December 31, 2021
		(in thousands)		
Estimated depreciation expense	$	8,128	$	10,837
Less historical depreciation expense		(6,950)		(7,238)
Total	$	1,178	$	3,599

(g)The useful life of both the wholesale fuel supply contracts and the brand name acquired was estimated at five years. The following table summarizes the change in preliminary estimated amortization expense:

		Nine Months Ended September 30, 2022		Year Ended December 31, 2021
		(in thousands)		
Estimated amortization expense	$	5,250	$	7,000
Less historical amortization expense		(1,561)		(1,847)
Total	$	3,689	$	5,153

(h)For accounting purposes, the transaction with Oak Street was treated as a sale-leaseback. Because the sale-leaseback was off-market, a financial liability of $51.6 million was recorded, resulting in interest expense recognized over the lease term. Additionally, the right-of-use assets and operating lease liabilities of approximately $131.3 million were recorded in connection with the operating lease, after reducing for accounting purposes from the contractual lease payments the amount attributable to the repayment of the additional financing. In addition, reflects the establishment of $58.1 million of right-of-use assets and $57.5 million of operating lease liabilities for assumed existing leases with certain other third-parties. The following table summarizes the change in the estimated lease expense:

		Nine Months Ended September 30, 2022		Year Ended December 31, 2021
		(in thousands)		
Estimated lease expense	$	13,996	$	10,519
Less historical lease expense		(5,710)		(4,546)
Total	$	8,286	$	5,973

(i)Reflects the discounted amount due for the deferred purchase price and the related increase in interest expense associated with it.

(j)The pro forma income tax adjustments included in the pro forma statement of operations for the nine months ended September 30, 2022 and for the year ended December 31, 2021 reflect the income tax effects of TEG historical income before taxes and the pro forma adjustments presented. The tax rate applied was 25%.

(k)Reflects adjustments to conform the TEG's historical financial statement presentation to the Company's financial statement presentation.

(l)Reflects the elimination of the historical equity balance of TEG.