

TRAVELCENTERS OF AMERICA INC

FORM 10-Q (Quarterly Report)

Filed 8/18/1997 For Period Ending 6/30/1997

Address	24601 CENTER RIDGE ROAD SUITE 200 WESTLAKE, Ohio 44145-5634
Telephone	440-808-9100
CIK	0001038523
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 1997

TRAVELCENTERS OF AMERICA, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

36-3856519
(IRS Employer
Identification No.)

24601 Center Ridge Road, Suite 300
Westlake, OH 44145-5634
(Address of principal executive offices, including zip code)

(440) 808-9100
(Telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / / No /X/

TRAVELCENTERS OF AMERICA, INC.

THIS QUARTERLY REPORT ON FORM 10-Q CONTAINS HISTORICAL INFORMATION AND FORWARD-LOOKING STATEMENTS. STATEMENTS LOOKING FORWARD IN TIME ARE INCLUDED IN THIS FORM 10-Q PURSUANT TO THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THEY INVOLVE KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES THAT MAY CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER FROM FUTURE PERFORMANCE SUGGESTED HEREIN. IN THE CONTEXT OF FORWARD-LOOKING INFORMATION PROVIDED IN THIS FORM 10-Q AND IN OTHER REPORTS, PLEASE REFER TO THE DISCUSSION OF RISK FACTORS DETAILED IN, AS WELL AS THE OTHER INFORMATION CONTAINED IN, THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION.

INDEX PAGE NO.

PART I. FINANCIAL INFORMATION

Item 1.	Introduction to the Consolidated Financial Statements	3
	Consolidated Balance Sheet	4
	Consolidated Statement of Income and Retained Earnings	5
	Consolidated Statement of Cash Flows	6
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21

PART II. OTHER INFORMATION

Item 1. Legal Proceedings 29

Item 6. Exhibits and Reports on Form 8-K 29

SIGNATURE

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

TRAVELCENTERS OF AMERICA, INC. INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements included herein have been prepared by TravelCenters of America, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading when read in conjunction with the Company's consolidated financial statements and notes included therein for the year ended December 31, 1996.

The financial information presented reflects all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The results for interim periods are not necessarily indicative of results to be expected for the year.

**TRAVELCENTERS OF AMERICA, INC.
CONSOLIDATED BALANCE SHEET**

JUNE 30,
1997 DECEMBER 31,

	(UNAUDITED)	1996

	(IN THOUSANDS OF DOLLARS)	
ASSETS		
CURRENT ASSETS:		
Cash	\$ 79,492	\$ 23,779
Accounts receivable (less allowance for doubtful accounts of \$4,310 for 1997 and \$3,502 for 1996)	56,614	54,371
Inventories	33,710	29,082
Deferred income taxes	3,877	3,877
Other current assets	6,537	10,530
	-----	-----
Total current assets	180,230	121,639
Notes receivable, net	1,312	1,835
Property and equipment, net	265,698	269,366
Intangible assets	19,338	19,657
Deferred financing costs	11,547	8,379
Other assets	5,549	5,013
	-----	-----
TOTAL ASSETS	\$ 483,674	\$ 425,889
	-----	-----

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Revolving loans	\$ ---	\$ 14,000
Current maturities of long-term debt	500	17,250
Accounts payable	41,698	37,201
Other accrued liabilities	29,199	29,422
	-----	-----
Total current liabilities	71,397	97,873
Commitments and contingencies (Note 6)		
Long-term debt (net of unamortized discount)	289,875	193,185
Deferred income taxes	9,452	9,452
Other long-term liabilities	5,014	5,914
	-----	-----
TOTAL LIABILITIES	375,738	306,424
Mandatorily redeemable senior convertible participating preferred stock	53,515	51,075
Other preferred stock, common stock and other shareholders' equity	47,672	50,743
Retained earnings	6,749	17,647
	-----	-----
	54,421	68,390
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 483,674	\$ 425,889
	-----	-----

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

TRAVELCENTERS OF AMERICA, INC.
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
UNAUDITED

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	1997	1996	1997	1996
	-----	-----	-----	-----
	(IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)			
REVENUES:				
Fuel	\$ 180,265	\$ 119,835	\$ 374,416	\$ 228,742
Nonfuel	76,384	15,298	137,626	26,850
Rent	8,228	10,370	17,948	21,320
	-----	-----	-----	-----
TOTAL REVENUES	264,877	145,503	529,990	276,912
Cost of revenues (excluding depreciation)	198,811	123,386	404,689	234,282
	-----	-----	-----	-----
GROSS PROFIT (EXCLUDING DEPRECIATION)	66,066	22,117	125,301	42,630
Operating expenses	41,460	7,002	75,544	12,636
Selling, general and administrative expenses	8,949	5,127	20,681	12,231
Refinancing, transition and development costs	5,473	91	7,091	116
Depreciation and amortization	7,352	3,521	14,296	6,735
(Gain) loss on sales of property and equipment	1,538	(14)	1,464	(41)
Income of subsidiary held for disposition	---	(2,042)	---	(2,185)
	-----	-----	-----	-----
INCOME FROM OPERATIONS	1,294	8,432	6,225	13,138
Interest (expense), net	(5,862)	(3,299)	(10,967)	(6,507)
	-----	-----	-----	-----
(LOSS) INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(4,568)	5,133	(4,742)	6,631
(Benefit) provision for income taxes	(1,770)	2,021	(1,838)	2,603
	-----	-----	-----	-----
(Loss) income before extraordinary item	(2,798)	3,112	(2,904)	4,028
Extraordinary item (less applicable income tax benefit of \$3,608)	---	---	(5,554)	---
	-----	-----	-----	-----
NET (LOSS) INCOME	(2,798)	3,112	(8,458)	4,028
Less: preferred dividends	(1,220)	(1,220)	(2,440)	(2,440)
Retained earnings - beginning of the period	10,767	16,690	17,647	16,994
	-----	-----	-----	-----
Retained earnings - end of the period	\$ 6,749	\$ 18,582	\$ 6,749	\$ 18,582
	-----	-----	-----	-----
(Loss) income before extraordinary item per common share and common share equivalent	\$ (0.46)	\$ 0.21	\$ (0.61)	\$ 0.18
Extraordinary item	---	---	(0.63)	---
	-----	-----	-----	-----
Net loss per common share and common share equivalent (Note 2)	\$ (0.46)	\$ (0.21)	\$ (1.24)	\$ 0.18
	-----	-----	-----	-----
Weighted average number of shares and common share equivalents (in thousands)	8,695	8,963	8,772	8,963
	-----	-----	-----	-----

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

TRAVELCENTERS OF AMERICA, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
UNAUDITED

	SIX MONTHS ENDED	
	JUNE 30,	
	1997	1996
	----	----
	(IN THOUSANDS OF DOLLARS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (8,458)	\$ 4,028
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Net income of subsidiary held for disposition	---	1,311
Extraordinary item	5,554	---
Depreciation and amortization	14,295	6,732
Provision for doubtful accounts	808	573
Loss on sales of property and equipment	1,506	---
Changes in assets and liabilities, adjusted for the effects of acquisitions of network assets		
Accounts receivable	5,383	(5,547)
Inventories	(1,569)	35
Other current assets	1,344	(6,133)
Accounts payable	5,644	12,398
Other current liabilities	4,441	733
Other, net	86	---
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,268	14,130
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of network assets	(7,901)	(2,750)
Proceeds from sales of property and equipment	2,886	---
Capital expenditures	(7,553)	(6,194)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(12,568)	(8,944)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Revolving loan borrowings	3,750	10,000
Revolving loan repayments	(17,750)	---
Long-term debt borrowings	205,000	---
Long-term debt repayments	(126,425)	(4,000)
Repurchase of common stock	(2,205)	(126)
Debt issuance costs	(12,357)	---
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	50,013	5,874
	-----	-----
Net increase in cash	55,713	11,060
Cash at the beginning of the period	23,779	3,191
	-----	-----
Cash at the end of the period	\$ 79,492	\$ 14,251
	-----	-----

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

TRAVELCENTERS OF AMERICA, INC.

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Company is a holding company which, through its wholly-owned subsidiaries, TA Operating Corporation ("TA") and National Auto/Truckstops, Inc. ("National"), owns, operates and franchises more travel centers in the United States than any of its competitors with 162 network sites nationwide, including 133 Company-owned locations. TA currently operates a network (the "TA Network") of 48 travel centers in 27 states under the "TravelCenters of America" or "TA" brand name and National currently operates a network (the "National Network") of 114 travel centers in 36 states under the licensed "Unocal 76" and related brand names.

The Company was formed in December 1992 to facilitate the acquisition by the Company of the National Network (the "National Acquisition") in April 1993 from a subsidiary of Unocal Corporation ("Unocal"). In December 1993, the Company acquired the TA Network (the "TA Acquisition") from subsidiaries of the British Petroleum Company Plc ("BP"). In connection with the TA Acquisition, a group of institutional investor shareholders (the "Investor Group") and certain members of TA's management granted an option to the Company whereby the Company could repurchase its equity held by such Investor Group and management members in exchange for consideration consisting of cash and all of the equity of TA (the "Repurchase"). If the Repurchase had been consummated, the Company and the National Network would have been owned by the operator and franchisee-owner stockholders of the Company and certain members of National's management, and TA would have been owned by the Investor Group and certain members of TA's management. During the six months ended June 30, 1996, TA and National were separately managed and financed and in the Company's consolidated financial statements TA was presented as net assets of subsidiary held for disposition and TA's results of operations were included in the Company's consolidated financial statements as a single amount. Effective September 30, 1996, the decision was made to retain TA, and, subsequently, the Company chose to pursue the combination of the TA and National networks (the "Combination Plan"). After September 30, 1996, TA was no longer carried as net assets of subsidiary held for disposition and TA's results of operations were consolidated with the Company's.

2. RECAPITALIZATION AND RESTRUCTURING

On March 27, 1997, the Company was recapitalized and restructured pursuant to a series of transactions in which (i) the Company's subsidiaries were restructured such that the Company directly owns its three subsidiaries, TA, TA Franchise Systems, Inc. ("TAFSI") and National (the Company's former subsidiary, TA Holdings Corporation ("TAHC"), was liquidated as of such date), (ii) the Company's indebtedness under the old National and TA debt agreements was refinanced, and (iii) TA and National guaranteed the Company's indebtedness under its new credit facilities.

Consequent to the early extinguishment of the Company's prior indebtedness, the Company recognized extraordinary losses, net of applicable income taxes, of \$5,554,000 as a result of writing off the then remaining unamortized balances of deferred financing costs and debt discount related to those prior borrowings of approximately \$7,847,000 and \$1,315,000, respectively. The approximately \$12,357,000 of financing costs associated with the Company's new borrowings have been capitalized and will be amortized over the lives of the related new debt instruments.

As a result of the combination of the Company's two networks under the existing TA management, most of National's corporate-level employees have been or will be terminated. In January 1997, certain of National's executive officers resigned and related severance costs of approximately \$774,000 were recognized. In May 1997 management finalized its plans regarding employee terminations and, accordingly, the related expense of approximately \$1,833,000 was recognized. The severance expense, which totalled approximately \$2,607,000 for the six month period ended June 30, 1997, is included in the income statement within refinancing, transition and development costs. Pursuant to the Company's plans, 111 employees have been or will be terminated. Through June 30, 1997, approximately \$647,000 of termination benefits had been paid to the 28 employees actually terminated. At June 30, 1997, the remaining accrual for termination benefits, which will be substantially paid by year-end with the final payments made by March 1998, was approximately \$1,960,000.

3. EARNINGS PER SHARE

Earnings per common share and common share equivalent were computed by subtracting preferred dividends from net income and dividing the resulting amount by the weighted average number of shares of common stock and common stock equivalents outstanding during the period. The Mandatorily Redeemable Senior Participating Preferred Stock Series I and II and Convertible Preferred Stock Series I and II are considered to be equivalents of common stock. Accordingly, the number of shares issuable on conversion of the preferred stock was added to the number of common shares. The number of shares was also increased by the number of shares issuable on the exercise of vested stock options when the formula price of the common stock exceeds the exercise price of the options and by the number of outstanding common stock warrants. The increase in the number of common shares was reduced by the number of common shares which are assumed to have been purchased with the proceeds from the exercise of the options.

4. INVENTORIES

Inventories consist of the following:

	JUNE 30, 1997	DECEMBER 31, 1996
	-----	-----
	(IN THOUSANDS)	
Nonfuel merchandise	\$ 31,082	\$ 26,090
Petroleum products	2,628	2,992
	-----	-----
Total inventories	\$ 33,710	\$ 29,082
	-----	-----

5. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended June 30, 1997, the Company extinguished \$85,500,000 of senior secured notes through the issuance of new senior secured notes of an equal face amount. For the six months ended June 30, 1997 and 1996, the Company received \$2,263,000 and \$1,400,000, respectively, of inventory and property and equipment in liquidation of trade accounts receivable.

6. MATERIAL CONTINGENCIES

ENVIRONMENTAL MATTERS

The Company's operations and properties are subject to extensive federal, state and local laws, regulations and ordinances relating to environmental matters that (i) govern activities and operations that may have adverse environmental effects, such as discharges to air, soil and water, as well as handling, storage and disposal practices for petroleum products and solid and hazardous substances or (ii) impose liability and damages for the cost of remediating sites affected by, and damage resulting from, past spills and disposal of other releases of petroleum products and hazardous substances.

The Company owns and uses underground storage tanks (USTs) and above-ground storage tanks (ASTs) at company-operated and operator locations to store petroleum products and waste oils. These tanks must comply with statutory and regulatory requirements regarding tank construction, integrity testing, leak detection and monitoring, overfilling and spill control, release reporting, financial assurance and corrective action in case of a release from a UST or AST into the environment. To meet minimum federal requirements, all existing USTs owned by the Company must conform to certain construction requirements, have installed tank leak detection systems, and have installed corrosion protection and spill-overfill prevention equipment by December 22, 1998. The Company has established a program of tank replacement and equipment installation to meet the requirements by that time.

While the costs of compliance for these matters have not had a material adverse impact on the Company, it is impossible to predict accurately the ultimate effect these changing laws and regulations may have on the Company in the future. The Company incurred capital expenditures, maintenance, remediation and other environmental related costs of approximately \$1,439,000 and \$3,185,000 for the six months ended June 30, 1997 and 1996, respectively.

The Company is in the process of resolving alleged violations of wastewater discharge permits in several states relating to travel center operations and is conducting investigatory and/or remedial actions with respect to petroleum product releases that have occurred at approximately 25 travel centers. Remediation activities have been completed at other travel centers and the Company anticipates no further actions to be required by the respective state agencies in regard to those matters at those locations. Most of the wastewater discharge notices have been resolved by the Company without penalty. However, given the status of the proceedings with respect to matters still pending, ultimate investigative and remediation costs cannot accurately be predicted. The Company expects that some or all of any fines paid or costs incurred in connection with the wastewater discharge violations noted above will be paid by Unocal and BP pursuant to the environmental agreements.

The Company has estimated the current ranges of remediation costs at currently active sites and what it believes will be its ultimate share for such costs after required indemnification and remediation is performed by Unocal and BP under the environmental agreements and has a reserve for such matters at June 30, 1997, of \$975,000. While it is not possible to quantify with certainty the environmental exposure, in the opinion of management, the potential liability, beyond that considered in the reserve, for all environmental proceedings, based on information known to date, will not have a material adverse effect on the financial condition, results of operations or liquidity of the Company.

PENDING LITIGATION

In connection with the acquisition of the Network, the Company acquired six travel centers located in California that are currently members of the Network. In January 1993, the operators of four of these travel centers (the "California Plaintiffs") commenced litigation against Unocal, The Clipper Group, L.P. ("Clipper") and the Company in California state court seeking, among other things, specific performance by Unocal of their alleged rights, either under the California Business and Professions Code (the "California Statute") or, in the alternative, pursuant to alleged statements made by Unocal, to purchase their travel centers at a fair market price and seeking compensatory and punitive damages against the Company and others for both tortious interference with the California Plaintiffs' alleged rights and civil conspiracy. The operator of a fifth California travel center also asserted a purchase right, but never filed suit. This property, together with the four properties operated by the California Plaintiffs, are referred to herein as the "California Properties".

Under the asset purchase agreements pursuant to which the Company acquired the California Properties from Unocal, and related agreements, (i) the Company purchased the California Properties for \$39 million and (ii) Unocal agreed to indemnify the Company for, among other things, claims arising under the California Statute arising out of or resulting from the sale of the California Properties, including any amounts ("Excess Amounts") by which the original purchase price paid by the Company for the California Properties exceeds the price at which the Company might be ordered by a court to resell such properties. Pursuant to such agreements, Unocal is not required to indemnify the Company for awards of punitive damages. The Company cannot predict whether it ultimately will be required to resell any or all of the California Properties to the California operators. However, in such event, the Company would seek indemnification from Unocal for any Excess Amounts. The Company believes that the claims asserted by the operators of the California Properties against the Company are without merit and has engaged in a vigorous defense.

During 1995, the trial commenced and two of the California Plaintiffs elected to settle their portion of the litigation with Unocal and the Company. In resolution, the Company entered into an agreement whereby the Company acquired the assets and operations of one of the related travel centers and paid approximately \$900,000 for the operations and certain assets used in the operations. The other operator's issues were resolved at no cost to the Company and that operator continues to operate the travel center under the existing lease agreement.

On May 1, 1995, the jury rendered a verdict in favor of the two remaining California Plaintiffs and against Unocal and the Company. The jury determined that the two remaining California Plaintiffs were entitled to total compensatory damages of \$4,012,000. On May 3, 1995, the jury rendered a verdict assessing punitive damages against Unocal, Clipper and the Company in the amounts of \$7,000,000, \$1,600,000 and \$1,500,000, respectively. On May 30, 1995, the California State Court rendered a decision in favor of Unocal and the Company on the equitable claims asserted by the California Plaintiffs and denying Plaintiffs' request for rescission of the asset purchase agreements for the related California Properties. The Company filed motions with the trial court to enter judgement in its favor on plaintiff's damages claims notwithstanding the verdict, or in the alternative, to order a new trial. On August 1, 1995, the California court denied the motion for judgement notwithstanding the verdict, but granted the Company's motion for a new trial on all issues. Unocal and the Company have appealed the court's denial of their motions for judgement notwithstanding the verdict, and the California Plaintiffs have appealed the court's granting of a new trial and its ruling on the equitable claims. Decisions on the pending appeals are expected by late 1997. The Company's ultimate liability in the disposition of this matter is difficult to estimate. However, it is management's belief that the outcome, while potentially material to the Company's results of operations, is not likely to have a material adverse effect on the Company's financial position.

The Company believes all compensatory damages ultimately awarded and legal fees incurred on this matter are covered under the indemnification agreement with Unocal. Legal costs incurred by the Company through June 30, 1997 total \$5,023,000, of which Unocal has paid \$1,000,000 to the Company to date. Unocal has stated that it may contest portions of the Company's claims for such indemnification. However, the Company believes that the effect on the financial statements of any amounts not ultimately collected from Unocal will not be material.

In April 1996, a group of 11 operators filed a complaint which was styled as a class action lawsuit alleging that the Company or its representatives had engaged in certain inappropriate practices or activities including breach of contract and fraud in connection with acquiring and operating the Network. No specific dollar damages are claimed in the complaint, but the plaintiffs generally seek compensatory and punitive damages. In 1997, plaintiffs amended the complaint to include an additional seven operators as plaintiffs and to assert the additional claims of tortious interference with contractual relations and of civil conspiracy, and to withdraw the plaintiffs' claims to represent a class. Also in 1997, settlement agreements were reached with four of the plaintiffs at an immaterial cost to the Company and a fifth plaintiff withdrew its claims in the action. The Company believes that the claims made in the complaint and the proposed amended complaint are baseless and intends to defend this litigation vigorously. It is management's belief that the outcome is not likely to have a material adverse effect on the Company's results of operations, financial position or liquidity.

In addition to the above matters, the Company is the subject of, or party to, a number of pending or threatened legal actions, contingencies and commitments involving a variety of matters, including laws and regulations relating to the environment. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the Company's results of operations, but is not expected to be material to the Company's financial position or liquidity.

7. CONDENSED CONSOLIDATING FINANCIAL STATEMENT SCHEDULES

The following schedules set forth the consolidating balance sheets as of June 30, 1997 and December 31, 1996, the consolidating statements of income and retained earnings for the three months ended June 30, 1997 and 1996 and for the six months ended June 30, 1997 and 1996, and consolidating statements of cash flows for the six months ended June 30, 1997 and 1996. In the following schedules, "Parent Company" refers to the unconsolidated balances of TravelCenters of America, Inc., "Guarantor Subsidiaries" refers to the combined unconsolidated balances of TA and National, and "Nonguarantor Subsidiary" refers to the balances of TAFSI. "Eliminations" represent the adjustments necessary to (a) eliminate intercompany transactions, (b) eliminate the Company's investments in its subsidiaries and (c) present TAHC as a subsidiary held for disposition until September 30, 1996. The Guarantor Subsidiaries, TA and National, are wholly-owned subsidiaries of the Company and have fully and unconditionally, jointly and severally, guaranteed the Company's indebtedness. In the 10-Q filing, the Company has not presented separate financial statements and other disclosures concerning the Guarantor Subsidiaries because management has determined such information is not material to investors.

BALANCE SHEET SCHEDULES:

JUNE 30, 1997

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
(IN THOUSANDS OF DOLLARS)					
ASSETS					
Current assets:					
Cash	\$ 50,948	\$ 28,544	\$ ---	\$ ---	\$ 79,492
Accounts receivable, net	---	56,462	1,098	(948)	56,614
Inventories	---	33,710	---	---	33,710
Deferred income taxes	---	3,877	---	---	3,877
Other current assets	---	11,156	2	(4,621)	6,537
Total current assets	50,948	133,749	1,100	(5,567)	180,230
Notes receivable, net	---	1,312	---	---	1,312
Property and equipment, net	---	269,551	---	(3,853)	265,698
Intangible assets	---	19,338	---	---	19,338
Deferred financing costs	11,547	---	---	---	11,547
Other assets	2,500	5,549	---	(2,500)	5,549
Advances to subsidiaries	225,141	---	---	(225,141)	---
Investments in subsidiaries	115,935	---	---	(115,935)	---
Total assets	\$ 406,071	\$ 429,499	\$ 1,100	(\$352,996)	\$ 483,674
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Current maturities of					
long-term debt	\$ 500	\$ ---	\$ ---	\$ ---	\$ 500
Accounts payable	1,684	42,591	---	(2,630)	41,698
Other accrued liabilities	3,956	28,084	149	(2,937)	29,199
Total current liabilities	6,140	70,675	149	(5,567)	71,397
Long-term debt (net of unamortized discount)	289,875	---	---	---	289,875
Deferred income taxes	---	9,452	---	---	9,452
Advance from parent	---	226,775	---	(226,775)	---
Other liabilities	---	5,014	---	---	5,014
Total liabilities	296,015	311,916	149	(232,342)	375,738
Mandatorily redeemable senior convertible participating preferred stock	53,515	---	---	---	53,515
Other preferred stock, common stock and other shareholders' equity	49,792	85,033	---	(87,153)	47,672
Retained earnings	6,749	32,550	951	(33,501)	6,749
	56,541	117,583	951	(120,654)	54,421
Total liabilities and shareholders' equity	\$ 406,071	\$ 429,499	\$ 1,100	(\$352,996)	\$ 483,674

DECEMBER 31, 1996

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
(IN THOUSANDS OF DOLLARS)					
ASSETS					
Current assets:					
Cash	\$ ---	\$ 23,779	\$ ---	\$ ---	\$ 23,779
Accounts receivable, net	---	54,294	1,051	(974)	54,371
Inventories	---	29,082	---	---	29,082
Deferred income taxes	---	3,877	---	---	3,877
Other current assets	499	10,236	2	(207)	10,530
Total current assets	499	121,268	1,053	(1,181)	121,639
Notes receivable, net	---	1,835	---	---	1,835
Property and equipment, net	---	273,216	---	(3,853)	269,366
Intangible assets	---	19,657	---	---	19,657
Deferred financing costs	---	8,379	---	---	8,379
Other assets	2,500	7,348	---	(4,835)	5,013
Investments in subsidiaries	121,818	---	---	(121,818)	---
Total assets	\$ 122,817	\$ 431,706	\$ 1,053	(\$129,687)	\$ 425,889
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Revolving loans	\$ ---	\$ 14,000	\$ ---	\$ ---	\$ 14,000
Current maturities of long-term debt	---	17,250	---	---	17,250
Accounts payable	1,555	37,945	---	(2,299)	37,201
Other accrued liabilities	450	29,553	105	(686)	29,422
Total current liabilities	2,005	98,748	105	(2,985)	97,873
Long-term debt (net of unamortized discount)	---	193,185	---	---	193,185
Deferred income taxes	92	9,891	---	(531)	9,452
Other liabilities	1	8,413	---	(2,500)	5,914
Total liabilities	2,098	310,237	105	(6,016)	306,424
Mandatorily redeemable senior convertible participating preferred stock	51,075	---	---	---	51,075
Other preferred stock, common common stock and other shareholders' equity	51,997	85,033	---	(86,287)	50,743
Retained earnings	17,647	36,436	948	(37,384)	17,647
	69,644	121,469	948	(123,671)	68,390
Total liabilities and shareholders' equity	\$ 122,817	\$ 431,706	\$ 1,053	(\$129,687)	\$ 425,889

STATEMENT OF INCOME AND RETAINED EARNINGS SCHEDULES:

	THREE MONTHS ENDED JUNE 30, 1997				
	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
Revenues:					
Fuel	\$ ---	\$ 180,265	\$ ---	\$ ---	\$ 180,265
Nonfuel	---	76,037	347	---	76,384
Rent	---	8,228	---	---	8,228
Total revenues	---	264,530	347	---	264,877
Cost of revenues (excluding depreciation)	---	198,811	---	---	198,811
Gross profit (excluding depreciation)	---	65,719	347	---	66,066
Operating expenses	---	41,460	---	---	41,460
Selling, general and administrative expenses	62	8,460	427	---	8,949
Refinancing, transition and development costs	---	5,473	---	---	5,473
Depreciation and amortization	809	6,543	---	---	7,352
(Gain) loss on sales of property and equipment	---	1,538	---	---	1,538
Income from operations	(871)	2,245	(80)	---	1,294
Interest income (expense), net	(6,156)	294	---	---	(5,862)
Equity income (loss)	1,490	---	---	(1,490)	---
(Loss) income before income taxes	(5,537)	2,539	(80)	(1,490)	(4,568)
(Benefit) provision for income taxes	(2,739)	997	(28)	---	(1,770)
Net (loss) income	(2,798)	1,542	(52)	(1,490)	(2,798)
Less: preferred dividends	(1,220)	---	---	---	(1,220)
Retained earnings - beginning of period	10,767	31,008	1,003	(32,011)	10,767
Retained earnings - end of the period	\$ 6,749	\$ 32,550	\$ 951	(\$ 33,501)	\$ 6,749

THREE MONTHS ENDED JUNE 30, 1996

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
Revenues:					
Fuel	\$ ---	\$ 189,579	\$ ---	(\$ 69,744)	\$ 119,835
Nonfuel	---	61,598	328	(46,628)	15,298
Rent	---	10,370	---	---	10,370
Total revenues	---	261,547	328	(116,372)	145,503
Cost of revenues (excluding depreciation)	---	204,325	---	(80,939)	123,386
Gross profit (excluding depreciation)	---	57,222	328	(35,433)	22,117
Operating expenses	---	31,381	---	(24,379)	7,002
Selling, general and administrative expenses	113	8,943	248	(4,177)	5,127
Refinancing, transition and development costs	---	91	---	---	91
Depreciation and amortization	---	6,481	---	(2,960)	3,521
(Gain) loss on sales of property and equipment	---	(14)	---	---	(14)
Income from subsidiary held for disposition	---	---	---	(2,042)	(2,042)
Income (loss) from operations	(113)	10,340	80	(1,875)	8,432
Interest (expense), net	---	(5,174)	---	1,875	(3,299)
Equity income (loss)	3,181	---	---	(3,181)	---
(Loss) income before income taxes	3,068	5,166	80	(3,181)	5,133
(Benefit) provision for income taxes	(44)	2,037	28	---	2,021
Net (loss) income	3,112	3,129	52	(3,181)	3,112
Less: preferred dividends	(1,220)	---	---	---	(1,220)
Retained earnings - beginning of the period	16,690	31,489	759	(32,248)	16,690
Retained earnings - end of the period	\$ 18,582	\$ 34,618	\$ 811	(\$ 35,429)	\$ 18,582

SIX MONTHS ENDED JUNE 30, 1997

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
(IN THOUSANDS OF DOLLARS)					
Revenues:					
Fuel	\$ ---	\$374,416	\$---	\$ ---	\$374,416
Nonfuel	---	136,932	694	---	137,626
Rent	---	17,948	---	---	17,948
Total revenues	---	529,296	694	---	529,990
Cost of revenues (excluding depreciation)	---	404,689	---	---	404,689
Gross profit (excluding depreciation)	---	124,607	694	---	125,301
Operating expenses	---	75,544	---	---	75,544
Selling, general and administrative expenses	255	19,726	700	---	20,681
Refinancing, transition and development costs	---	7,091	---	---	7,091
Depreciation and amortization	809	13,487	---	---	14,296
(Gain) loss on sales of property and equipment	---	1,464	---	---	1,464
Income from operations	(1,064)	7,295	(6)	---	6,225
Interest (expense), net	(6,434)	(4,533)	---	---	(10,967)
Equity income (loss)	(3,883)	---	---	3,883	---
(Loss) income before income taxes and extraordinary items	(11,381)	2,762	(6)	---	(4,742)
(Benefit) provision for income taxes	(2,923)	1,094	(9)	---	(1,838)
(Loss) income before extraordinary items	(8,458)	1,688	3	3,883	(2,904)
Extraordinary items (Less applicable income tax benefit of \$3,608)	---	(5,554)	---	---	(5,554)
Net (loss) income	(8,458)	(3,886)	3	3,883	(8,458)
Less: preferred dividends	(2,440)	---	---	---	(2,440)
Retained earnings - beginning of the period	17,647	36,436	948	(37,384)	17,647
Retained earnings - end of the period	\$ 6,749	\$ 32,550	\$951	(\$33,501)	\$ 6,749

SIX MONTHS ENDED JUNE 30, 1996

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
Revenues:					
Fuel	\$ ---	\$357,429	\$ ---	(\$128,687)	\$228,742
Nonfuel	---	115,049	661	(88,860)	26,850
Rent	---	21,320	---	---	21,320
Total revenues	---	493,798	661	(217,547)	276,912
Cost of revenues (excluding depreciation)	---	383,540	---	(149,258)	234,282
Gross profit (excluding depreciation)	---	110,258	661	(68,289)	42,630
Operating expenses	---	60,930	---	(48,294)	12,636
Selling, general and administrative expenses	143	19,733	496	(8,141)	12,231
Refinancing, transition and development costs	---	116	---	---	116
Depreciation and amortization	---	12,642	---	(5,907)	6,735
(Gain) loss on sales of property and equipment	---	(41)	---	---	(41)
Income from subsidiary held for disposition	---	---	---	(2,185)	(2,185)
Income from operations	(143)	16,878	165	(3,762)	13,138
Interest (expense), net	---	(10,269)	---	3,762	(6,507)
Equity income (loss)	4,115	---	---	(4,115)	---
(Loss) income before income taxes	(143)	6,609	165	(4,115)	6,631
(Benefit) provision for income taxes	(56)	2,601	58	---	2,603
Net (loss) income	(87)	4,008	107	(4,115)	4,028
Less: preferred dividends	(2,440)	---	---	---	(2,440)
Retained earnings - beginning of the period	16,994	30,610	704	(31,314)	16,994
Retained earnings - end of the period	\$16,847	\$34,618	\$811	(\$35,429)	\$18,582

STATEMENT OF CASH FLOWS SCHEDULES:

SIX MONTHS ENDED JUNE 30, 1997

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
CASH FLOWS FROM OPERATING ACTIVITIES:	\$ (590)	\$ 18,858	\$ ---	\$ ---	\$ 18,268
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisitions of network assets	---	(7,901)	---	---	(7,901)
Proceeds from sales of property and equipment	---	2,886	---	---	2,886
Capital expenditures	---	(7,553)	---	---	(7,553)
Net cash used in investing activities	---	(12,568)	---	---	(12,568)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Revolving loan borrowings	---	3,750	---	---	3,750
Revolving loan repayments	---	(17,750)	---	---	(17,750)
Long-term debt borrowings	205,000	---	---	---	205,000
Long-term debt repayments	---	(126,425)	---	---	(126,425)
Advance from parent	(138,775)	138,775	---	---	---
Debt issuance costs	(12,357)	---	---	---	(12,357)
Repurchase of common stock	(2,205)	---	---	---	(2,205)
Net cash (used in) provided by financing activities	51,538	(1,525)	---	---	50,013
Net increase in cash	50,948	4,765	---	---	55,713
Cash at beginning of the period	---	23,779	---	---	23,779
Cash at the end of the period	\$ 50,948	\$ 28,544	\$ ---	\$ ---	\$ 79,492

SIX MONTHS ENDED JUNE 30, 1996

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 126	\$ 23,407	\$ ---	(\$ 9,403)	\$ 14,130
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisitions of network assets	---	(2,750)	---	---	(2,750)
Capital expenditures	---	(9,729)	---	3,535	(6,194)
Net cash used in investing activities	---	(12,479)	---	3,535	(8,944)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Long-term debt borrowings	---	10,000	---	---	10,000
Long-term debt repayments	---	(6,500)	---	2,500	(4,000)
Repurchase of common stock	(126)	---	---	---	(126)
Net cash (used in) provided by financing activities	(126)	3,500	---	2,500	5,874
Net increase in cash	---	14,428	---	(3,368)	11,060
Cash at the beginning of the period	---	15,617	---	(12,426)	3,191
Cash at the end of the period	\$ ---	\$ 30,045	\$ ---	(\$15,794)	\$ 14,251

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the audited financial statements and with Management's Discussion and Analysis included in the Company's Registration Statement on Form S-4 filed under the Securities Act of 1933 (File No. 333-26497) on July 23, 1997.

OVERVIEW

The Company is a holding company which, through its wholly-owned subsidiaries, TA and National, owns, operates and franchises more travel centers in the United States than any of its competitors with 162 network sites nationwide, including 133 Company-owned locations. TA currently operates a network of 48 travel centers in 27 states under the "Truckstops of America" or "TA" brand name and National currently operates a network of 114 travel centers in 36 states under the licensed "Unocal 76" and related brand names.

The Company was formed in December 1992 to facilitate the National Acquisition in April 1993. In December 1993, the Company acquired the TA Network. In connection with the TA Acquisition, the Investor Group and certain members of TA's management granted an option to the Company whereby the Company could repurchase its equity held by such Investor Group and management members in exchange for consideration consisting of cash and all of the equity of TA. If the Repurchase had been consummated, the Company and the National Network would have been owned by the operator and franchisee-owner stockholders of the Company and certain members of National's management, and TA would have been owned by the Investor Group and certain members of TA's management. During the six months ended June 30, 1996, TA and National were separately managed and financed and in the Company's consolidated financial statements TA was presented as net assets of subsidiary held for disposition and TA's results of operations were included in the Company's consolidated financial statements as a single amount. Effective September 30, 1996, the decision was made to retain TA, and, subsequently, the Company chose to pursue the combination of the TA and National networks. After September 30, 1996, TA was no longer carried as net assets of subsidiary held for disposition and TA's results of operations were consolidated with the Company's.

Historically, under the Company's ownership, National operated principally as a franchisor. As a result, its revenues consisted primarily of wholesale diesel fuel sales to franchisees, rent from operators of leased sites and nonfuel franchise royalty payments. Since early 1995, National has increased its number of Company-operated sites as certain operators terminated their franchise and lease agreements. In contrast, TA operated principally as an owner-operator of travel centers. Consequently, while TA derived the majority of its revenues from retail diesel fuel sales, the majority of its gross profit has been derived from, and its principal strategic focus has been, the sale of higher margin nonfuel products and services.

COMBINATION PLAN

During the three and six month periods ended June 30, 1997, the Company has incurred approximately \$4.7 million and \$6.4 million, respectively, of expenses related to the Combination plan. These costs, identified as transition expenses in the Company's consolidated financial statements, are expected to total approximately \$11 million, of which approximately \$8 million to \$9 million is expected to be incurred in 1997, with the

remainder to be incurred in 1998. These expenses relate, among other things, to employee separations, costs to convert National Network travel centers to TA Network travel centers, costs to dispose of travel centers or terminate lease or franchise agreements, and the costs of integrating the management and operations of the two networks into a single network, including relocation, travel, training, and legal expenses.

EMPLOYEE TERMINATIONS

As a result of the Combination Plan, which was approved by the Board of Directors in January 1997, most of National's corporate-level employees have been or will be terminated. In January 1997, certain of National's executive officers resigned and related severance costs of \$0.8 million were recognized. In May 1997, management finalized its plans regarding employee terminations and, accordingly, the related costs were recognized. This expense totaled approximately \$1.8 million in the three month period ended June 30, 1997. Pursuant to the Company's plans, 111 employees are to be terminated, 28 of which had been severed through June 30, 1997. Through June 30, 1997, approximately \$0.6 million of termination benefits had been paid to such terminated employees. The remaining accrual for termination benefits of approximately \$2.0 million at June 30, 1997 will be substantially paid by year-end with the final payments scheduled by March of 1998.

NETWORK RATIONALIZATION

During the second quarter of 1997, the Company continued to refine and execute its plans for improving the profitability of its combined network (the "Network") through rebranding of its sites under the TA brand name and rationalizing the number and locations of its travel centers. In the six months ended June 30, 1997, two Company-owned National travel centers were sold to the operators of those sites for gross proceeds of \$3.3 million, resulting in a loss on sale of \$1.5 million. An additional 21 such sales are expected to close by the second quarter of 1998, providing expected sales proceeds of an additional approximately \$56 million. The Company expects that it will recognize a gain from these sales. During the second quarter of 1997, relationships with the owner/operators of four franchised travel centers ("Franchisee-Owner Sites") were terminated and agreements have been reached with, or appropriate notices provided to, owner/operators of an additional 17 such sites, such that the Company expects that all such Franchisee-Owner Sites not selected to continue in the network will be terminated by the end of 1997. Beginning in July 1997, those National Network franchisees whose sites have been selected for inclusion in the Company's continuing network will begin to convert their franchises to TA from National, a process that includes rebranding of the travel centers, installation of TA's store and shop programs, training of the franchisees in TA's operating procedures and revisions to the franchise agreements and, where applicable, lease agreements, such that there will be an increase in the royalty the Company receives as a percentage of the franchisees' nonfuel revenues and a decrease in fixed rent revenue. The Company expects these new agreements will result in reduced revenue in the short term, but that in the long term increased franchise nonfuel revenues will result in a net increase in the Company's revenue.

SITE CONVERSIONS

During the three months ended June 30, 1997, the Company converted eight National Network travel centers from Company-owned and leased locations ("Leased Sites") to Company-owned and operated locations by acquiring the travel center operations from the related operators, bringing the total of such conversions during 1997 to 17. One additional such conversion was completed in early July 1997 and the Company is currently in discussions with operators regarding the possible conversion of additional Leased Sites to Company-operated sites. A total of 20 travel centers have been converted to Company-operated sites since June 30, 1996. Such conversions typically result in decreased rent revenue and increased operating expenses, offset to varying degrees for each individual site by increased fuel and nonfuel revenues.

Management expects that, over time, the increased revenues will exceed the decreases in rent revenue and increases in operating expenses, especially as National sites are converted to TA travel centers and TA management, marketing, operations, safety and training programs are fully implemented. In June 1997, 14 of the National Company-operated travel centers were converted to TA Company-operated sites, with the remaining 21 National Company-operated locations converting in July 1997. During the first few months of operation after both the conversion from a leased site and the conversion to a TA branded site (with respect to all former National travel centers), the operating results of each converted travel center are adversely affected by the costs (such as for maintenance and supplies) of bringing the travel centers into compliance with TA's standards. In addition, the Company has chosen to increase the number of employees at the converted sites in order to improve customer service and, as a consequence, employees were hired in anticipation of expected revenue increases. For these reasons, the Company anticipates that the operating results of these converted travel centers will improve in the second half of 1997.

The following table sets forth the number and type of ownership and management of the travel centers operating in each of the Company's networks.

	TA		NATIONAL	
	AS OF JUNE 30,		AS OF JUNE 30,	
	1997	1996	1997	1996
Company-owned and operated sites	40	39	35	16
Company-owned and leased sites	---	---	58	79
Company-owned sites	40	39	93	95
Franchisee-owner sites	8	8	21	30
Total	48	47	114	125

At the conclusion of the Combination Plan, assuming the Combination Plan is completed as expected by management, the Network will consist of 123 travel centers, 69 of which will be Company-owned and operated, 42 of which will be Leased Sites and 12 of which will be Franchisee-Owner Sites, although the achievement of the Combination Plan as currently envisioned is not ensured.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations presents detail on the Company's combined results, which differ from the Company's consolidated results reflected in the unaudited financial statement for the three and six month periods ended June 30, 1996, as a result of the presentation of TA as assets of subsidiary held for disposition during those periods. The following table presents the Company's consolidated results of operations for the 1996 periods as though TA had not been held for disposition and had instead been fully consolidated.

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	1997	1996	1997	1996

	(IN THOUSANDS OF DOLLARS)			
REVENUES:				
Fuel	\$180,265	\$189,579	\$374,416	\$357,429
Nonfuel	76,384	61,926	137,626	115,710
Rent	8,228	10,370	17,948	21,320
	-----	-----	-----	-----
TOTAL REVENUES	264,877	261,875	529,990	494,459
Cost of revenues (excluding depreciation)	198,811	204,325	404,689	383,540
	-----	-----	-----	-----
GROSS PROFIT (EXCLUDING DEPRECIATION)	66,066	57,550	125,301	110,919
Operating expenses	41,460	31,381	75,544	60,930
Selling, general and administrative expenses	8,949	9,304	20,681	20,372
Refinancing, transition and development costs	5,473	91	7,091	116
Depreciation and amortization	7,352	6,481	14,296	12,642
(Gain) loss on sales of property and equipment	1,538	(14)	1,464	(41)
	-----	-----	-----	-----
INCOME FROM OPERATIONS	1,294	10,307	6,225	16,900
Interest (expense), net	(5,862)	(5,174)	(10,967)	(10,269)
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	(4,568)	5,133	(4,742)	6,631
Provision (benefit) for income taxes	(1,770)	2,021	(1,838)	2,603
	-----	-----	-----	-----
Income (loss) before extraordinary items	(2,798)	3,112	(2,904)	4,028
Extraordinary items (net of taxes)	---	---	(5,554)	---
	-----	-----	-----	-----
Net (loss) income	\$ (2,798)	\$ 3,112	\$ (8,458)	\$ 4,028
	-----	-----	-----	-----

**RESULTS OF OPERATIONS FOR THE SIX AND THREE MONTH PERIODS ENDED
JUNE 30, 1997 AND 1996**

REVENUES

The Company's consolidated revenues for the three and six month periods ended June 30, 1997 were \$264.9 million and \$530.0 million, respectively, which represent increases over the prior year periods of \$3.0 million, or 1.1%, for the three month period and \$35.5 million, or 7.2%, for the six month period.

Fuel revenue for the six months ended June 30, 1997 reflects an increase over the 1996 period of \$17.0 million, or 4.8%. For the second quarter, the 1997 amount reflects a decrease from the same period in 1996 of \$9.3 million, or 4.9%. The increase in fuel revenue for the six month period primarily results from an increase in diesel gallons sold of 20.8 million gallons, or 4.3%, and an increase in average retail diesel prices of 4.6%. For the second quarter, the decrease from 1996 is primarily attributable to a 5.7% decrease in average retail diesel fuel prices, somewhat offset by increased sales volume of 12.3 million gallons, or 5.1%.

Nonfuel revenue in both 1997 periods has increased over the same periods in the prior year, primarily due to the increased number of Company-operated sites offering nonfuel products and services: from June 30, 1996 there are 20 additional converted National sites and one new TA site as well as two additional stand-alone shops.

Rent revenue for both 1997 periods has decreased from the same periods in 1996 as a direct result of the conversions of leased sites to Company-operated sites. Rent revenue is expected to continue to decline as additional sites are converted to Company-operations or sold and as current franchisee-lessees sign new franchise and lease agreements with the Company. The new franchise and lease agreements provide for reduced fixed rents but increased franchise royalty rates to be applied to nonfuel revenues generated by franchisee operations.

GROSS PROFIT

The Company's gross profit for the second quarter of 1997 was \$66.1 million, compared to \$57.6 million for 1996, an increase of \$8.5 million, or 14.8%. For the first half of 1997, the Company's gross profit was \$125.2 million, an increase of \$14.4 million, or 12.9%, from 1996. The increase in the Company's gross profit was primarily due to increases in nonfuel revenues and diesel fuel margins, partially offset by decreased rent revenue, resulting from the conversions of travel centers from Leased Sites to Company-operated sites.

OPERATING AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Operating expenses include the direct expenses of Company-operated travel centers and selling, general and administrative expenses ("SG&A") include corporate overhead and administrative costs.

The Company's operating expenses increased by \$10.1 million, or 32.2%, and \$14.6 million, or 24.0%, respectively, to \$41.5 million and \$75.5 million for the three and six month periods ended June 30, 1997, as compared to the corresponding prior year periods. These increases reflect the increased number of Company-operated locations during 1997 as a result of the addition of three new-build TA sites (including the two stand-alone shops) and the conversion of 20 Leased Sites to Company-operated sites since June 30, 1996.

The Company's SG&A for the second quarter decreased from \$9.3 million in 1996 to \$8.9 million in 1997, primarily as a result of personnel reduction at National pursuant to the Combination Plan, partially offset by increased staffing in the operational support and business development areas at TA. For the six month period, SG&A increased by \$0.3 million to \$20.7 million primarily due to the TA staffing increases previously described.

REFINANCING, TRANSITION AND DEVELOPMENT COSTS

Refinancing, transition and development costs for the second quarter of 1997 increased from \$0.1 million for 1996 to \$5.5 million, while for the first half of 1997 such costs increased to \$7.1 million from \$0.1 million in 1996. The 1997 costs were incurred in effecting the combination of National and TA, including recognition of employee termination benefits of \$2.6 million.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the second quarter and first half of 1997 increased by \$0.9 million and \$1.7 million, respectively, from the corresponding 1996 periods as a result of the capital expenditures made during 1996 and 1997, as well as from increased amortization of deferred financing costs stemming from the refinancing.

INCOME FROM OPERATIONS

Income from operations for the Company for the second quarter of 1997 was \$1.3 million as compared to \$10.3 million in 1996, a decrease of \$9.0 million. For the six months ended June 30, 1997, income from operations reflects a decrease from 1996 of \$10.7 million to \$6.2 million. The decreases in both periods are primarily attributable to the transition costs being incurred to effect the Combination Plan. EBITDA (defined as income from operations plus the sum of (a) depreciation and amortization, (b) refinancing, transition and development costs and (c) gains or losses from sales of property and equipment) for the Company for the three and six month periods ended June 30, 1997 was \$15.7 million and \$29.1 million, respectively, as compared to \$16.9 million and \$29.6 million for the respective 1996 periods.

INTEREST (INCOME) EXPENSE - NET

Interest expense for the second quarter and first half of 1997 was in both cases \$0.7 million higher than for the same 1996 periods as a result of the increased debt balance after consummation of the refinancing (discussed in Liquidity and Capital Resources below) on March 27, 1997.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements consist principally of working capital needs, payments of principal and interest on outstanding indebtedness and capital expenditures, including expenditures for acquisitions, expansion and environmental upgrades.

Net cash provided by operating activities totaled \$18.3 million in the first half of 1997 and \$23.5 million in 1996. The decrease in net cash flows provided by operating activities in 1997 compared to 1996 was primarily due to decreased operating income in 1997, as discussed previously, and growth in working capital requirements as a result of the increased number of Company-operated sites.

Net cash used in investing activities for the six months ended June 30, 1997 was \$12.6 million versus \$12.5 million in 1996. The amount for 1997, while relatively flat versus the 1996 amount, reflects increased expenditures related to conversions of Leased Sites to Company-operated sites, partially offset by increased proceeds from sales of property and equipment resulting from the sales of two Leased Sites to the respective operators.

Net cash flows provided by financing activities were \$50.0 million in the first six months of 1997 and \$3.4 million for the first six months of 1996. The change in the amount of cash flows provided by financing activities in 1997 from 1996 was due to the Company's refinancing and recapitalization completed in March 1997.

On March 27, 1997, the Company was refinanced and currently has outstanding \$290.4 million of indebtedness, consisting of \$125.0 million principal amount of Subordinated Notes, \$85.5 million principal amount of Senior Notes and a \$79.9 million term credit facility. The Company also has a \$40.0 million revolving credit facility, which, except for \$1.5 million used for letters of credit, was not drawn upon at June 30, 1997. The Senior Notes have no amortization requirements until 2001, the Subordinated Notes are due 2007 and the term facility has annual amortization requirements of \$500,000 until 2004.

The Company expects to invest up to approximately \$200 million in the Network between 1997 and the end of 2001 (with approximately \$110 million of this amount to be spent by the end of 1998) in connection with a capital program to upgrade, rebrand, reimage and increase the number of travel centers. Approximately \$50 million of the \$200 million intended to be spent represents normal ongoing maintenance and related capital expenditures. The Company has budgeted expenditures in order to rebrand and reimage sites, add additional nonfuel offerings (such as fast food offerings) at existing sites, to make required environmental improvements, convert certain Leased Sites to Company-operated sites and purchase, install and upgrade information systems at certain sites.

The Company anticipates that it will be able to fund its 1997 working capital requirements and capital expenditures primarily from funds generated from the refinancing, funds generated from operations, and, to the extent necessary, from borrowings under the revolving facility. The Company's long-term liquidity requirements, including capital expenditures, are expected to be financed by a combination of internally generated funds, borrowings and other sources of external financing as needed.

ENVIRONMENTAL MATTERS

The Company's operations and properties are subject to various Environmental Laws.

The Company owns and operates USTs and ASTs at Company-operated locations and Leased Sites which must comply with certain statutory and regulatory requirements by December 22, 1998. The Company is making necessary upgrades to comply with those requirements. The Company expects to spend a total of approximately \$15 million to \$20 million in 1997 and 1998 to complete the upgrade of USTs and other environmental related costs. The Company also expects to spend a total of approximately \$6 million in 1997 and 1998 for certain one-time projects relating to control of wastewater and storm water discharges and other matters. In addition, the Company has estimated the current ranges of remediation costs at currently active sites and what it believes will be its ultimate share for such costs after required indemnification and remediation is performed by Unocal and BP under the respective Environmental Agreements and has a reserve for such matters of \$1 million as of June 30, 1997. While it is not possible to quantify with certainty the environmental exposure, in the opinion of management, the potential liability, beyond that considered in the reserve, for all environmental proceedings, based on information known to date, will not have a material adverse effect on the financial condition, results of operations or liquidity of the Company.

NEW ACCOUNTING PRONOUNCEMENT

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share," which establishes standards for computing and presenting earnings per share information for periods ending after December 15, 1997. The Company believes that the basic earnings per share calculated amount under this standard will exceed the amount of primary earnings per share presented herein while the diluted earnings per share amount calculated under this standard will approximate the amount of primary earnings per share presented herein.

FORWARD-LOOKING STATEMENTS

The statements contained in this report that are not statements of historical fact may include forward-looking statements that involve a number of risks and uncertainties. Moreover, from time to time the Company may issue other forward-looking statements. The following factors are among those that could cause actual results to differ materially from the forward-looking statements: competition from other travel center and truckstop operators, including additional or improved services or facilities of competitors, the economic condition of the trucking industry (which in turn is dependent on general economic factors), diesel and gasoline fuel pricing, availability of fuel supply and difficulties that may be encountered by the Company or its franchisees in implementing the Company's plan to combine its existing TravelCenter networks into a single network. The forward looking statements should be considered in light of these factors.

PART II--OTHER INFORMATION

Item 1. Legal Proceedings

The information included in the Company's Prospectus, dated July 23, 1997, under the caption "Business--Litigation" is incorporated herein by reference. This portion of the Prospectus is included as Exhibit 99.1 to this Report. No material developments have since occurred in respect of the matters described therein.

Item 6. Exhibits and Reports on Form 8-K

(a) EXHIBITS

Exhibit 27	Financial Data Schedule
Exhibit 99.1	Section captioned "Business--Litigation" from the Company's Prospectus, dated July 23, 1997

(b) REPORTS ON FORM 8-K

During the three months ended June 30, 1997, the Company filed no reports on Form 8-K.

SIGNATURE

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.

TRAVEL CENTERS OF AMERICA, INC.
(Registrant)

Date: August 15, 1997

By: /s/ James W. George

Name: James W. George
Title: Senior Vice President and
Chief Financial Officer
(Principal Financial
Officer and
Duly Authorized Officer)

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	JUN 30 1997
CASH	79,492
SECURITIES	0
RECEIVABLES	60,924
ALLOWANCES	4,310
INVENTORY	33,710
CURRENT ASSETS	180,230
PP&E	265,698
DEPRECIATION	0
TOTAL ASSETS	483,674
CURRENT LIABILITIES	71,397
BONDS	289,875
PREFERRED MANDATORY	53,515
PREFERRED	38
COMMON	14
OTHER SE	54,421
TOTAL LIABILITY AND EQUITY	483,674
SALES	512,042
TOTAL REVENUES	529,990
CGS	404,689
TOTAL COSTS	404,689
OTHER EXPENSES	119,076
LOSS PROVISION	808
INTEREST EXPENSE	10,967
INCOME PRETAX	(4,742)
INCOME TAX	(1,838)
INCOME CONTINUING	(2,904)
DISCONTINUED	0
EXTRAORDINARY	(5,554)
CHANGES	0
NET INCOME	(8,458)
EPS PRIMARY	(1.24)
EPS DILUTED	0

LITIGATION EXHIBIT 99.1

The Company is party to several litigation matters, described below, involving certain of its franchisees. The Company does not expect any of these matters to have a material adverse effect on the Company. From time to time the Company is a party to litigation in the ordinary course of its business involving negligence and other similar claims which are covered by the Company's third party insurance policies. While claims for damages in such litigation may in certain instances be in excess of the Company's insurance coverage, the Company does not expect its existing litigation to have a material adverse effect on the Company.

FORTY-NINER TRUCK PLAZA LITIGATION. This action was commenced in California Superior Court, Sacramento County, on January 28, 1993 by four Operators of National TravelCenters in California. The complaint asserts claims on behalf of each of the plaintiffs against the Company, Clipper and Unocal Corporation and its subsidiaries based upon alleged violations by Union Oil Company of California and Unocal Corporation (together the "Unocal Entities") of the California Business and Professions Code and of an alleged contract by failing to provide them with a bona fide offer or right of first refusal to purchase their truckstops in connection with the sale of the plaintiffs' truckstops by Unocal to the Company. Two of the plaintiffs settled their claims prior to commencement of the trial. The claims of two plaintiffs, who are franchisees of National in Sacramento and Santa Nella, California, were tried and the jury rendered a verdict awarding \$4.0 million in compensatory damages jointly and severally against the Company, the Unocal Entities and Clipper, and assessing punitive damages against them in the amount of \$1.5 million, \$7.0 million and \$1.6 million, respectively. On August 1, 1995, the court granted the defendants' motions for a new trial on all issues, although it denied defendants' motions for judgment notwithstanding the verdict. These orders are currently on appeal. The appeal has been fully briefed but not argued. Pursuant to the asset purchase and related agreements between the Company and the Unocal Entities, the Company believes that the Unocal Entities are required to indemnify it for attorneys' fees and compensatory damages. The Unocal Entities may, however, contest the Company's claim for indemnification. The indemnification agreement between the Unocal Entities and the Company does not by its terms cover punitive damages. The Company entered into an agreement indemnifying Clipper in connection with the Company's purchase of the properties in the National Network, and Clipper has asserted and the Company has concurred that this agreement obligates the Company to pay any compensatory and punitive damages assessed against Clipper.

CHARLESTON WEST VIRGINIA LITIGATION. This action was commenced on April 17, 1996 in the Circuit Court of Berkeley County, West Virginia. The amended complaint, brought on behalf of eighteen National Operators, alleges that the Company's fuel pricing policies and practices violate the PMPA and the Uniform Commercial Code and constitute a breach of the contractual duty of good faith and fair dealing and unjust enrichment. The amended complaint also asserts claims of fraud and fraud in the inducement, apparently based on alleged representations made by the Company concerning fuel pricing. The amended complaint asserts claims against the Company, Clipper and certain present and former directors and officers of the Company, and seeks actual and punitive damages in an unspecified sum. The Company has removed the case to federal court, and the court has granted the Company's motion to transfer the case to federal court in Nashville, Tennessee.

The Company has entered into settlement agreements with four of the plaintiffs pursuant to which the claims of those plaintiffs have been or will be dismissed with prejudice. One additional plaintiff has withdrawn its claims in the action without prejudice.

On March 31, April 1 and April 7, 1997, three of the plaintiffs filed motions for a preliminary injunction. The motions sought an order requiring, among other things, that the Company sell to the movants all of the movants' requirements of diesel fuel at a price per gallon of not more than two cents above the Oil Price Information Service average price under the terms of the Company's existing lease and franchise agreements. In addition, on April 22, 1997, two of the movants filed a motion seeking a temporary restraining order for substantially the same relief. On May 21, 1997, the court denied the plaintiffs' motions.

FOOD SYSTEMS LITIGATION. The Company filed this action on May 7, 1996, in the U.S. District Court for the Middle District of Tennessee seeking, among other things, a declaratory judgment that it was entitled to terminate the franchise of the defendant, one of the Company's travel center operators, for failure to pay rent and on other grounds. On June 11, 1996, the defendant filed counterclaims for violation of the PMPA, for breach of contract and for breach of implied contract, seeking actual and punitive damages in an unspecified amount. On November 12, 1996, the defendant filed for relief under Chapter 7 of the Bankruptcy Code, thereby staying all proceedings in this action. The Company has recovered possession of the Salt Lake City site through bankruptcy court proceedings.

End of Filing