

TRAVELCENTERS OF AMERICA INC

FORM 8-K/A (Unscheduled Material Events)

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K/A

**AMENDMENT TO CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report: June 3, 1999
(Date of earliest event reported)

TRAVELCENTERS OF AMERICA, INC.

(Exact name of Registrant as specified in its charter)

Delaware	333-26497	36-3856519
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission file number)	(I.R.S. employer identification no.)

24601 Center Ridge Road, Suite 200, Westlake, Ohio 44145-5634
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (440) 808-9100

AMENDMENT NUMBER 1

The undersigned registrant hereby amends the following items, financial statements, exhibits or other positions of its Current Report dated June 3, 1999 on Form 8-K as set forth in the pages attached hereto:

Information provided under Item 7(a): Financial Statements of Business Acquired Audited Consolidated Financial Statements of Travel Ports of America, Inc. for the Year Ended April 30, 1999

Information provided under Item 7(b): Pro Forma Financial Information Pro Forma Statements of Income for the Year Ended December 31, 1998 and the Six Months Ended June 30, 1999

Item 2. Acquisition or Disposition of Assets.

On June 3, 1999, the registrant, TravelCenters of America, Inc., a Delaware corporation ("TravelCenters"), acquired Travel Ports of America, Inc., a New York corporation ("Travel Ports"), pursuant to the merger (the "Merger") of TP Acquisition, Inc. ("MergerCo"), a New York corporation and wholly owned subsidiary of TravelCenters, with and into Travel Ports. The Merger was effected pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), dated as of February 26, 1999, among TravelCenters, MergerCo and Travel Ports. Upon completion of the Merger, Travel Ports was merged into TA Operating Corporation, a wholly owned subsidiary of TravelCenters.

Travel Ports, headquartered in Rochester, New York, operated 16 travel plazas located in the states of New York, New Jersey, North Carolina, New Hampshire, Indiana, Maryland and Pennsylvania and operated a single fuel terminal in Pennsylvania.

In the Merger, each common share, par value \$.01 per share, of Travel Ports was converted into the right to receive \$4.30. Pursuant to Merger Agreement, TravelCenters also entered into a share exchange agreement providing for the issuance of 85,000 shares of common stock of TravelCenters in exchange for 653,025 Travel Ports common shares held by a certain shareholder of Travel Ports, which exchange was completed immediately prior to the completion of the Merger. In addition, certain holders of stock options and other convertible securities of Travel Ports outstanding immediately prior to the completion of the Merger, whether or not then exercisable, entered into agreements with Travel Ports providing for the cancellation of such options or convertible securities in exchange for a cash payment to the holders generally equal to the net amount that such holders would have received had they converted their options or convertible securities into Travel Ports common shares and received \$4.30 for each share so converted. Furthermore, TravelCenters was required pursuant to the Merger Agreement to provide Travel Ports with cash necessary to repay certain of Travel Ports' outstanding indebtedness in the amount of \$23.5 million. As a result, TravelCenters paid approximately \$56 million in cash in connection with the Merger. The consideration paid in connection with the Merger was arrived by arm's-length negotiations with Travel Ports.

There were no prior material relationships between Travel Ports, TravelCenters or any of TravelCenters' affiliates, any director or officer of TravelCenters, or any associate of any such director or officer, on the one hand, and Travel Ports, on the other hand.

TravelCenters utilized cash made available pursuant to previous financing, including the most recent financing completed in December 1998 (with a syndication led by The Chase Manhattan Bank) to effect the acquisition of the travel centers business of Burns Bros., Inc.

Additional information concerning the Merger is also contained in (i) the Merger Agreement, which is incorporated by reference as an exhibit to this report from TravelCenters' Schedule 13D, dated March 8, 1999, and (ii) TravelCenters' press release, dated June 3, 1999, announcing the completion of the Merger, a copy of which is attached as Exhibit 99.1 to this report.

Item 5. Other Events.

The Company issued a news release on June 3, 1999, a copy of which is filed as Exhibit 99.1.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Business Acquired.

Consolidated Financial Statements of Travel Ports of America, Inc.

Report of Independent Accountants

Consolidated Balance Sheets as of April 30, 1999 and 1998

Consolidated Statements of Income for the Years Ended April 30, 1999, 1998 and 1997

Consolidated Statements of Cash Flows for the Years Ended April 30, 1999, 1998 and 1997

Notes to Consolidated Financial Statements

(b) Pro Forma Financial Information.

The following Unaudited Pro Forma Consolidated Statements of Income of the Company for the year ended December 31, 1998, and the six months ended June 30, 1999 have been prepared to reflect the consummation of the Burns Acquisition, the TPOA Acquisition and the refinancing the Company completed in December 1998 (the "1998 Refinancing") as if such acquisitions and refinancing occurred as of January 1, 1998. The pro forma financial information is unaudited and not necessarily indicative of the results that would have actually occurred if the acquisitions and refinancing had been consummated on such date, or results which may be obtained in the future. The pro forma adjustments, as described in the Notes to the Unaudited Pro Forma Consolidated Statements of Income, are based on available information and upon certain assumptions that the Company believes are reasonable. The Burns Acquisition occurred on December 3, 1998 and the TPOA Acquisition occurred effective June 1, 1999, and the related results of operations of the acquired businesses were included in the Company's results from each of those respective dates. Accordingly, the Unaudited Pro Forma Consolidated Statement of Income for the year ended December 31, 1998 includes adjustments to reflect the operations of the businesses acquired in both the Burns Acquisition and the TPOA Acquisition. The Unaudited Pro Forma Consolidated Statement of Income for the six months ended June 30, 1999 includes adjustments to reflect the operations of only the TPOA sites as the Burns sites are included in the Company's results for the entire period. The 1998 Refinancing was completed on December 3, 1998 in order to fund the acquisitions.

A pro forma balance sheet has not been presented herein as the transactions are already reflected in the consolidated balance sheet of the Company as of June 30, 1999.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1998

	AS REPORTED	BURNS AND TPOA	ADJUSTMENTS	PRO FORMA (a)
	(IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)			
Revenues:				
Fuel.....	\$ 554,735	\$ 177,622	\$ -	\$ 732,357
Nonfuel.....	347,531	104,403	-	451,934
Rent and royalties.....	21,544	-	-	21,544
	-----	-----	-----	-----
Total revenues.....	923,810	282,025	-	1,205,835
Cost of revenues (excluding depreciation)....	627,149	189,617	-	816,766
	-----	-----	-----	-----
Gross profit (excluding depreciation).....	296,661	92,408	-	389,069
Operating expenses.....	193,697	65,156	-	258,853
Selling, general and administrative expenses.	34,256	9,265	(3,500)	(b) 40,021
Transition expense.....	3,648	-	(500)	(c) 3,148
Depreciation and amortization expense.....	44,662	6,428	4,234	(d) 55,324
(Gain) loss on sales of property and equipment.....	(1,195)	5	-	(1,190)
Stock compensation expense.....	2,500	-	-	2,500
	-----	-----	-----	-----
Income from operations.....	19,093	11,554	234	30,413
Interest expense, net.....	(25,371)	(3,825)	(3,967)	(e) (33,163)
	-----	-----	-----	-----
Income (loss) before income taxes and extraordinary item.....	(6,278)	7,729	(4,201)	(2,750)
Provision (benefit) for income taxes.....	(2,101)	3,092	(1,680)	(f) (690)
	-----	-----	-----	-----
Income (loss) before extraordinary item.....	\$ (4,177)	\$ 4,637	\$ (2,520)	\$ (2,060)
	=====	=====	=====	=====
Earnings per common share (basic and diluted)	\$ (21.79)			\$ (17.61)
	=====			=====

See Notes to Unaudited Pro Forma Consolidated Statements of Income.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

SIX MONTHS ENDED JUNE 30, 1999

	AS REPORTED	TPOA	ADJUSTMENTS	PRO FORMA (a)

	(IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)			
Revenues:				
Fuel.....	\$ 381,286	\$ 30,467	\$ -	\$ 411,753
Nonfuel.....	218,742	25,992	-	244,734
Rent and royalties.....	10,572	-	-	10,572
	-----	-----	-----	-----
Total revenues.....	610,600	56,459	-	667,059
Cost of revenues (excluding depreciation)....	423,245	31,933	-	455,178
	-----	-----	-----	-----
Gross profit (excluding depreciation).....	187,355	24,526	-	211,881
Operating expenses.....	124,336	18,000	-	142,336
Selling, general and administrative expenses.	19,661	2,049	(417)	(b) 21,293
Transition expense.....	1,647	678	(2,075)	(c) 250
Depreciation and amortization expense.....	21,767	1,518	803	(d) 24,088
(Gain) loss on sales of property and equipment.....	260	-	-	260
Stock compensation expense.....	1,800	-	-	1,800
	-----	-----	-----	-----
Income from operations.....	17,884	2,281	1,689	21,854
Interest expense, net.....	(17,503)	(1,057)	-	(18,560)
	-----	-----	-----	-----
Income (loss) before income taxes.....	381	1,224	1,689	3,294
Provision (benefit) for income taxes.....	268	490	676	(f) 1,433
	-----	-----	-----	-----
Net income.....	\$ 113	\$ 734	\$ 1,013	\$ 1,861
	=====	=====	=====	=====
Earnings per common share (basic and diluted)	\$ (6.19)			\$ (4.66)
	=====			=====

See Notes to Unaudited Pro Forma Consolidated Statements of Income.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

(a) The Unaudited Pro Forma Statements of Income assume the following transactions occurred at January 1, 1998:

- (1) the 1998 Refinancing
- (2) the Burns Acquisition
- (3) the TPOA Acquisition

As a result of the 1998 Refinancing, the Company recognized an extraordinary loss, net of applicable income taxes, of \$3.9 million from the write-off of unamortized deferred financing costs. The extraordinary loss is not reflected in the pro forma presentation.

(b) Reflects a decrease in corporate overhead expenses as a result of consolidating the formerly separate Burns and TPOA headquarters functions with those of the Company. For the year ended December 31, 1998, approximately \$2.5 million of savings are assumed with respect to the Burns Acquisition and approximately \$1.0 million of savings are assumed with respect to the TPOA Acquisition. For the six months ended June 30, 1999, the assumed cost savings relate solely to the TPOA Acquisition and reflect five months of savings at an annual rate of \$1.0 million. The cost savings primarily result from personnel reductions, reduced office rental expense, reduced professional consulting fees and reduced office supplies and services expenses.

(c) Reflects the elimination of \$0.5 million and \$2.1 million of one-time transition expenses incurred during the year ended December 31, 1998 and the six months ended June 30, 1999, respectively, in relation to the conversion and integration of the travel center sites obtained in the Burns Acquisition and the TPOA Acquisition.

(d) Reflects depreciation expense related to the \$25.2 million increase in the cost basis of the property and equipment obtained in the Burns Acquisition and the \$12.1 million increase in the cost basis of the property and equipment obtained in the TPOA Acquisition, as well as the amortization of the \$10.3 million of goodwill and \$0.4 million of other intangible assets recognized as part of the purchase accounting for the TPOA Acquisition. Estimated useful lives of 10 years for the property and equipment and 15 years for intangibles were assumed for purposes of the pro forma presentation.

(e) Reflects the increase in interest expense attributable to the \$100.0 million increase in outstanding borrowings as a result of the 1998 Refinancing, at an assumed rate of 8.5%.

(f) Reflects the decrease in the income tax provisions (at an assumed rate of 40%) required as a result of the decreased pro forma income before taxes as a result of the above adjustments.

(c) Exhibits.

Exhibit No. -----	Description -----
2.1	Agreement and Plan of Merger, dated February 26, 1999, among TravelCenters of America, Inc., TP Acquisition, Inc. and Travel Ports of America, Inc.* (1)
99.1	News release, dated June 3, 1999, from the Company.

*The Registrant agrees by this filing to supplementally furnish a copy of the Exhibits and Schedules to this Agreement and Plan of Merger to the Commission upon request.

(1) Incorporated herein by reference to Exhibit C to the Company's Schedule 13D, dated March 8, 1999.

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 thereunto duly authorized.

TRAVELCENTERS OF AMERICA, INC.

By: /s/ James W. George

*James W. George,
Senior Vice President,
Chief Financial Officer and Secretary*

Date: August 17, 1999

EXHIBIT INDEX

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Travel Ports of America, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and of cash flows present fairly, in all material respects, the financial position of Travel Ports of America, Inc. and its subsidiaries at April 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP
Rochester, New York
June 25, 1999*

**TRAVEL PORTS OF AMERICA, INC.
CONSOLIDATED BALANCE SHEETS**

	APRIL 30,	
	1999	1998
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents, including interest-bearing accounts of \$2,462,700 and \$3,162,400 in 1999 and 1998, respectively	\$ 2,914,353	\$ 4,082,203
Accounts receivable, less allowance for doubtful accounts of \$79,000 and \$158,000 in 1999 and 1998, respectively	4,983,557	4,167,966
Notes receivable	32,799	30,346
Inventories	6,397,428	5,726,512
Prepaid and other current assets	1,006,724	884,864
Income taxes receivable	16,567	214,676
Deferred taxes - current	599,200	532,000
	-----	-----
Total current assets	15,950,628	15,638,567
Notes receivable due after one year, less allowance of \$65,000 in 1999 and 1998	543,097	575,548
Property, plant and equipment, net	45,731,054	44,597,242
Goodwill	1,775,926	1,840,116
Other assets	1,875,548	2,161,255
	-----	-----
Total assets	\$65,876,253	\$64,812,728
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligation	\$ 3,476,360	\$ 3,336,265
Accounts payable	7,810,834	6,669,874
Accounts payable - affiliate	--	236,263
Accrued compensation	2,032,645	1,900,184
Accrued sales and fuel tax	1,797,259	1,806,814
Accrued expenses and other current liabilities	1,484,560	938,720
	-----	-----
Total current liabilities	16,601,658	14,888,120
Long-term debt and capital lease obligation	18,643,159	22,322,369
Convertible senior subordinated debentures	5,168,167	6,054,167
Deferred income taxes	3,261,800	2,647,400
	-----	-----
Total liabilities	43,674,784	45,912,056
	-----	-----
Shareholders' equity:		
Common stock, \$.01 par value		
Authorized - 10,000,000 shares		
Issued and outstanding - 6,673,529 shares in 1999 and 6,302,596 shares in 1998	66,735	63,026
Additional paid-in capital	8,312,231	7,337,021
Retained earnings	13,822,503	11,500,625
	-----	-----
Total shareholders' equity	22,201,469	18,900,672
	-----	-----
Total liabilities and shareholders' equity	\$65,876,253	\$64,812,728
	=====	=====

TRAVEL PORTS OF AMERICA, INC.
CONSOLIDATED STATEMENT OF INCOME

	FOR THE YEARS ENDED APRIL 30,		
	1999	1998	1997
Net sales and operating revenues (including consumer excise taxes of \$59,225,812 in 1999, \$54,097,500 in 1998, and \$45,062,000 in 1997)	\$ 206,131,350	\$ 211,297,079	\$ 206,867,846
Cost of goods sold	155,894,203	162,774,569	160,666,992
Gross profit	50,237,147	48,522,510	46,200,854
Operating expenses	38,543,139	36,965,541	36,255,639
General and administrative expenses	5,814,168	5,087,839	4,560,796
Interest expense	2,791,641	3,155,072	3,103,045
Other income, net	(598,079)	(646,422)	(621,831)
Total expenses	46,550,869	44,562,030	43,297,649
Income before income taxes	3,686,278	3,960,480	2,903,205
Provision for income taxes	1,364,400	1,622,800	1,203,000
Net income	\$ 2,321,878	\$ 2,337,680	\$ 1,700,205
Earnings per share - basic	\$.35	\$.38	\$.28
Earnings per share - diluted	\$.30	\$.30	\$.24

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

TRAVEL PORTS OF AMERICA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED APRIL 30,		
	1999	1998	1997
	-----	-----	-----
Operating activities:			
Net income	\$ 2,321,878	\$ 2,337,680	\$ 1,700,205
Depreciation and amortization	3,729,862	3,393,177	3,266,330
Provision for deferred income taxes	547,200	1,000,900	592,100
Loss (gain) on sale of assets	948	(150,457)	(13,812)
Changes in operating assets and liabilities -			
Accounts receivable	(815,591)	189,699	(419)
Inventories	(670,916)	36,511	(429,194)
Prepaid and other current assets	(121,860)	346,645	(309,480)
Income taxes receivable	198,109	277,265	(361,344)
Accounts payable and accounts payable - affiliate	904,697	375,762	(212,304)
Accrued compensation	132,461	185,507	253,815
Accrued sales and fuel tax	(9,555)	(118,756)	677,984
Accrued expenses and other current liabilities	545,840	(219,887)	1,751
Changes in other non-current assets	146,667	3,606	(127,290)
	-----	-----	-----
Net cash provided by operating activities	6,909,740	7,657,652	5,038,342
	-----	-----	-----
Investing activities:			
Expenditures for property, plant and equipment	(4,655,692)	(6,171,272)	(8,723,016)
Proceeds from sale of property, plant and equipment	4,300	236,663	59,080
Net proceeds received from notes receivable	29,998	153,828	1,368,864
	-----	-----	-----
Net cash used in investing activities	(4,621,394)	(5,780,781)	(7,295,072)
	-----	-----	-----
Financing activities:			
Principal payments on long-term debt	(3,532,084)	(3,075,557)	(8,961,395)
Proceeds from long-term borrowings	12,655,227		
Proceeds from convertible senior subordinated debentures	2,000,000		
Exercise of stock options	75,888	146,018	30,707
	-----	-----	-----
Net cash (used in) provided by financing activities	(3,456,196)	(929,539)	3,724,539
	-----	-----	-----
Net (decrease) increase in cash and equivalents	(1,167,850)	947,332	1,467,809
Cash and equivalents - beginning of year	4,082,203	3,134,871	1,667,062
	-----	-----	-----
Cash and equivalents - end of year	\$ 2,914,353	\$ 4,082,203	\$ 3,134,871
	=====	=====	=====
	SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year:			
Interest paid	\$ 2,855,470	\$ 3,077,082	\$ 3,031,427
Income taxes paid, net	\$ 650,000	\$ 1,194,000	\$ 1,069,200

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

TRAVEL PORTS OF AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 1999, 1998 AND 1997

1. THE COMPANY AND ITS ACCOUNTING POLICIES

The Company is primarily engaged in the operation of travel plazas and has sixteen service plazas located in the states of New York, Pennsylvania, New Jersey, Indiana, Maryland, North Carolina and New Hampshire. A significant portion of the Company's sales and receivables are with companies in the trucking and related industries. Effective June 1, 1999, the Company was purchased by TravelCenter of America for \$40.5 million (Note 14).

During 1998, the Company organized wholly owned subsidiaries to facilitate the franchising of the Travel Port operations. Travel Port Systems, Inc. (TPS) is a Delaware company which owns the Travel Port tradename. Travel Port Franchising, Inc. (TPF), also a Delaware company, will enter into and administer franchising agreements with third-party franchisees. Both subsidiaries are consolidated into the Company's financial statements and all intercompany transactions are eliminated.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with such principles requires the use of estimates by management during the reporting period. Actual results could differ from those estimates.

Certain prior year amounts have been reclassified to conform with the current year presentation.

The Company's significant accounting policies follow.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets as follows: land improvements - 15 years; buildings and improvements - 39 years; and equipment and fixtures - 3 to 15 years. Leasehold improvements are amortized over the remaining term of the applicable leases or their estimated useful lives, whichever is shorter. Expenditures for maintenance and repairs are charged to expense as incurred. Major improvements are capitalized.

TRAVEL PORTS OF AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 1999, 1998 AND 1997

GOODWILL

The Company amortizes cost in excess of underlying net asset value of companies acquired over 40 years. The amount presented on the balance sheet is net of accumulated amortization of \$791,678 and \$727,488 at April 30, 1999 and 1998, respectively. Amortization expense for the years ended April 30, 1999, 1998 and 1997 was \$64,190. The recoverability of these assets is periodically evaluated at the operating unit level by an analysis of operating results and cash flows and consideration of other significant events or changes in the business environment.

CASH EQUIVALENTS

For purposes of this Statement, the Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

COMMODITY CONTRACTS

Prior to April 30, 1999, in order to reduce price risk caused by market fluctuations, the Company entered into futures contracts and options hedging the purchase price of bulk fuel products. The changes in the market value of such contracts had a high correlation to the price changes of the hedged commodity. Contract positions were designed to ensure that the Company paid a defined maximum price for certain quantities of its inventory purchases. Gains and losses and the related costs paid or premium received for contracts which hedge the purchase prices of commodities were deferred and subsequently included in income as part of the hedged transaction when the underlying product was sold. At April 30, 1998, the Company had entered into hedging commitments for a maximum of 9,240,000 gallons for delivery during the period May 1998 through August 1998. The market value of these commitments was measured based on daily commodity trading market prices. If these hedging commitments had been terminated as of April 30, 1998, a loss of approximately \$55,000 would have been realized. Due to the constant fluctuations within the commodity markets, these estimated results may or may not be realized. The Company does not hold or issue derivative instruments for trading or speculative purposes. In fiscal 1999, the Company terminated its hedging transactions and no longer maintains commodity contracts.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents, accounts receivable and inventories are valued at their carrying amounts, which are reasonable estimates of fair value. The fair value of long-term debt and convertible debentures is estimated using rates currently available to the Company for debt with similar terms and maturities and is not materially different from the carrying amount. The fair value of all other financial instruments approximates cost as stated.

FEDERAL INCOME TAXES

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when those differences are expected to reverse.

TRAVEL PORTS OF AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 1999, 1998 AND 1997

2. EARNINGS PER SHARE

The Company has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share" (EPS). Basic EPS excludes the effect of common stock equivalents and is computed by dividing income available to common shareholders by the weighted average of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Historical earnings per share have been restated to conform with the provisions of SFAS No. 128.

	FOR THE YEARS ENDED APRIL 30,		
	1999	1998	1997
	-----	-----	-----
Basic earnings per share:			
Income applicable to common stock	\$2,321,878	\$2,337,680	\$1,700,205
Weighted average common stock outstanding	6,573,694	6,136,062	6,034,054
Basic earnings per common share	\$.35	\$.38	\$.28
	=====	=====	=====
Diluted earnings per share:			
Income applicable to common stock	\$2,321,878	\$2,337,680	\$1,700,205
Interest expense on convertible debentures	272,482	269,776	237,150
	-----	-----	-----
	\$2,594,360	\$2,607,456	\$1,937,355
	=====	=====	=====
Weighted average common stock outstanding	6,573,694	6,136,062	6,034,054
Options and warrants	239,433	341,323	193,648
Convertible debentures	1,744,494	2,086,481	1,774,559
	-----	-----	-----
	8,557,621	8,563,866	8,002,261
	=====	=====	=====
Diluted earnings per common share	\$.30	\$.30	\$.24
	=====	=====	=====

3. INVENTORIES

Major classifications of inventories are as follows:

	1999	1998
	-----	-----
At FIFO cost:		
Petroleum products	\$1,176,550	\$ 837,080
Store merchandise	2,681,415	2,385,387
Parts for repairs and tires	1,910,879	1,823,610
Other	628,584	680,435
	-----	-----
	\$6,397,428	\$5,726,512
	=====	=====

TRAVEL PORTS OF AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. PROPERTY, PLANT AND EQUIPMENT

Major classifications of property, plant and equipment are as follows:

	1999	1998
Land	\$ 6,429,112	\$ 6,418,083
Land improvements	14,060,801	13,079,873
Buildings and improvements	27,613,622	26,132,301
Equipment and fixtures	20,887,331	18,796,826
Leasehold improvements	5,987,460	5,915,106
Construction-in-progress	335,188	358,361
	75,313,514	70,700,550
Less - Allowance for depreciation and amortization	29,582,460	26,103,308
----	\$ 45,731,054	\$ 44,597,242
	\$ 45,731,054	\$ 44,597,242

No interest costs were capitalized in 1999 or 1998.

These amounts include property, plant and equipment under a capital lease as follows:

	1999	1998
Building	\$706,031	\$706,031
Land improvements	243,969	243,969
	950,000	950,000
Less - Accumulated amortization	709,400	686,300
----	\$240,600	\$263,700
	\$240,600	\$263,700

The leased assets relate to an agreement with the Livingston County Industrial Development Agency under which the Agency's bond proceeds were used to acquire, construct and equip an operating facility in Dansville, New York. The Company has the option to buy the facility for \$1 at the end of the lease term, February 2000. Lease amortization amounted to \$23,100 for each of the years 1999, 1998 and 1997, and is included in depreciation and amortization expense. In May 1999, the Company exercised the option to purchase the facility.

TRAVEL PORTS OF AMERICA, INC.
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5. OTHER ASSETS

At April 30, 1999 and 1998, other assets include a leasehold interest in a full-service travel plaza in Greenland, New Hampshire with a carrying value of \$1,631,400 and \$1,700,300, respectively. The leasehold interest represents the amount paid by the Company for the rights to operate a full service plaza under the terms of a twenty-year lease and is being amortized over the life of the lease (Note 6).

Deferred financing costs included within other assets are being amortized on a straight-line basis over the term of the related debt and have a carrying value of \$169,100 and \$330,000 at April 30, 1999 and 1998, respectively. Amortization expense for the leasehold interest and deferred financing for the years ended 1999, 1998 and 1997 was \$229,800, \$244,800 and \$233,800, respectively.

6. LEASES

The Company leases six of its operating facilities and its home office under various terms from 3 to 20 years. Certain of the operating leases contain renewal options for periods beyond their original terms at specified rates of payment and five of the leases include purchase options exercisable at future dates. The Company has also entered into various leases of equipment and property used in operations and related office space with various lease periods and renewal options.

At April 30, 1999, future minimum payments required under non-cancelable leases are as follows:

	OPERATING	CAPITAL
2000	\$ 2,544,355	\$ 47,500
2001	2,205,183	11,085
2002	2,033,997	
2003	1,767,804	
2004	1,460,043	
Future	3,888,640	
	\$13,900,022	58,585
Less - Amount representing interest	-----	-

Present value of net minimum lease payments		\$ 58,585

Rental expense applicable to operating leases, net of sublease income of \$502,165, \$428,100 and \$356,900, amounted to \$2,594,345, \$2,269,200 and \$2,501,100, for 1999, 1998 and 1997, respectively.

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7. DEBT AND CAPITAL LEASE OBLIGATION

Debt and capital lease obligation consist of the following:

	1999	1998
Mortgage loans:		
Due 2002, LIBOR plus 2.00% and 2.25% in 1999 and 1998, respectively	\$ 79,514	\$ 108,680
Due 2003, LIBOR plus 2.00% and 2.25% in 1999 and 1998, respectively	555,570	722,235
Due 2004, LIBOR plus 2.00% and 2.50% in 1999 and 1998, respectively	1,524,710	1,932,975
Due 2005, LIBOR plus 2.00% and 2.50% in 1999 and 1998, respectively	2,077,208	2,535,698
Due 2006, fixed rate of 9.44%	5,000,010	5,400,006
Term loans:		
Due 1999, fixed rate of 9.650%	1,291,686	1,541,682
Due 2002, fixed rate of 10.120%	5,764,373	7,099,727
Due 2002, fixed rate of 8.631%	5,767,863	6,211,546
Obligation under capital lease, 8.50%	58,585	106,085
	22,119,519	25,658,634
Less - Portion due within one year, including amounts For capital lease of \$47,500 in 1999 and 1998	(3,476,360)	(3,336,265)
	\$ 18,643,159	\$ 22,322,369

The two-month LIBOR rate was 4.97% at April 30, 1999. The Company's primary lender has extended its commitment for the Company's working line of credit of \$3,750,000 through September 28, 1999. In addition, the Company also has a \$4,500,000 capital line of credit. The working line of credit is limited to the lesser of \$3,750,000 or the sum of 80% of the Company's accounts receivable under 90 days old, plus 45% of the Company's inventory. At April 30, 1999, the Company had utilized \$200,000 of its available lines of credit as collateral for various letters of credit.

None of the debt agreements outstanding during 1999 require material compensating balances or commitment fees. Substantially all assets of the Company have been pledged to secure the outstanding borrowings.

Certain loan agreements require that the Company maintain specified minimums with regard to net worth, current maturity coverage and the incurrence of additional indebtedness. In addition, the Company cannot declare dividends without the consent of its primary lender. The Company is in compliance with such requirements and restrictions.

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Long-term debt requirements including in 1999 capital leases, over the next five years are as follows: 2000 - \$3,476,300; 2001 - \$3,442,500; 2002 - \$3,589,100; 2003 - \$3,216,300 and 2004 - \$1,701,000.

8. CONVERTIBLE SENIOR SUBORDINATED DEBENTURES

In December 1997, the Company issued \$2,000,000 of 7.81% convertible senior subordinated debentures due December 4, 2007, together with warrants to purchase 40,000 additional shares of the Company's common stock, 43,200 after the 1998 stock dividend. No principal repayments are required until December 2002 at which time \$200,000 will be due and \$400,000 a year thereafter until 2006 and \$200,000 in 2007. Interest is payable on a quarterly basis. The debentures may be converted at the bondholders' option into 502,512 shares of the Company's common stock at \$3.98 per share. The warrants are exercisable at any time through their expiration date of December 2007 at an exercise price of \$4.78 per share. A value of \$100,000 was assigned to the warrants at issuance and has been credited to additional paid-in capital.

In January 1995, the Company issued \$4,650,000 of 8.5% convertible senior subordinated debentures due January 15, 2005 together with warrants to purchase 93,000 additional shares of the Company's common stock. Due to the 1998 and 1997 stock dividends (Note 12), the warrants available at April 30, 1999 and 1998 are 106,467. There were no stock dividends during fiscal year 1999. No principal repayments are required until January 2001. Commencing in January 2001, the Company is required to redeem, on an annual basis, 20% of the outstanding balance of debentures at par. Interest is payable on a quarterly basis. The debentures are subordinate to all other indebtedness and may be converted at the bondholders' option into 1,241,982 shares of the Company's common stock at \$2.62 per share. The debentures were callable at the discretion of the Company after January 15, 1998, at a redemption price equal to 109% of the principal amount outstanding as of January 15, 1998, and gradually decreasing to 100% of the principal amount outstanding at maturity on January 15, 2005. The warrants are exercisable at any time through their expiration date of January 2005 at an exercise price of \$3.15 per share.

During fiscal year 1999 and 1998, \$903,031 and \$500,000 of the 8.5% senior subordinated debentures and warrants were converted into 343,500 and 159,000 shares of common stock, respectively, adjusted for the 1998 8% stock dividend. The outstanding 8.5% convertible senior subordinated debentures were \$3,254,000 and \$4,150,000 at April 30, 1999 and 1998, respectively.

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9. INCOME TAXES

The provision for income taxes consists of the following:

	1999 -----	1998 -----	1997 -----
Current provision:			
Federal	\$ 745,600	\$ 435,800	\$ 482,500
State	71,600	186,100	128,400
	----- 817,200	----- 621,900	----- 610,900
Deferred provision:			
Federal	485,500	842,200	467,900
State	61,700	158,700	124,200
	----- 547,200	----- 1,000,900	----- 592,100
	----- \$1,364,400	----- \$1,622,800	----- \$1,203,000
	=====	=====	=====

The reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	1999 -----	1998 -----	1997 -----
Statutory federal rate	\$ 1,253,300	\$ 1,346,600	\$ 987,100
State income taxes, net of federal benefit	110,600	227,600	166,700
Amortization of goodwill	21,800	21,800	21,800
Meals and entertainment	30,100	25,700	24,800
IRS environmental adjustment	(52,600)	--	--
Other	1,200	1,100	2,600
	----- \$ 1,364,400	----- \$ 1,622,800	----- \$ 1,203,000
	=====	=====	=====

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A summary of the deferred income tax assets and liabilities are as follows:

	1999	1998
	-----	-----
ASSETS		
Bad debt reserve	\$ 54,800	\$ 86,700
Vacation accrual	78,200	78,200
Inventory basis difference	98,200	106,000
Book accruals not currently deductible for tax	89,600	18,300
Environmental reserve	59,400	--
Alternative minimum tax credit carryforward	219,000	242,800
	-----	-----
Gross deferred tax assets	599,200	532,000
	-----	-----
LIABILITIES		
Depreciation	3,261,800	2,647,400
	-----	-----
Gross deferred tax liabilities	3,261,800	2,647,400
	-----	-----
Net deferred tax liabilities	\$2,662,600	\$2,115,400
	=====	=====

10. EMPLOYEE BENEFIT PLAN The Company sponsors a defined contribution employee benefit plan covering substantially all employees who have completed one year of service. Matching contributions are made at the discretion of the Board of Directors at the rate of 50% of employee contributions up to 6% of gross compensation. Total Company matching contributions were \$204,700, \$145,000 and \$119,200 for 1999, 1998 and 1997, respectively.

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11. SHAREHOLDERS' EQUITY Changes in shareholders' equity are as follows:

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
	-----	-----	-----	-----
Balance at April 30, 1997	\$ 55,749	\$ 4,649,414	\$ 11,111,811	\$ 15,816,974
Net income	--	--	2,337,680	2,337,680
Exercise of options	846	146,689	--	147,535
Stock dividend	4,650	1,942,699	(1,948,866)	(1,517)
Issuance of warrants on 7.81% convertible subordinate debentures	--	100,000	--	100,000
Conversions of 8.5% convertible subordinate debentures	1,781	498,219	--	500,000
	-----	-----	-----	-----
Balance at April 30, 1998	63,026	7,337,021	11,500,625	18,900,672
Net income	--	--	2,321,878	2,321,878
Exercise of options	274	75,614	--	75,888
Conversion of 8.5% convertible subordinate debentures and warrants	3,435	899,596	--	903,031
	-----	-----	-----	-----
Balance at April 30, 1999	\$ 66,735	\$ 8,312,231	\$ 13,822,503	\$ 22,201,469
	=====	=====	=====	=====

On April 23, 1998, the Company declared an 8% stock dividend which was paid to shareholders of record on April 10, 1998. The dividend was charged to retained earnings in the amount of \$1,947,349, which was based on the closing price of \$4.19 per share on the date of record. Average shares outstanding and all per share amounts included in the accompanying financial statements and notes are based on the increased number of shares giving retroactive effect to the stock dividend.

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12. STOCK OPTION PLANS

The Company has stock option plans for officers and other key employees. Provisions of the plans are similar. Options may be granted at prices not less than the fair market value at the date of grant and expire no later than ten years after the date of grant. At April 30, 1999, a total of 173,560 options were available for future grant under the existing plans. A summary of changes in outstanding stock options is as follows:

	SHARES UNDER OPTION -----	WEIGHTED AVERAGE EXERCISE PRICE -----
Outstanding at April 30, 1996	559,290	\$ 1.92
Granted	187,091	\$ 2.35
Exercised	(23,239)	\$ 1.33
Canceled	(4,006)	\$ 1.60

Outstanding at April 30, 1997	719,136	\$ 2.05
Granted	313,740	\$ 2.86
Exercised	(91,334)	\$ 1.62

Outstanding at April 30, 1998	941,542	\$ 2.36
Exercised	(27,432)	\$ 2.12
Canceled	(6,545)	\$ 3.09

Outstanding at April 30, 1999	907,565	\$ 2.36

Exercisable at April 30, 1999	820,895	\$ 2.62
	=====	=====

During 1997, the Company adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation." In accordance with SFAS No. 123, the Company has elected not to recognize compensation cost related to stock options with exercise prices equal to the market price at the date of issuance. If the Company had elected to recognize compensation cost based on the fair value of the options at grant date as prescribed by SFAS No. 123, net income and earnings per share would have been reduced by \$72,274, \$350,900 and \$319,300, or \$.01, \$.06 and \$.06 per share, for the years ended April 30, 1999, 1998 and 1997. There were no options granted by the Company for the year ended April 30, 1999. The weighted average fair value of options granted during 1998 was \$2.04, determined by the Black-Scholes option valuation model. The following assumptions were used in the model: expected volatility of 63.3%, expected dividend yield of 0%, and risk-free interest rate of 6.3%. The expected lives of the options are 8 years. Forfeitures are recognized as they occur.

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OPTIONS OUTSTANDING			
RANGE OF EXERCISE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----
\$1.31 - \$2.02	321,184	4.07	\$1.70
\$2.18 - \$3.35	586,381	7.65	\$2.73

OPTIONS EXERCISABLE			
RANGE OF EXERCISE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----
\$1.31 - \$2.02	321,184	4.07	\$1.70
\$2.18 - \$3.35	499,711	7.50	\$2.62

13. RELATED PARTY TRANSACTIONS

The Maybrook, New York motor plaza is leased from a realty company owned by two individuals, one of whom is a shareholder director of the Company. The lease covers a period through March 2004 at which time the Company has the option to purchase the facility for \$3,500,000. Annual rentals under the lease are \$450,000.

The Company pays a shareholder director, fees and bonuses for consulting, management and other services rendered to the Company. These fees and bonuses amounted to approximately \$216,700, \$213,600 and \$203,600 for the years 1999, 1998 and 1997, respectively.

14. SUBSEQUENT EVENT

Effective June 1, 1999, the Company was acquired by TravelCenters of America (TA), a travel center chain based in Westlake, Ohio. Under the terms of the agreement, TA will pay \$40.5 million in cash as consideration for the sale of all outstanding shares of the Company. As of June 3, 1999, TA redeemed all outstanding bonds, paid the outstanding notes payable and accelerated the vesting of and paid amounts owed under the stock option plans.