TRAVELCENTERS OF AMERICA INC

FORM 10-Q
(Quarterly Report)

Filed 5/15/2000 For Period Ending 3/31/2000

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 10-Q

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

For the Quarterly Period Ended March 31, 2000

Commission file number 333-26497

TRAVELCENTERS OF AMERICA, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	36-3856519
(State or other jurisdiction of incorporation or organization)	(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.

TRAVELCENTERS OF AMERICA, INC.

CONSOLIDATED BALANCE SHEET

	MARCH 31, 2000 (UNAUDITED)	DECEMBER 31, 1999
	(IN THOUSANDS OF DOLLARS)	
ASSETS		
Current assets:		
Cash	$ 18,277	$ 18,040
Accounts receivable (less allowance for doubtful accounts of $3,130 for 2000 and $2,894 for 1999)	78,238	66,439
Inventories	58,298	59,043
Deferred income taxes	4,548	4,533
Other current assets	13,969	16,441
Total current assets	173,330	164,496
Notes receivable, net	1,415	1,383
Property and equipment, net	455,473	454,093
Intangible assets	27,611	28,792
Deferred financing costs	8,064	8,411
Deferred income taxes	1,334	1,879
Other assets	5,924	808
Total assets	$673,151	$659,862
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 1,601	$ 1,601
Accounts payable	74,057	60,920
Other accrued liabilities	57,281	66,743
Total current liabilities	132,939	129,264
Commitments and contingencies (Note 6)		
Long-term debt	416,638	404,369
Deferred income taxes	1,639	1,639
Other long-term liabilities	17,064	16,615
	568,280	551,887
Mandatorily redeemable senior convertible participating preferred stock	82,430	79,739
Other preferred stock, common stock and other stockholders' equity	52,875	53,000
Retained (deficit)	(30,434)	(24,764)
	22,441	28,236
Total liabilities and stockholders' equity	$673,151	$659,862

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

TRAVELCENTERS OF AMERICA, INC.

UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

	THREE MONTHS ENDED MARCH 31, 2000	THREE MONTHS ENDED MARCH 31, 1999
	(IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)	
Revenues:		
Fuel	$328,203	$163,458
Nonfuel	123,887	99,705
Rent and royalties	4,720	5,065
Total revenues	456,810	268,228
Cost of revenues (excluding depreciation)	352,672	181,677
Gross profit (excluding depreciation)	104,138	86,551
Operating expenses	72,785	58,735
Selling, general and administrative expenses	9,766	9,286
Transition expenses	259	455
Depreciation and amortization expense	15,129	11,209
Loss on sales of property and equipment	61	50
Stock compensation expense	450	900
Income from operations	5,688	5,916
Interest expense, net	(10,304)	(8,367)
Loss before income taxes	(4,616)	(2,451)
Benefit for income taxes	(1,637)	(774)
Net (loss)	(2,979)	(1,677)
Less: preferred dividends	(2,691)	(2,362)
Retained (deficit) - beginning of the period	(24,764)	(15,098)
Retained (deficit) - end of the period	$(30,434)	$(19,137)
Earnings per common share (basic and diluted)	$ (6.47)	$ (6.73)

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

TRAVELCENTERS OF AMERICA, INC.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	THREE MONTHS ENDED MARCH 31, 2000	1999
	(IN THOUSANDS OF DOLLARS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)	$ (2,979)	$ (1,677)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	15,129	11,209
Deferred income tax provision	530	(844)
Provision for doubtful accounts	330	330
Provision for stock compensation	450	900
Loss on sales of property and equipment	61	50
Changes in assets and liabilities, adjusted for the effects of business acquisitions:		
Accounts receivable	(12,254)	(10,982)
Inventories	1,754	(2,827)
Other current assets	2,472	(4,646)
Accounts payable	13,137	8,378
Other current liabilities	(9,462)	222
Other, net	(288)	390
Net cash provided by operating activities	8,880	503
CASH FLOWS FROM INVESTING ACTIVITIES:		
Business acquisitions	(8,959)	--
Proceeds from sales of property and equipment	5	--
Capital expenditures	(11,409)	(19,915)
Net cash used in investing activities	(20,363)	(19,915)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Revolving loan borrowings	70,200	--
Revolving loan repayments	(58,100)	--
Long-term debt repayments	(380)	(372)
Issuance of common stock	--	38
Net cash provided by (used in) financing activities	11,720	(334)
Net increase (decrease) in cash	237	(19,746)
Cash at the beginning of the period	18,040	89,200
Cash at the end of the period	$ 18,277	$ 69,454

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

TRAVELCENTERS OF AMERICA, INC.

SELECTED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION AND SUMMARY OF OPERATING STRUCTURE

The Company is a nationwide marketer of truck and auto fuel and related products and services through 160 full-service travel centers in 40 states, primarily operating under the "TravelCenters of America" or "TA" trademarks. Of the network locations at March 31, 2000, the Company owns or leases 150 locations, 28 of which are leased to independent lessee-franchisees ("Operators") of the Company ("Leased Sites"), and 122 of which are operated by the Company ("Company-operated Sites"). Ten locations are owned or leased and operated by independent franchisees ("Franchisee-Owners") of the Company ("Franchisee-Owner Sites"). The Company purchases and resells diesel fuel, gasoline and other travel center products and services to consumers, commercial fleets, operators and independent franchisees; provides fleet credit card and customer information services through its proprietary ACCESS billing system; conducts centralized purchasing programs; creates promotional programs; and, as a franchisor, assists the Operators and Franchisee-Owners in providing service to commercial fleets and the motoring public.

The Company was incorporated on December 2, 1992 as National/Auto Truckstops Holdings Corporation. The Company's name was changed to TravelCenters of America, Inc. in March 1997. In April 1993, the Company acquired (the "National Acquisition") the truckstop network assets (the "National Network") of a subsidiary of Unocal Corporation (together with its subsidiaries "Unocal") and in December 1993 acquired (the "TA Acquisition") the truckstop network assets (the "TA Network") of certain subsidiaries of The British Petroleum Company p.l.c. (together with its subsidiaries "BP"). In December 1998 the Company acquired (the "Burns Acquisition") the truckstop network assets (the "Burns Network") of Burns Bros., Inc., and certain of its affiliates (collectively "Burns"). In June 1999 the Company acquired (the "TPOA Acquisition") Travel Ports of America, Inc. ("TPOA"), which operated a network of truck stops (the "TPOA Network"). See Note 4 for disclosure regarding the TPOA Acquisition.

The consolidated financial statements include the accounts of TravelCenters of America, Inc. and its wholly owned subsidiaries, TA Operating Corporation ("TA"), TA Franchise Systems Inc. ("TAFSI"), National Auto/Truckstops, Inc. ("National"), and TA Licensing, Inc., ("TA Licensing," formerly known as Travel Port Systems, Inc.) and TA Travel, L.L.C., a wholly owned subsidiary of TA. Intercompany accounts and transactions have been eliminated.

The accompanying unaudited, consolidated financial statements as of and for the quarters ended March 31, 2000 and 1999 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, 1999. 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 periods ended March 31, 2000 and 1999, and are not necessarily indicative of the results to be expected for the full year.

2. EARNINGS PER SHARE

A reconciliation of the income and shares used in the computation follows:

	THREE MONTHS ENDED MARCH 31, 2000	THREE MONTHS ENDED MARCH 31, 1999
	(DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	
Net loss	$(2,979)	$(1,677)
Less: Preferred stock dividends	(2,691)	(2,362)
Net loss available to common stockholders ..	(5,670)	(4,039)
Weighted average shares outstanding	877	600
Loss per share	$ (6.47)	$ (6.73)

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, 2000 and 1999.

3. INVENTORIES

Inventories consist of the following:

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS OF DOLLARS)	
Nonfuel merchandise	$49,924	$51,043
Petroleum products	8,374	8,000
Total inventories	$58,298	$59,043

4. TPOA ACQUISITION

Effective June 1, 1999, the Company consummated the TPOA Acquisition by acquiring 100 percent of the common stock of TPOA at a price of $4.30 per share. Under the terms of the related merger agreement and certain ancillary agreements, the Company paid cash of approximately $27,760,000 for all of TPOA's outstanding common shares and common stock equivalents except approximately 653,000 common shares that were exchanged for 85,000 shares of the Company's common stock. In addition, the Company paid cash of approximately $31,007,000 to retire all of TPOA's indebtedness outstanding as of the merger date. TPOA operated a network of 16 travel centers in seven states, primarily in the northeastern U.S., and a single fuel terminal in Pennsylvania. Upon consummation of the acquisition, TPOA was merged into TA.

The total cost of the acquisition was $86,003,000. This was comprised of cash paid to purchase the TPOA stock and repay the TPOA debt of $58,767,000, the value of the 85,000 shares of the Company's common stock issued in exchange for TPOA shares of $2,808,000, liabilities assumed of $22,124,000 and direct costs of the acquisition of $2,304,000. The cost was allocated to the assets and liabilities acquired on the basis of their estimated fair values at the acquisition date, including $27,585,000 of assets other than the property and equipment acquired. The excess of purchase price over the estimated fair values of the net assets acquired, in the amount of $9,907,000, has been recorded as goodwill and is being amortized on a straight-line basis over 15 years. The cash portion of the TPOA Acquisition was initially funded with $30,000,000 of the restricted cash provided by the 1998 Refinancing, $25,000,000 of borrowings under the Company's revolving credit facility and other available cash.

The following unaudited pro forma information presents the results of operations of the Company as if the TPOA Acquisition had taken place on January 1, 1999.

	THREE MONTHS ENDED MARCH 31, 1999 (IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)
Total revenue	$303,886
Gross profit	$101,229
Income from operations	$ 7,147
Net (loss)	$(1,385)
Loss per common share (basic and diluted)	$ (6.25)

These pro forma results of operations have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on January 1, 1999, or that may result in the future.

5. 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 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. 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 at various sites. 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 environmental indemnities obtained as part of the National Acquisition and the TA Acquisition), 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 entered into with those companies as part of the National Acquisition and the TA Acquisition, respectively, and has a reserve of $7,100,000 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

The Company is involved from time to time in various legal and administrative proceedings incidental to the ordinary course of its business. The Company is not now involved in any litigation, individually, or in the aggregate, which could have a material adverse affect on the Company's business, financial condition, results of operations or cash flows.

6. SUPPLEMENTAL CASH FLOW INFORMATION

	THREE MONTHS ENDED MARCH 31, 2000	THREE MONTHS ENDED MARCH 31, 1999
	(IN THOUSANDS OF DOLLARS)	
Cash paid during the period for:		
Interest	$6,375	$4,374
Income taxes (net of refunds)	$1,687	$ 806

During the first quarter of 2000, the Company assumed a note payable for $540,000 as part of the consideration paid in acquiring a full-service travel center and acquired $125,000 of treasury stock in payment of accounts receivable from a former Operator.

7. CONDENSED CONSOLIDATING FINANCIAL STATEMENT SCHEDULES

The following schedules set forth the consolidating balance sheets of the Company as of March 31, 2000 and December 31, 1999 and the consolidating statements of operations and retained earnings (deficit) and of cash flows of the Company for the three months ended March 31, 2000 and 1999. In the following schedules, "Parent Company" refers to the unconsolidated balances of TravelCenters of America, Inc., "Guarantor Subsidiaries" refers to the combined balances of TA, National and TA Licensing, including related intercompany eliminations, and "Nonguarantor Subsidiary" refers to the balances of TAFSI. "Eliminations" represent the adjustments necessary to (a) eliminate intercompany transactions between the Parent Company, the Guarantor Subsidiaries on a combined basis and the Nonguarantor Subsidiary and, (b) eliminate the Company's investments in its subsidiaries. The Guarantor Subsidiaries (TA, National and TA Licensing), 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.

CONDENSED CONSOLIDATING BALANCE SHEET SCHEDULES:

	MARCH 31, 2000				
	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
ASSETS					
Current assets:					
Cash	$ --	$ 18,277	$ --	$ --	$ 18,277
Accounts receivable, net	--	76,986	1,252	--	78,238
Inventories	--	58,298	--	--	58,298
Deferred income taxes	--	4,548	--	--	4,548
Other current assets	3,902	11,937	--	(1,870)	13,969
Total current assets	3,902	170,046	1,252	(1,870)	173,330
Notes receivable, net	1,074	341	--	--	1,415
Property and equipment, net	--	455,473	--	--	455,473
Intangible assets	--	27,611	--	--	27,611
Deferred financing costs	8,064	--	--	--	8,064
Deferred income taxes	879	455	--	--	1,334
Other assets	--	5,924	--	--	5,924
Investment in subsidiaries	115,804	--	--	(115,804)	--
Total assets	$129,723	$659,850	$ 1,252	$(117,674)	$673,151
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 1,446	$ 155	$ --	$ --	$ 1,601
Accounts payable	--	73,977	80	--	74,057
Other accrued liabilities	9,160	49,400	591	(1,870)	57,281
Total current liabilities	10,606	123,532	671	(1,870)	132,939
Long-term debt	413,234	3,404	--	--	416,638
Deferred income taxes	--	1,639	--	--	1,639
Intercompany payable (receivable)	(400,242)	406,708	(6,466)	--	--
Other liabilities	--	17,064	--	--	17,064
Total liabilities	23,598	552,347	(5,795)	(1,870)	568,280
Mandatorily redeemable senior convertible participating preferred stock	82,430	--	--	--	82,430
Other preferred stock, common stock and other stockholders' equity	54,129	84,839	--	(86,093)	52,875
Retained earnings (deficit)	(30,434)	22,664	7,047	(29,711)	(30,434)
	23,695	107,503	7,047	(115,804)	22,441
Total liabilities and stockholders' equity	$129,723	$659,850	$ 1,252	$(117,674)	$673,151

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	DECEMBER 31, 1999				
	(IN THOUSANDS OF DOLLARS)				
Current assets:					
Cash	$ --	$ 18,040	$ --	$ --	$ 18,040
Accounts receivable, net	--	65,344	1,095	--	66,439
Inventories	--	59,043	--	--	59,043
Deferred income taxes	--	4,533	--	--	4,533
Other current assets	278	16,163	--	--	16,441
Total current assets	278	163,123	1,095	--	164,496
Notes receivable, net	1,062	321	--	--	1,383
Property and equipment, net	--	454,093	--	--	454,093
Intangible assets	--	28,792	--	--	28,792
Deferred financing costs	8,411	--	--	--	8,411
Deferred income taxes	880	999	--	--	1,879
Other assets	--	808	--	--	808
Investment in subsidiaries	118,417	--	--	(118,417)	--
Total assets	$ 129,048	$648,136	$ 1,095	$(118,417)	$659,862
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 1,446	$ 155	$ --	$ --	$ 1,601
Accounts payable	--	60,660	260	--	60,920
Other accrued liabilities	6,592	60,043	108	--	66,743
Total current liabilities	8,038	120,858	368	--	129,264
Long-term debt (net of unamortized discount)	401,495	2,874	--	--	404,369
Deferred income taxes	--	1,639	--	--	1,639
Intercompany payable (receivable)	(389,715)	396,370	(6,655)	--	--
Other liabilities	--	16,615	--	--	16,615
Total liabilities	19,818	538,356	(6,287)	--	551,887
Mandatorily redeemable senior convertible participating preferred stock	79,739	--	--	--	79,739
Other preferred stock, common stock and other stockholders' equity	54,255	84,839	--	(86,094)	53,000
Retained earnings (deficit)	(24,764)	24,941	7,382	(32,323)	(24,764)
	29,491	109,780	7,382	(118,417)	28,236
Total liabilities and stockholders' equity	$ 129,048	$648,136	$ 1,095	$(118,417)	$659,862

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

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT) SCHEDULES:

	MARCH 31, 2000				
	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
Revenues:					
Fuel	$ --	$328,203	$ --	$ --	$ 328,203
Nonfuel	--	123,887		--	123,887
Rent and royalties	--	2,988	1,732	--	4,720
Total revenues	--	455,078	1,732	--	456,810
Cost of revenues (excluding depreciation)	--	352,672	--	--	352,672
Gross profit (excluding depreciation)	--	102,406	1,732	--	104,138
Operating expenses	--	71,658	1,127	--	72,785
Selling, general and administrative expenses	200	8,411	1,155	--	9,766
Transition expenses	--	259	--	--	259
Depreciation and amortization expense	356	14,773	--	--	15,129
Loss on sales of property and equipment	--	61	--	--	61
Stock compensation expense	--	450	--	--	450
Income (loss) from operations	(556)	6,794	(550)	--	5,688
Interest expense, net	--	(10,304)	--	--	(10,304)
Equity income (loss)	(2,612)	--	--	2,612	--
Income (loss) before income taxes	(3,168)	(3,510)	(550)	2,612	(4,616)
Provision (benefit) for income taxes	(189)	(1,233)	(215)	--	(1,637)
Net income (loss)	(2,979)	(2,277)	(335)	2,612	(2,979)
Less: preferred dividends	(2,691)	--	--	--	(2,691)
Retained earnings (deficit) - beginning of the period	(24,764)	24,941	7,382	(32,323)	(24,764)
Retained earnings (deficit) - end of the period	$(30,434)	$ 22,664	$7,047	$(29,711)	$ (30,434)

	MARCH 31, 1999				
	PARENT COMPANY	GUARANTOR SUBSIDIARY	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
Revenues:					
Fuel	$ --	$163,458	$ --	$ --	$163,458
Nonfuel	--	99,524	181	--	99,705
Rent and royalties	--	3,407	1,658	--	5,065
Total revenues	--	266,389	1,839	--	268,228
Cost of revenues (excluding depreciation)	--	181,677	--	--	181,677
Gross profit (excluding depreciation)	--	84,712	1,839	--	86,551
Operating expenses	54	58,473	208	--	58,735
Selling, general and administrative expenses	192	8,876	218	--	9,286
Transition expenses	--	455	--	--	455
Depreciation and amortization expense	334	10,875	--	--	11,209
Loss on sales of property and equipment	--	50	--	--	50
Stock compensation expense	--	900	--	--	900
Income (loss) from operations	(580)	5,083	1,413	--	5,916
Interest expense, net	--	(8,367)	--	--	(8,367)
Equity income (loss)	(1,294)	--	--	1,294	--
Income (loss) before income taxes	(1,874)	(3,284)	1,413	1,294	(2,451)
Provision (benefit) for income taxes	(197)	(1,104)	527	--	(774)
Net income (loss)	(1,677)	(2,180)	886	1,294	(1,677)
Less: preferred dividends	(2,362)	--	--	--	(2,362)
Retained earnings (deficit) - beginning of the period	(15,098)	26,607	5,773	(32,380)	(15,098)
Retained earnings (deficit) - end of the period	$(19,137)	$ 24,427	$6,659	$(31,086)	$(19,137)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW SCHEDULES:

	MARCH 31, 2000				
	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (3,699)	$ 12,579	$ --	$ --	$ 8,880
CASH FLOWS FROM INVESTING ACTIVITIES:					
Business acquisitions	--	(8,959)	--	--	(8,959)
Proceeds from sales of property and equipment	--	5	--	--	5
Capital expenditures	--	(11,409)	--	--	(11,409)
Net cash used in investing activities	--	(20,363)	--	--	(20,363)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Revolving loan borrowings	70,200	--	--	--	70,200
Revolving loan repayments	(58,100)	--	--	--	(58,100)
Long-term debt repayments	(362)	(18)	--	--	(380)
Intercompany advances	(8,039)	8,039	--	--	--
Net cash provided by (used in) financing activities	3,699	8,021	--	--	11,720
Net increase in cash	--	237	--	--	237
Cash at the beginning of the period	--	18,040	--	--	18,040
Cash at the end of the period	$ --	$ 18,277	$ --	$ --	$ 18,277

	MARCH 31, 1999				
	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARY	ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS OF DOLLARS)				
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 3,341	$ (2,838)	$ --	$ --	$ 503
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	--	(19,915)	--	--	(19,915)
Net cash used in investing activities	--	(19,915)	--	--	(19,915)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Long-term debt repayments	(361)	(11)	--	--	(372)
Issuance of common stock	38	--	--	--	38
Intercompany advances	(17,415)	17,415	--	--	--
Net cash used in financing activities	(17,738)	17,404	--	--	(334)
Net (decrease) in cash	(14,397)	(5,349)	--	--	(19,746)
Cash at the beginning of the period	59,665	29,535	--	--	89,200
Cash at the end of the period	$ 45,268	$ 24,186	$ --	$ --	$ 69,454

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

The following discussion should be read in conjunction with the unaudited consolidated financial statements and notes to consolidated financial statements included herein, and the audited financial statements and the Management's Discussion and Analysis included with the Company's Form 10-K for the year ended December 31, 1999.

OVERVIEW

The Company is a holding company which, through its wholly-owned subsidiaries, owns, operates and franchises more full-service travel centers in the United States than any of its competitors with 160 network sites nationwide, including 150 Company-owned locations. 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 December 1998, the Company acquired the Burns Network and in June 1999 the Company acquired the TPOA Network. Historically, under the Company's ownership, National operated principally as a fuel wholesaler and franchisor, with relatively few Company-operated sites. 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. In contrast, TA operated principally as an owner-operator of travel centers, as did Burns and TPOA. 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 AND TRANSITION EXPENSES

During the three months ended March 31, 2000, the Company incurred approximately $0.3 million of expenses related to the Combination Plan and integrating acquired sites into the Network, bringing the total of such expenses incurred since inception of the Combination Plan to $23.1 million. These costs, identified as transition expenses in the Company's consolidated financial statements, are expected to total less than $1.0 million in 2000. Generally, these expenses related to, among other things, (i) the costs to convert National Network travel centers to Network travel centers, (ii) the costs to dispose of travel centers or terminate lease or franchise agreements, and (iii) the costs of integrating the management and operations of the National Network, the Burns Network and the TPOA Network into the Network, including relocation, travel, training, and legal expenses. For 2000, the costs primarily relate to finalizing the integration of the TPOA Network sites and the final matters related to the Combination Plan. The Company expects no further transition expense after 2000.

NETWORK COMPOSITION

The change in the number of sites within the Company's network is the most significant factor driving the changes from the prior year in the Company's results of operations. In June 1999, the Company acquired 16 Company-operated Sites in the TPOA Acquisition. During the second half of 1999, the Company sold three Company-operated Sites, sold one Leased Site to the Operator who signed a franchise agreement to brand the site as a Franchisee-owner Site, sold one closed site, closed two Company-operated Sites now held for sale, and opened two newly-constructed Company-operated Sites. During the first quarter of 2000, the Company acquired two new Company-operated sites, converted a Leased Site to a Company-operated Site and converted a Franchisee-owner Site to a Company-operated Site. The following table sets forth the number and type of ownership and management of the travel centers operating in the Company's networks.

	AS OF MARCH 31, 2000	AS OF MARCH 31, 1999	AS OF DECEMBER 31, 1999
Company-owned and operated sites(1)	122	106	118
Company-owned and leased sites	28	30	29
Total Company-owned sites	150	136	147
Franchisee-owner sites	10	10	11
Total	160	146	158

(1) Excludes three closed sites as of March 31, 2000 and December 31, 1999 and two closed sites as of March 31, 1999.

RESULTS OF OPERATIONS
Revenues

The Company's consolidated revenues for the three months ended March 31, 2000 were $456.8 million, which represents an increase from the same period in the prior year of $188.6 million, or 70.3%.

Fuel revenue for the three months ended March 31, 2000 increased by $164.7 million, or 100.7%, over the same period in 1999. The increase is attributable to increases in diesel and gasoline sales volumes as well as an increase in average pump prices. Diesel and gasoline sales volumes increased 4.0% and 20.6%, respectively, between years, due to added volume from the increased number of Network sites and same-site increases of 1.4% for gasoline over the 1999 first quarter, somewhat offset by decreased sales volumes from 1999 on a same-site basis of 11.1% for diesel fuel. The diesel volume decline and relatively slight gasoline increase from 1999 on a same-site basis are attributable to the effects of the sharp rise in commodity prices, which reduced overall demand for fuel. For the quarter ended March 31, 2000, the Company sold 332.8 million gallons of diesel and 18.7 million gallons of gasoline. Average diesel and gasoline sales prices for 2000 increased 93.3% and 63.9% respectively, over 1999. The increase in average retail prices corresponds with increasing crude oil prices and refined products prices throughout 2000 as a result of supply shortages.

Nonfuel revenues in 2000 of $123.9 million reflect an increase of $24.2 million, or 24.2% from 1999. The increase primarily results from the increased number of Company-operated Sites in the Network. Further, on a same-site basis, nonfuel revenue increased 4.9% in 2000 versus 1999, reflecting the effects of the significant capital investments the Company has made in the Network pursuant to the Capital Program.

Rent and royalty revenues for 2000 reflect a $0.4 million or 7.8% decrease from the prior year. This decrease is attributable to the rent and royalty revenue lost as a result of the conversion of one Leased Site to a Franchisee-owner Site in 1999 and the conversions of one Leased Site and one Franchisee-owner Site to Company -operated sites during 2000, somewhat offset by a same-site rent increase of 1.5% and a same-site increase of 0.2% in royalty revenue as a result of improved franchisee sales levels.

Gross Profit

The Company's gross profit for the first quarter of 2000 was $104.1 million, compared to $86.6 million for 1999, an increase of $17.5 million, or 20.2%. The increase in the Company's gross profit was primarily due to increases in nonfuel revenues and fuel margin, partially offset by decreased rent revenue.

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 $14.1 million, or 24.0%, to $72.8 million for the three-month period ended March 31, 2000. These increases reflect the increased number of Company-operated Sites, as well as increased nonfuel sales volume at continuing sites. On a same-site basis, operating expenses as a percentage of nonfuel revenues for the first quarter of 2000 were 56.6%, compared to 57.1% for the 1999 period.

The Company's SG&A for the first quarter increased from $9.3 million in 1999 to $9.8 million in 2000, reflecting increased staffing and other expenses (such as travel, insurance and advertising) to support the Company's growth from the Burns Acquisition and the TPOA Acquisition.

Transition Expenses

Transition expenses for the first quarter of 2000 decreased from $0.5 million in 1999 to $0.3 million in 2000. These costs were incurred integrating the Burns and TPOA sites into the Company's Network. The Company anticipates less than $1.0 million of such costs in 2000.

Depreciation and Amortization Expense

Depreciation and amortization expense for the first quarter of 2000 was $15.1 million, compared to $11.2 million for the same period last year. This increase results from a larger base of depreciable assets in 2000 due to the TPOA Acquisition and continued capital investments pursuant to the Capital Program.

Income (Loss) from Operations

The Company generated income from operations of $5.7 million for the first quarter of 2000, compared to income from operations of $5.9 million for the same period in the prior year. This is the result of an increase in gross profit of $17.5 million, more than offset by an increase in expenses. EBITDA (defined as income from operations plus the sum of (a) depreciation, amortization and other non-cash charges, (b) transition expense and (c) gains or losses from sales of property and equipment) for the Company for the three month period ended March 31, 2000 was $21.6 million, compared to $18.5 million for the same period in the prior year. The increased EBITDA for 2000 is primarily the result of additional Company-operated Sites due to the TPOA Acquisition and incremental nonfuel revenues generated by capital projects.

Interest Expense - Net

Interest expense for the first quarter of 2000 was $1.9 million higher than the same period in the prior year as a result of increased interest rates and the increased debt balance that primarily results from the TPOA Acquisition (discussed in Liquidity and Capital Resources below).

Income taxes

The Company's effective income tax rate for the first quarter of 2000 and 1999 was 35.5% and 31.6%, respectively. These rates differ from the federal statutory rate due primarily to state income taxes and nondeductible expenses, partially offset by the benefit of certain tax credits. The change between years in the effective tax rate is primarily the result of changes in state taxes, net of the federal effect.

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 and expansion.

Net cash provided by operating activities totaled $8.9 million for the first quarter of 2000, compared to $0.5 million for the same period in the prior year. The increase is primarily the result of increased EBITDA and a decline in the cash invested in working capital between years.

Net cash used in investing activities increased to $20.4 million for the first quarter of 2000, up from $19.9 million for the first quarter of 1999. The increase is the result of increased spending for business acquisitions substantially offset by the decreased level of construction activity in 2000 compared to 1999. In 2000, the Company's business acquisitions consisted of the conversion of a Leased Site to a Company-operated Site, the conversion of a Franchisee-Owner Site to a Company-operated Site, the acquisition of two new Company-operated Sites that were not previously part of the Network and a minority investment in a related business. There were no such transactions during the 1999 first quarter. The level of capital spending in 2000 has been reduced as a result of the effect on the Company's expected cash flows of the depressed diesel fuel volume as a result of the sharp increases in commodity prices.

Net cash provided by financing activities was $11.7 million during the first quarter of 2000, while cash used in financing activities in the first quarter of 1999 was $0.3 million. For 2000, the cash was provided by net borrowings, under the Company's revolving credit facility, primarily to fund capital expenditures.

The Company expects to invest approximately $340 million in the Network between 1997 and the end of 2001 (with $248 million of this amount having been spent by March 31, 2000) in connection with the Capital Program to upgrade, rebrand, reimage and increase the number of travel centers. 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 capital expenditures budget for 2000 is approximately $65 million.

The Company anticipates that it will be able to fund its 2000 working capital requirements and capital expenditures primarily from funds generated from operations and asset sales, and, to the extent necessary, from borrowings under its revolving credit 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.

FREIGHTLINER RELATIONSHIP

In July 1999, the Company signed an agreement with Freightliner to enter into the ServicePoint Program. Under the agreement, the Company's truck repair facilities are being added to Freightliner's 24-hour customer assistance center database to be a major referral point for emergency and roadside repairs and also have access to Freightliner's parts distribution, service and technical information systems. The Company believes the ServicePoint Program, which will be implemented at substantially all of the Company's truck repair shops by the end of 2000, will generate an increase in nonfuel revenues in 2000 but will have a larger effect in 2001 and thereafter.

ENVIRONMENTAL MATTERS

The Company owns and operates USTs and ASTs at Company-operated Sites and Leased Sites which must comply with certain statutory and regulatory requirements. 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 entered into with those companies as part of the National Acquisition and the TA Acquisition, respectively, and has a reserve for such matters of $7.1 million as of March 31, 2000. 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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board issued Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), which requires entities to recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Changes in the fair values are required to be recognized in income when they occur, except for derivatives that qualify as hedges. For the Company, adoption of this standard is required for the first quarter of 2000. At this time, the Company has not completed its analysis of the effect on its financial statements of adopting FAS 133. However, as the Company utilizes derivatives on a limited basis and only as hedges of either commodity price risk or interest rate risk, the effect of FAS 133 on the Company's statement of operations is not expected to be material.

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, integrating the Burns and TPOA sites into the Network, and implementing the ServicePoint Program. The forward-looking statements should be considered in light of these factors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to commodity price risk and interest rate risk. The Company's fuel purchase contracts provide for purchase prices based on average market prices for diesel and gasoline, exposing the Company to commodity price risk. The Company mitigates this risk exposure in a few ways, but primarily by maintaining only a few days of inventory on hand and selling a large portion of its fuel volume under "cost plus" pricing formulae, which minimize the effect on the Company's margins of sudden sharp changes in commodity market prices. The Company manages the price exposure related to sales volumes not covered by cost plus arrangements through the use, on a limited basis, of derivative instruments designated by management as hedges of anticipated purchases. The total volume covered by open derivative contracts at any point in time during the three months ended March 31, 2000 was immaterial. The interest rate risk faced by the Company results from the highly-leveraged position of the Company and its level of variable rate indebtedness, the rates for which are based on short-term lending rates, primarily the London Interbank Offered Rate. The Company mitigates this risk through the use of interest rate swap agreements. Regarding the Company's debt obligations with interest rate risk, and the related interest rate swap agreements, there were no material changes from the information provided in the Company's Form 10-K for the year ended December 31, 1999.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved from time to time in various legal and administrative proceedings incidental to the ordinary course of its business. The Company is not now involved in any litigation, individually, or in the aggregate, which could have a material adverse affect on the Company's business, financial condition, results of operations or cash flows.

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.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Exhibit
27	Financial Data Schedule

(b) Reports on Form 8-K

During the first quarter of 2000, 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 15, 2000

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 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	MAR 31 2000
CASH	18,277
SECURITIES	0
RECEIVABLES	81,368
ALLOWANCES	3,130
INVENTORY	58,298
CURRENT ASSETS	173,330
PP&E	455,473
DEPRECIATION	0
TOTAL ASSETS	673,151
CURRENT LIABILITIES	132,939
BONDS	416,638
PREFERRED MANDATORY	82,430
PREFERRED	38
COMMON	17
OTHER SE	22,386
TOTAL LIABILITY AND EQUITY	673,151
SALES	452,090
TOTAL REVENUES	456,810
CGS	352,672
TOTAL COSTS	352,672
OTHER EXPENSES	98,450
LOSS PROVISION	330
INTEREST EXPENSE	10,304
INCOME PRETAX	(4,616)
INCOME TAX	(1,637)
INCOME CONTINUING	(2,979)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(2,979)
EPS BASIC	(6.47)
EPS DILUTED	(6.47)

End of Filing