

TRAVELCENTERS OF AMERICA INC

FORM 10-Q (Quarterly Report)

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 1998

Commission file number 333-26497

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 200
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 /X/ No //

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.

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TRAVELCENTERS OF AMERICA, INC.

CONSOLIDATED BALANCE SHEET

	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
ASSETS	(IN THOUSANDS OF DOLLARS)	
Current assets:		
Cash	\$ 71,349	\$ 71,756
Accounts receivable (less allowance for doubtful accounts of \$2,749 for 1998 and \$2,707 for 1997)	55,604	68,433
Inventories	34,342	33,718
Deferred income taxes	4,065	3,740
Other current assets	10,734	10,256
	-----	-----
Total current assets	176,094	187,903
Notes receivable, net	2,097	1,692
Property and equipment, net	284,633	286,472
Intangible assets	14,815	15,651
Deferred financing costs	11,422	11,786
Deferred income taxes	215	-
Other assets	4,342	4,288
	-----	-----
Total assets	\$493,618	\$507,792
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 500	\$ 500
Accounts payable	25,224	29,035
Other accrued liabilities	73,140	72,265
	-----	-----
Total current liabilities	98,864	101,800
Commitments and contingencies (Note 6)		
Long-term debt	289,500	289,625
Deferred income taxes	979	4,985
Other long-term liabilities	4,779	4,479
	-----	-----
	394,122	400,889
Mandatorily redeemable senior convertible participating preferred stock	63,477	61,404
Other preferred stock, common stock and other stockholders' equity	43,820	43,945
Retained earnings (deficit)	(7,801)	1,554
	-----	-----
	36,019	45,499
	-----	-----
Total liabilities and stockholders' equity	\$493,618	\$507,792
	-----	-----

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

TRAVELCENTERS OF AMERICA, INC.

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	THREE MONTHS ENDED	
	MARCH 31,	
	1998	1997
	-----	-----
	(IN THOUSANDS OF DOLLARS)	
Revenues:		
Fuel	\$132,630	\$194,151
Nonfuel.	75,060	60,041
Rent and royalties	5,634	10,921
	-----	-----
Total revenues	213,324	265,113
Cost of revenues (excluding depreciation).	147,150	205,878
	-----	-----
Gross profit (excluding depreciation).	66,174	59,235
Operating expenses	44,745	34,083
Selling, general and administrative expenses	8,954	11,733
Refinancing, transition and development costs.	992	1,618
Depreciation and amortization.	16,544	6,944
(Gain) loss on sales of property and equipment	31	(40)
Other operating (income) expense, net.	680	(34)
	-----	-----
Income (loss) from operations.	(5,772)	4,931
Interest (expense), net.	(5,990)	(5,105)
	-----	-----
Loss before income taxes and extraordinary item.	(11,762)	(174)
Benefit for income taxes	(4,479)	(68)
	-----	-----
Loss before extraordinary item	(7,283)	(106)
Extraordinary loss (less applicable income tax benefit of \$3,608).	-	(5,554)
	-----	-----
Net loss	(7,283)	(5,660)
Less: preferred dividends.	(2,072)	(1,819)
Retained earnings--beginning of the period	1,554	14,837
	-----	-----
Retained earnings (deficit)--end of the period	\$(7,801)	\$7,538
	-----	-----
Earnings per common share (basic and diluted):		
Loss before extraordinary item	\$(14.97)	\$(1.56)
Extraordinary loss	-	(4.51)
	-----	-----
Net loss	\$(14.97)	\$(6.07)
	-----	-----

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

TRAVELCENTERS OF AMERICA, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	THREE MONTHS ENDED	
	MARCH 31,	
	1998	1997
	-----	-----
	(IN THOUSANDS OF DOLLARS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(7,283)	\$(5,660)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Extraordinary loss	-	5,554
Depreciation and amortization	16,544	6,944
Deferred income taxes	(4,546)	-
Provision for doubtful accounts	276	376
(Gain) loss on sale of property and equipment	31	(40)
Changes in assets and liabilities, adjusted for the effects of acquisitions of network assets:		
Accounts receivable	12,553	(3,185)
Inventories	(624)	1,361
Other current assets	(484)	1,248
Accounts payable	(3,811)	1,782
Other current liabilities	875	(264)
Other, net	(153)	312
	-----	-----
Net cash provided by operating activities	13,378	4,864
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of network assets	-	(4,254)
Proceeds from sales of property and equipment	-	77
Capital expenditures	(13,535)	(1,388)
	-----	-----
Net cash used in investing activities	(13,535)	(5,565)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Revolving loan borrowings	-	3,750
Revolving loan repayments	-	(17,750)
Long-term debt borrowings	-	290,500
Long-term debt repayments	(125)	(211,800)
Repurchase of common stock	(125)	(1,244)
Debt issuance costs	-	(11,624)
	-----	-----
Net cash provided by (used in) financing activities	(250)	51,832
	-----	-----
Net increase (decrease) in cash	(407)	51,131
Cash at the beginning of the period	71,756	23,779
	-----	-----
Cash at the end of the period	\$71,349	\$74,910
	-----	-----

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

TRAVELCENTERS OF AMERICA, INC.

**SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1998**

1. BUSINESS DESCRIPTION AND SUMMARY OF OPERATING STRUCTURE

TravelCenters of America, Inc., formerly National Auto/Truckstops Holdings Corporation (collectively with its subsidiaries, as the context may require, the "Company"), was incorporated on December 2, 1992, to raise equity and to function as the holding company of its wholly-owned operating subsidiary, National Auto/Truckstops, Inc. ("National"). National was incorporated to acquire the travel center network (the "National Network") of Unocal Corporation ("Unocal") (the "National Acquisition"). On December 10, 1993, the Company capitalized a second wholly-owned subsidiary, TA Holdings Corporation ("TAHC"), which in turn capitalized a wholly-owned subsidiary, TA Operating Corporation ("TA"). TA was incorporated to acquire the travel center network ("the TA Network") of BP Exploration and Oil Company ("BP") (the "TA Acquisition"), and had a wholly-owned subsidiary, TA Franchise Systems Inc. ("TAFSI"), which holds all of the TA franchise agreements. The National Acquisition was consummated on April 14, 1993 and the TA Acquisition was consummated on December 10, 1993. On March 27, 1997 the Company's subsidiaries were restructured such that the Company directly owns its three subsidiaries, National, TA and TAFSI (the Company's former subsidiary, TAHC, was liquidated as of such date).

The Company is a holding company which, through its wholly-owned subsidiaries, owns, operates and franchises more travel centers in the United States than any of its competitors with 127 network sites nationwide, including 118 Company-owned locations. The Company currently operates a network of 121 travel centers in 36 states under the "TravelCenters of America" or "TA" brand names and a network of six travel centers in four states under the licensed "Unocal 76" and related brand names.

The accompanying unaudited, consolidated financial statements as of and for the quarters ended March 31, 1998 and 1997 have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, these statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 1997. In the opinion of management, the accompanying unaudited, consolidated financial statements contain all adjustments, all of which were of a normal recurring nature, necessary to present fairly, in all material respects, the consolidated results of operations and of cash flows for the three-month period ended March 31, 1998 and 1997, and are not necessarily indicative of the results to be expected for the full year.

2. EARNINGS PER SHARE

In 1997 the Company adopted SFAS No. 128, "Earnings Per Share." The computation of basic earnings per common share is based upon the weighted average number of shares of common stock outstanding. Previously reported earnings per share (EPS) are restated. A reconciliation of the income and shares used in the computation follows:

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	(DOLLARS AND SHARES IN THOUSANDS)	
Loss before extraordinary loss	\$(7,283)	\$(106)
Less: Preferred stock dividends	(2,072)	(1,819)
Net loss available to common stockholders	(9,355)	(1,925)
Weighted average shares outstanding	625	1,231
Loss per share	\$(14.97)	\$(1.56)

The assumed conversion of stock options, warrants and convertible series of preferred stock would have an antidilutive effect on the loss per share for the quarters ended March 31, 1998 and 1997. On January 1, 1998, 157,000 options to purchase common stock were granted to management and non-employee directors.

TRAVELCENTERS OF AMERICA, INC.
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1998

3. INVENTORIES

Inventories consist of the following:

	MARCH 31, 1998	DECEMBER 31, 1997
	-----	-----
Nonfuel merchandise	\$ 32,108	\$ 30,883
Petroleum products	2,234	2,835
	-----	-----
Total inventories	\$ 34,342	\$ 33,718
	-----	-----

4. PROPERTY AND EQUIPMENT

During the first quarter of 1998, the estimated useful lives of certain machinery, equipment, furniture and fixtures were revised downward from 10 years to five years. The effect of this change in estimate resulted in reductions in income before extraordinary items, net income and earnings per share of \$9.5 million, \$5.7 million and \$9.08, respectively. This change resulted in these assets becoming fully depreciated at March 31, 1998.

5. COMBINATION PLAN AND REFINANCING

On January 21, 1997, the Company's Board of Directors approved a plan to combine the operations of its National and TA Networks under the existing TA Network management. This plan provides for the divesting of certain National Network locations, terminating of certain franchise relationships, transfer of operations of all National Network company-operated locations to the TA Network and rebranding of certain National Network locations to TA.

On March 27, 1997, the Company was recapitalized and restructured pursuant to a series of transactions (the "Refinancing") in which (i) the Company's indebtedness under the old National and TA Credit Facilities and Subordinated Notes were refinanced, (ii) TA and National guaranteed the Company's obligations under the new Credit Facilities, the Senior Notes and the Subordinated Notes and (iii) the Company's subsidiaries were restructured such that the Company directly owns its three subsidiaries, National, TA and TAFSI (the Company's former subsidiary, TAHC, was liquidated as of such date).

The Refinancing resulted in the early extinguishment of the Company's prior credit facilities. The remaining unamortized balance, at the time of the Refinancing, of the deferred financing costs and unamortized debt discount of \$7,846,703 and \$1,315,012, respectively, were written off.

6. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

The Company's operations and properties are subject to extensive regulation pursuant to federal, state and local laws, regulations and ordinances 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 other hazardous and toxic substances ("Hazardous Substances") or (ii) impose liability and damages for the costs of cleaning up sites affected by, and for damages resulting from, past spills and disposal or other releases of Hazardous Substances ("Environmental Laws").

The Company owns and uses underground storage tanks ("USTs") and aboveground storage tanks ("ASTs") at Company-operated and Leased Sites to store petroleum products and waste. These tanks must comply with requirements of Environmental Laws regarding tank construction, integrity testing, leak detection and monitoring, overfill and spill control, release reporting, financial assurance and corrective action in case of a release

TRAVELCENTERS OF AMERICA, INC.
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1998

from a UST or AST into the environment. At certain locations, the Company also is subject to Environmental Laws relating to vapor recovery and discharges to water. The Company believes that all of its travel centers are in material compliance with applicable requirements of Environmental Laws. The Company is making necessary upgrades to USTs to comply with federal regulations which will take effect in December 1998. These upgrades are expected to be completed in 1998 at an estimated cost to the Company of approximately \$6 to \$8 million. The Company does not believe that such costs will have a material adverse effect on the Company and the Capital Program incorporates funds to complete such upgrades.

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 has received notices of alleged violations of Environmental Laws, or is aware of the need to undertake corrective actions to comply with Environmental Laws, at Company-owned travel centers in a number of jurisdictions. The Company does not expect that any financial penalties associated with these alleged violations, instances of noncompliance, or compliance costs incurred in connection therewith, will be material to the Company's results of operation or financial condition. The Company is conducting investigatory and/or remedial actions with respect to releases and/or spills of Hazardous Substances that have occurred subsequent to the National Acquisition and the TA Acquisition, respectively, at fewer than 30 Network properties. While the Company cannot precisely estimate the ultimate costs it will incur in connection with the investigation and remediation of these properties, based on its current knowledge, the Company does not expect that the costs to be incurred at these properties, individually or in the aggregate, will be material to the Company's results of operation or financial condition. While the aforementioned matters are, to the best knowledge of the Company, the only proceedings for which the Company is currently exposed to potential liability (particularly given the Unocal and BP indemnities discussed below), there can be no assurance that additional contamination does not exist at these or additional Network properties, or that material liability will not be imposed in the future. If additional environmental problems arise or are discovered, or if additional environmental requirements are imposed by government agencies, increased environmental compliance or remediation expenditures may be required, which could have a material adverse effect on the Company.

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 of \$935,000 for such matters. 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

FORTY-NINER TRUCK PLAZA LITIGATION. In connection with the acquisition of the Network, the Company acquired six travel centers located in California. In January 1993, the Operators of four of these travel centers (the "California Plaintiffs") commenced litigation against Unocal, The Clipper Group, L.P. ("Clipper," organizer of the institutional investor group which formed the Company) 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".

TRAVELCENTERS OF AMERICA, INC.
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1998

Under the asset purchase agreements pursuant to which the Company acquired the California Properties from Unocal, and related agreements, 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 Plaintiffs. However, in such event, the Company would seek indemnification from Unocal for any Excess Amounts. The Company believes that the claims asserted by the California Plaintiffs 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 and franchise agreements.

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, for which all defendants are jointly and severally liable. 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. The California State Court rendered a decision in favor of the defendants 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 then filed motions with the trial court to enter judgement in its favor on plaintiffs' 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 defendants' motion for a new trial on all issues. On October 22, 1997, the California Court of Appeal filed a decision affirming the trial court's orders granting a new trial and denying defendants' motions for judgement notwithstanding the verdict. The Court of Appeal also reversed an order of the trial court granting a nonsuit on plaintiff's claim against the Company and Clipper for civil conspiracy. The California Supreme Court has denied review. No date has been set for retrial. 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 in this matter are covered under the indemnification agreement with Unocal. Legal costs incurred by the Company through March 31, 1998 total \$5,689,000, of which Unocal has paid \$1,000,000 to the Company to date. Unocal has contested certain of the amounts comprising 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 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.

TRAVELCENTERS OF AMERICA, INC.
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1998

7. CONDENSED CONSOLIDATING FINANCIAL STATEMENT SCHEDULES

The following schedules set forth the consolidating balance sheets of the Company as of March 31, 1998 and December 31, 1997 and the consolidating statements of income and retained earnings and of cash flows of the Company for the three months ended March 31, 1998 and 1997. 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 and, (b) eliminate the Company's investments in its subsidiaries. The Guarantor Subsidiaries, TA and National, are wholly-owned subsidiaries of the Company and have fully and unconditionally guaranteed the exchange notes. 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.

TRAVELCENTERS OF AMERICA, INC.
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
(IN THOUSANDS OF DOLLARS)					
ASSETS					
Current assets:					
Cash	\$ 44,356	\$ 26,993	\$ -	\$ -	\$ 71,349
Accounts receivable, net	-	54,853	751	-	55,604
Inventories	-	34,342	-	-	34,342
Deferred income taxes	-	4,065	-	-	4,065
Other current assets	27,788	35,649	3,598	(56,301)	10,734
Total current assets	72,144	155,902	4,349	(56,301)	176,094
Notes receivable, net	897	1,200	-	-	2,097
Property and equipment, net	-	284,633	-	-	284,633
Intangible assets	-	14,815	-	-	14,815
Deferred financing costs	11,422	-	-	-	11,422
Deferred income taxes	954	(739)	-	-	215
Other assets	730	3,612	-	-	4,342
Investment in subsidiaries	336,608	-	-	(336,608)	-
Total assets	\$422,755	\$459,423	\$ 4,349	\$(392,909)	\$493,618
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 500	\$ -	\$ -	\$ -	\$ 500
Accounts payable	-	25,369	-	(145)	25,224
Other accrued liabilities	32,005	95,972	1,308	(56,145)	73,140
Total current liabilities	32,505	121,341	1,308	(56,290)	98,864
Long-term debt	289,500	-	-	-	289,500
Deferred income taxes	-	979	-	-	979
Other liabilities	-	230,682	-	(225,903)	4,779
Total liabilities	322,005	353,002	1,308	(282,193)	394,122
Mandatorily redeemable senior convertible participating preferred stock	63,477	-	-	-	63,477
Other preferred stock, common stock and other stockholders' equity	45,074	81,179	-	(82,433)	43,820
Retained earnings (deficit)	(7,801)	25,242	3,041	(28,283)	(7,801)
Total liabilities and stockholders' equity	\$422,755	\$459,423	\$4,349	\$(392,909)	\$493,618

DECEMBER 31, 1997

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
(IN THOUSANDS OF DOLLARS)					
ASSETS					
Current assets:					
Cash	\$ 59,592	\$ 12,164	\$ -	\$ -	\$ 71,756
Accounts receivable, net	-	67,927	506	-	68,433
Inventories	-	33,718	-	-	33,718
Deferred income taxes	-	3,740	-	-	3,740
Other current assets	14,176	38,971	2,591	(45,482)	10,256
Total current assets	73,768	156,520	3,097	(45,482)	187,903
Notes receivable, net	887	805	-	-	1,692
Property and equipment, net	-	286,472	-	-	286,472
Intangible assets	-	15,651	-	-	15,651
Deferred financing costs	11,786	-	-	-	11,786
Other assets	730	3,558	-	-	4,288
Investment in subsidiaries	342,860	-	-	(342,860)	-
Total assets	\$430,031	\$463,006	\$ 3,097	\$(388,342)	\$507,792
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 500	\$ -	\$ -	\$ -	\$ 500
Accounts payable	-	29,387	-	(352)	29,035
Other accrued liabilities	32,601	83,905	889	(45,130)	72,265
Total current liabilities	33,101	113,292	889	(45,482)	101,800
Long-term debt	289,625	-	-	-	289,625
Deferred income taxes	(852)	5,837	-	-	4,985
Other liabilities	-	230,371	-	(225,892)	4,479
Total liabilities	321,874	349,500	889	(271,374)	400,889
Mandatorily redeemable senior convertible participating preferred stock	61,404	-	-	-	61,404
Other preferred stock, common stock and other stockholders' equity	45,199	81,179	-	(82,433)	43,945
Retained earnings	1,554	32,327	2,208	(34,535)	1,554
Total liabilities and stockholders' equity	46,753	113,506	2,208	(116,968)	45,499
Total liabilities and stockholders' equity	\$430,031	\$463,006	\$3,097	\$(388,342)	\$507,792

TRAVELCENTERS OF AMERICA, INC.
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
Revenues:					
Fuel	\$ -	\$ 132,630	\$ -	\$ -	\$132,630
Nonfuel	-	75,060	-	-	75,060
Rent and royalties	-	8,306	1,683	(4,355)	5,634
Total revenues	-	215,996	1,683	(4,355)	213,324
Cost of revenues (excluding depreciation)	-	147,150	-	-	147,150
Gross profit (excluding depreciation)	-	68,846	1,683	(4,355)	66,174
Operating expenses	52	48,912	136	(4,355)	44,745
Selling, general and administrative	257	8,479	218	-	8,954
Refinancing, transition and development costs	-	992	-	-	992
Depreciation and amortization	374	16,170	-	-	16,544
(Gain) loss on sale of property and equipment	-	31	-	-	31
Other operating (income) expense, net	-	680	-	-	680
Income (loss) from operations	(683)	(6,418)	1,329	-	(5,772)
Interest (expense), net	(879)	(5,111)	-	-	(5,990)
Equity income (loss)	(6,252)	-	-	6,252	-
Income (loss) before income taxes	(7,814)	(11,529)	1,329	6,252	(11,762)
Provision (benefit) for income taxes	(531)	(4,444)	496	-	(4,479)
Net income (loss)	(7,283)	(7,085)	833	6,252	(7,283)
Less: preferred dividends	(2,072)	-	-	-	(2,072)
Retained earnings (deficit) - beginning of the period	1,554	32,327	2,208	(34,535)	1,554
Retained earnings (deficit) - end of the period	\$ (7,801)	\$ 25,242	\$ 3,041	\$ (28,283)	\$ (7,801)

TRAVELCENTERS OF AMERICA, INC.
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1997

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
(IN THOUSANDS OF DOLLARS)					
Revenues:					
Fuel	\$ -	\$194,151	\$ -	\$ -	\$194,151
Nonfuel.	-	10,574	-	-	10,574
Rent and royalties	-	60,041	347	-	60,388
	-----	-----	-----	-----	-----
Total revenues.	-	264,766	347	-	265,113
Cost of revenues (excluding depreciation).	-	205,878	-	-	205,878
	-----	-----	-----	-----	-----
Gross profit (excluding depreciation). .	-	58,888	347	-	59,235
Operating expenses	-	34,083	-	-	34,083
Selling, general and administrative	194	11,267	272	-	11,733
Refinancing, transition and development costs.	-	1,618	-	-	1,618
Depreciation and amortization.	-	6,944	-	-	6,944
(Gain) loss on sale of property and equipment.	-	-	-	-	-
Other operating (income) expense, net. .	-	(74)	-	-	(74)
	-----	-----	-----	-----	-----
Income (loss) from operations.	(194)	5,050	75	-	4,931
Interest (expense), net.	(278)	(4,827)	-	-	(5,105)
Equity income (loss)	(5,372)	-	-	5,372	-
	-----	-----	-----	-----	-----
Income (loss) before income taxes and extraordinary items.	(5,844)	223	75	5,372	(174)
Provision (benefit) for income taxes . .	(184)	97	19	-	(68)
	-----	-----	-----	-----	-----
Income (loss) before extraordinary item. Extraordinary loss (less applicable income tax benefit).	(5,660)	126	56	5,372	(106)
	-	(5,554)	-	-	(5,554)
	-----	-----	-----	-----	-----
Net income (loss).	(5,660)	(5,428)	56	5,372	(5,660)
Less: preferred dividends.	(1,819)	-	-	-	(1,819)
Retained earnings - beginning of the period	14,837	36,436	947	(37,383)	14,837
	-----	-----	-----	-----	-----
Retained earnings - end of the period. .	\$ 7,358	\$ 31,008	\$ 1,003	\$(32,011)	\$ 7,538
	-----	-----	-----	-----	-----

TRAVELCENTERS OF AMERICA, INC.
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
CASH FLOWS PROVIDED BY (USED IN)					
OPERATING ACTIVITIES	\$(14,986)	\$ 28,364	\$ -	\$ -	\$ 13,378
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	-	(13,535)	-	-	(13,535)
Net cash used in investing activities.	-	(13,535)	-	-	(13,535)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Long-term debt repayments.	(125)	-	-	-	(125)
Repurchase of common stock	(125)	-	-	-	(125)
Net cash used in financing activities.	(250)	-	-	-	(250)
Net increase (decrease) in cash . .	(15,236)	14,829	-	-	(407)
Cash at the beginning of the period. . .	59,592	12,164	-	-	71,756
Cash at the end of the period.	\$ 44,356	\$ 26,993	\$ -	\$ -	\$ 71,349

TRAVELCENTERS OF AMERICA, INC.
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1997

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
(IN THOUSANDS OF DOLLARS)					
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 1,999	\$ 2,865	\$ -	\$ -	\$ 4,864
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisitions of network assets	-	(4,254)	-	-	(4,254)
Proceeds from sales of property and equipment	-	77	-	-	77
Capital expenditures	-	(1,388)	-	-	(1,388)
Net cash used in investing activities	-	(5,565)	-	-	(5,565)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Revolving loan borrowings	-	3,750	-	-	3,750
Revolving loan repayments	-	(17,750)	-	-	(17,750)
Long-term debt borrowings	290,500	-	-	-	290,500
Long-term debt repayments	-	(211,800)	-	-	(211,800)
Repurchase of common stock	(1,244)	-	-	-	(1,244)
Debt issuance costs	(11,624)	-	-	-	(11,624)
Net cash provided by (used in) financing activities	54,228	(2,396)	-	-	51,832
Net increase in cash	56,227	(5,096)	-	-	51,131
Cash at the beginning of the period	-	23,779	-	-	23,779
Cash at the end of the period	\$ 56,227	\$ 18,683	\$ -	\$ -	\$ 74,910

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

The following discussion should be read in conjunction with the consolidated financial statements and notes to consolidated financial statements included herein, and the audited financial statements and Management's Discussion and Analysis included with the Company's Form 10-K for the year ended December 31, 1997.

OVERVIEW

The Company is a holding company which, through its wholly-owned subsidiaries, owns, operates and franchises more travel centers in the United States than any of its competitors with 127 network sites nationwide, including 118 Company-owned locations. The Company currently operates a network of 121 travel centers in 36 states under the "TravelCenters of America" or "TA" brand names and a network of six travel centers in four states under the licensed "Unocal 76" and related brand names.

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 Operators and Franchisee-Owners, 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 months ended March 31, 1998, the Company incurred approximately \$1.0 million 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 \$20.0 million, of which approximately \$2.5 million to \$4.0 million is expected to be incurred in 1998. These expenses relate to, among other things, (i) employee separations, (ii) the costs to convert National Network travel centers to Network travel centers, (iii) the costs to dispose of travel centers or terminate lease or franchise agreements, and (iv) the costs of integrating the management and operations of the Existing Networks into the 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 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. Pursuant to the Company's plans, 111 employees were terminated, with payments of termination benefits of \$2.0 million and \$0.6 million made in 1997 and in the first quarter of 1998, respectively.

NETWORK RATIONALIZATION

Throughout 1997, the Company continued to refine and execute its plans for improving the profitability of the Network through rebranding of its sites under the TA brand name and rationalizing the number and locations of its travel centers. For the year ended December 31, 1997, 15 National Leased Sites were sold to the Operators of those sites for a net gain on sale of \$11.9 million, none of which took place in the first quarter of 1997. The Company anticipates additional site sales during 1998 as it continues rationalizing the Network. No sales were finalized during the first quarter of 1998. During the year ended December 31, 1997, relationships with the Franchisee-Owners of 27 Franchisee-Owner Sites were terminated. Beginning in July 1997, those National Network franchisees whose sites have been selected for inclusion in the Network began to convert their franchises to TAFSI from National, a process that includes rebranding the travel centers to the TA brand, installation of TA's store and shop programs, training of the franchisees in TA's operating procedures and revisions to the franchise agreements and 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 franchisee nonfuel revenues will result in a net increase in the Company's revenue. Through March 31, 1998, 29 former National franchisees had signed TAFSI franchise agreements.

SITE CONVERSIONS

During 1997, the Company converted 27 National Leased Sites to Company-operated Sites by acquiring the travel center operations from the related Operators. 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. Two such conversions were completed in the second quarter of 1998.

Management expects that, over time, the increased revenues will exceed the decreases in rent revenue and increases in operating expenses, especially as TA management, marketing, operations, safety and training programs are fully implemented at the former National Company-operated Sites converted to TA operation. In June 1997, 14 of the National Company-operated Sites were converted to TA Company-operated Sites, and in July 1997, the then remaining 21 National Company-operated Sites were so converted. National Leased Sites subsequently converted to Company-operated Sites were converted to TA Company-operated Sites at the time of the acquisitions of the site operations from the respective Operators. 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 increase revenues and, as a consequence, employees were hired in anticipation of the expected revenue increases. For these reasons, the Company anticipates that the operating results of these converted travel centers will continue to improve during 1998.

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	
	MARCH 31,		MARCH 31,	
	1998 (1)	1997	1998	1997
Company-owned and operated sites	82	40	-	27
Company-owned and leased sites	29	-	6	68
	---	---	---	---
Company-owned sites	111	40	6	95
Franchisee-owner sites	10	8	-	26
	---	---	---	---
Total	121	48	6	121
	---	---	---	---
Stand-alone shops	2	2	-	-
	---	---	---	---
	---	---	---	---

(1) Excludes three closed sites as of March 31, 1998.

RESULTS OF OPERATIONS

FIRST QUARTER 1998 COMPARED TO FIRST QUARTER 1997

REVENUES

The Company's consolidated revenues for the three months ended March 31, 1998 were \$213.3 million, which represents a decrease from the same period in the prior year of \$51.8 million, or 19.5%.

Fuel revenue for the three months ended March 31, 1998 was \$132.6 million compared to \$194.2 million for the same period in 1997, a decrease of \$61.5 million or 31.7%. The decrease is a result of a decrease in diesel volumes, combined with a decrease in diesel pump prices. Diesel volumes decreased 11.6% between years, which is the result of the decrease in the total number of sites between years, offset by increased volumes at continuing sites. Average diesel sales prices decreased approximately 26.2% between the first quarter of 1997 and the first quarter of 1998 as a result of the significant decline in the cost of crude oil.

Nonfuel revenues for the three months ended March 31, 1998 increased \$15.1 million over the prior year quarter to \$75.1 million. This represents an increase of 25.2%. This is due to the increase in the number of Company-operated sites between years, coupled with the increased revenues at former National locations that have been rebranded as TA travel centers.

Rent and royalty revenues for the quarter have decreased from the same periods in 1997 as a result of (a) conversions of Leased Sites to Company-operated Sites, (b) sales of Leased Sites and (c) the rent reductions that are effective when franchisees 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 the franchisees' operations. Rent revenues for Leased Sites that were leased in both the first quarter 1998 and the first quarter 1997 decreased 18.8% between years. Royalty revenues for franchisee locations in operation in the first quarters of both 1998 and 1997 increased 85.1%. The decline in rent revenue is expected to cease, as the network rationalization is substantially complete with regards to franchisee-lessees.

GROSS PROFIT

The Company's gross profit for the first quarter of 1998 was \$66.2 million, compared to \$59.2 million for 1997, an increase of \$7.0 million, or 11.8%. 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 conversion 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 Sites, and selling, general and administrative expenses (SG&A) include corporate overhead and administrative costs.

The Company's operating expenses increased by \$10.6 million, or 31.1%, to \$44.7 million for the three-month period ended March 31, 1998. These increases reflect the increased number of Company-operated Sites from the conversion of Leased Sites to Company-operated Sites that occurred throughout 1997.

The Company's SG&A for the first quarter decreased from \$11.7 million in 1997 to \$9.0 million in 1998, primarily due to synergies resulting from personnel reductions at National pursuant to the Combination Plan, partially offset by increased staffing in the operational support and business development areas at TA.

REFINANCING, TRANSITION AND DEVELOPMENT COSTS

Refinancing, transition and development costs for the first quarter of 1998 decreased from \$1.6 million in 1997 to \$1.0 million in 1998. These costs were incurred in effecting the Combination Plan. The Company anticipates approximately \$2.5 million to \$4.0 million of such costs to be incurred in 1998.

DEPRECIATION AND AMORTIZATION

Depreciation expense for the first quarter of 1998 was \$16.5 million, compared to \$6.9 million for the same period last year.

During the first quarter of 1998, the estimated useful lives of certain machinery, equipment, furniture and fixtures were revised downward from 10 years to five years. The effect of this change in estimate resulted in reductions in income before extraordinary items, net income and earnings per share of \$9.5 million, \$5.7 million and \$9.08, respectively. This change resulted in these assets becoming fully depreciated at March 31, 1998.

INCOME (LOSS) FROM OPERATIONS

The Company incurred a loss from operations of \$5.8 million for the first quarter of 1998, compared to income from operations of \$4.9 million for the same period in the prior year. This is the result of increases in gross profit of \$7.0 million and decreases in SG&A of \$2.7 million, offset by increases in operating expenses of \$10.6 million and increases in depreciation expense of \$9.6 million. EBITDA (defined as income from operations plus the sum of (a) depreciation, amortization and other non-cash charges, (b) refinancing, transition and development costs and (c) gains or losses from sales of property and equipment) for the Company for the three month period ended March 31, 1998 was \$12.7 million, compared to \$13.4 million for the same period in the prior year. The decreased EBITDA from 1997 is primarily the result of reduced sites.

INTEREST EXPENSE -- NET

Interest expense for the first quarter of 1998 was \$0.9 million higher than the same period in the prior year as a result of the increased debt balance after consummation of the Refinancing (discussed in Liquidity and Capital Resources below).

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 acquisition, expansion and environmental upgrades.

Net cash provided by operating activities totaled \$13.4 million for the first quarter of 1998, compared to \$4.9 million for the same period in the prior year. The increase between years is primarily the result of net reductions in working capital needs between years.

Net cash used in investing activities increased to \$13.5 million for the first quarter of 1998, up from \$5.6 million for the first quarter of 1997. The increase is the result of increases in capital expenditures offset by the decrease in the acquisition of network assets. Acquisitions of network assets represents amounts spent acquiring the leasehold interests of operators when converting Leased Sites to Company-operated Sites. These activities were substantially complete at March 31, 1998, although two such conversions have taken place through May 14, 1998 and a few additional conversions remain possible. The increase in capital expenditures between years are primarily the result of converting National Network travel centers to TA Network travel centers, remodeling of existing TA Network travel centers and improvements in USTs and ASTs to comply with increased statutory and regulatory requirements which will take effect on December 22, 1998.

Net cash used in financing activities was \$0.3 million during the first quarter of 1998, compared to \$51.1 million generated during the first quarter in the prior year. The change in the amount of financing activity cash flows between 1997 and 1998 was due to the refinancing completed in the first quarter of 1997.

On March 27, 1997 the Company was refinanced and currently has outstanding \$289.5 million of indebtedness, consisting of \$125.0 million principal amount of Senior Subordinated Notes, \$85.5 million principal amount of Senior Notes and a \$79.5 million term loan 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 March 31, 1998. The Senior Notes have no amortization requirements until 2001, the Senior Subordinated Notes are due 2007 and the term facility has annual amortization requirements of \$500,000 until 2004.

The Company expects to invest in excess of \$200 million in the Network between 1997 and the end of 2001 (with approximately \$75 million of this amount to be spent in each of 1997 and 1998) in connection with the Capital Program to upgrade, rebrand, reimage and increase the number of travel centers. Approximately \$50 million of the capital expenditures intended to be made represent normal ongoing maintenance and related capital expenditures (with approximately \$10 million of this amount to be spent in 1998). The Company has budgeted expenditures in order to add additional sites, rebrand and reimage sites, add additional non-fuel offerings (such as quick-serve restaurant offerings) at existing sites, make required environmental improvements, and purchase, install and upgrade its information systems.

The Company anticipates that it will be able to fund its 1998 working capital requirements and capital expenditures primarily from funds generated from the refinancing, funds generated from operations and asset sales, 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, borrowing 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 Sites 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 \$6 million to \$8 million in 1998 to complete the upgrade of USTs and other environmental related costs. 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 \$0.9 million as of March 31, 1998. 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.

"YEAR 2000" ISSUES

The Company has made and will continue to make certain investments in its software systems and applications to ensure the Company is year 2000 compliant. The Company is currently in the process of evaluating its computer software and databases to determine the nature and extent of the modifications that will be required to prevent problems related to the year 2000. The financial impact to the Company has not been and is not anticipated to be material to its financial position or results in any given year.

FORWARD-LOOKING STATEMENTS

The Company is making this statement in order to satisfy the "safe harbor" provision contained in the Private Securities Litigation Reform Act of 1995. 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. Such forward-looking statements are made based on management's expectations and beliefs concerning future events impacting the Company and are subject to uncertainties and factors relating to the Company's operations and business environment, all of which are difficult to predict and many of which are beyond the control of the Company, that could cause actual results of the Company to differ materially from those matters expressed in or implied by 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 Combination Plan. The forward-looking statements should be considered in light of these factors.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time the Company is a party to litigation in the ordinary course of its business involving, by way of example, matters such as breach of contract, actions under PMPA or other franchise regulations, actions under Environmental Laws, bankruptcy claims, condemnation matters, employment claims, negligence and other similar claims. Certain of such claims are covered by the Company's third party insurance policies or indemnification agreements with BP or Unocal. While claims for damages in such litigation in certain instances may

not be covered by an insurance policy or an indemnification agreement or may 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. The following describes the more significant pending matters in which the Company is involved as of March 31, 1998.

FORTY-NINER TRUCK PLAZA LITIGATION. This action was commenced in California Superior Court, Sacramento County, on January 28, 1993 by four Operators of National Leased Sites in California. The complaint asserts claims on behalf of each of the plaintiffs against the Company, Clipper and Unocal based upon alleged violations by Unocal of the California Business and Professions Code and of an alleged contract by failing to provide the plaintiffs 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, Unocal 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. On October 22, 1997, the California Court of Appeal filed a decision affirming the trial court's orders granting a new trial and denying defendants' motions for judgment notwithstanding the verdict. The Court of Appeal also reversed an order of the trial court granting a nonsuit on plaintiffs' claim against the Company and Clipper for civil conspiracy. The California Supreme Court has denied review. No date has been set for retrial. Pursuant to the asset purchase and related agreements between the Company and Unocal, the Company believes that Unocal is required to indemnify it for attorneys' fees and compensatory damages. Unocal has contested certain of the amounts comprising 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.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the first quarter of 1998.

Item 6. Exhibits and Reports on Form 8-K

Exhibits

Exhibit Number -----	Exhibit -----
27	Financial Data Schedule

(b) Reports on Form 8-K

During the first quarter of fiscal 1998, 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.

TRAVELCENTERS OF AMERICA, INC.
(Registrant)

Date: May 14, 1998

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 MARCH 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	MAR 31 1998
CASH	71,349
SECURITIES	0
RECEIVABLES	58,353
ALLOWANCES	2,749
INVENTORY	34,342
CURRENT ASSETS	176,094
PP&E	284,633
DEPRECIATION	0
TOTAL ASSETS	493,618
CURRENT LIABILITIES	98,864
BONDS	289,500
PREFERRED MANDATORY	63,477
PREFERRED	38
COMMON	14
OTHER SE	35,967
TOTAL LIABILITY AND EQUITY	493,618
SALES	207,690
TOTAL REVENUES	213,324
CGS	147,150
TOTAL COSTS	147,150
OTHER EXPENSES	71,946
LOSS PROVISION	276
INTEREST EXPENSE	5,990
INCOME PRETAX	(11,762)
INCOME TAX	(4,479)
INCOME CONTINUING	(7,283)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(7,283)
EPS PRIMARY	(14.97)
EPS DILUTED	(14.97)

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