

TRAVELCENTERS OF AMERICA LLC
Form 10-Q/A
May 12, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

AMENDMENT NO. 1

x

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

For the quarterly period ended September 30, 2007

OR

o

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

Commission File Number 001-33274

TRAVELCENTERS OF AMERICA LLC

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

20-5701514
(I.R.S. Employer Identification No.)

24601 Center Ridge Road, Suite 200, Westlake, OH 44145-5639

(Address of Principal Executive Offices)

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(440) 808-9100

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of Common Shares outstanding at November 12, 2007: 14,152,665 limited liability company interests represented by common shares, no par value.

TRAVELCENTERS OF AMERICA LLC

FORM 10-Q/A

SEPTEMBER 30, 2007

Explanatory Note

Overview

We are filing this Amendment No. 1 to Form 10-Q for the quarterly period ended September 30, 2007 to amend and restate financial statements and other financial information for the three month and eight month periods ended September 30, 2007. During the preparation of our Annual Report on Form 10-K for the year ended December 31, 2007, we discovered an error related to the fact that we had not properly reported in our 2007 quarterly financial statements included in our Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2007, the impact of two elements of our lease of our TA branded sites with Hospitality Properties Trust, or Hospitality Trust. We believe Hospitality Trust's commitment to fund up to \$125 million of capital expenditures at our TA branded sites should have been previously reported as a tenant allowance under U.S. generally accepted accounting principles, or GAAP, and that a portion of our lease rent payments originally recognized as interest expense in the 2007 Quarterly Reports on Form 10-Q should instead have been recognized as a reduction of our capital lease obligation. We have corrected this reporting in this amended Quarterly Report on Form 10-Q/A and the accompanying financial statements. As of March 31, 2008, our management implemented new control procedures to reduce the possibility that our future financial reporting may not reflect GAAP with regard to lease accounting.

In light of this restatement, our previously filed financial statements and other financial information for the quarterly periods ended March 31, June 30 and September 30, 2007, should no longer be relied upon.

Background

In preparing our Annual Report on Form 10-K for the year ended December 31, 2007, we became aware of an error in the application of accounting principles used in connection with the preparation of our audited statements for the year ended December 31, 2007. This related to our accounting for two elements of our lease of our TA branded sites with Hospitality Trust, as noted above. After studying the issue, our management concluded that under applicable GAAP we should have recognized Hospitality Trust's commitment to fund up to \$125 million of capital expenditures at our TA branded sites as a tenant allowance. Additionally, our management determined a portion of our lease rent payments recognized as interest expense should have been recognized as a reduction of our capital lease obligations.

We then recommended to the Audit Committee of the Board of Directors that previously reported financial results for the quarters ended March 31, June 30 and September 30, 2007, be restated to reflect the recognition of the tenant allowance and the adjustment to our capital lease obligation. The Audit Committee discussed and agreed with this recommendation. At a meeting on March 29, 2008, the Board of Directors

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adopted the recommendation of the Audit Committee and determined that previously filed financial statements and other financial information referred to above should not be relied upon. The restatement resulted from a material weakness in internal control, namely, that we did not maintain effective controls over the accuracy of our accounting for certain terms of our leases with Hospitality Trust.

As of March 31, 2008, our management had implemented new control procedures to reduce the possibility that our future financial reporting may not reflect GAAP with regard to lease accounting. As a result of these new procedures we have concluded that we maintain effective control over the accuracy of our accounting for leases as of that date.

Amendments to this Quarterly Report on Form 10-Q

For convenience, this amended Quarterly Report on Form 10-Q/A sets forth the original filing in its entirety, as amended where necessary to reflect the restatement. The following sections of this amended Quarterly Report on Form 10-Q/A have been revised to reflect the restatement:

- Part I, Item 1. Consolidated Financial Statements,
- Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and
- Part 1, Item 4. Controls and Procedures.

Except to the extent relating to the restatement of our financial statements and other financial information described above, the financial statements and other disclosures in this amended Quarterly Report on Form 10-Q/A do not reflect any events that have occurred after the Quarterly Report on Form 10-Q was initially filed on November 13, 2007.

Effects of Restatement

The restatement reflects the appropriate accounting for two elements of our lease of our TA branded sites with Hospitality Trust, as noted above, and also reflects various immaterial adjustments to our opening balance sheet amounts that had been identified subsequent to the original filing. In the aggregate these adjustments increased our total assets, total liabilities and total nonredeemable shareholders' equity as of September 30, 2007 by \$90,775, \$82,687 and \$8,088, respectively, and reduced our net loss for the eight months ended September 30, 2007 by \$8,607. The following tables set forth the effects of the restatement on our previously reported consolidated financial statements as of, and for the eight months ended, September 30, 2007:

	Eight Months Ended September 30, 2007	
	As Previously Reported	Restated
<u>Statement of operations data:</u>		
Total revenues	\$ 4,008,062	\$ 4,006,744
Cost of goods sold (excluding depreciation)	3,463,118	3,463,118
Gross profit (excluding depreciation)	544,944	543,626
Site level operating expenses	361,319	361,173
Selling, general and administrative expenses	70,139	69,621
Real estate rent expense	136,719	132,167
Depreciation and amortization expense	18,879	19,333
Loss from operations	(42,112)	(38,668)
Equity in income of joint venture	737	737
Interest income	8,097	12,161
Interest expense	(10,655)	(9,375)
Benefit for income taxes	(2,911)	(2,730)
Net loss	\$ (41,022)	\$ (32,415)
<u>Statement of cash flows data:</u>		
Cash provided by operating activities	\$ (54,071)	\$ (55,608)
Cash used in investing activities	(85,380)	(99,507)
Cash provided by (used in) financing activities	173,644	168,331
Effect of exchange rate changes on cash	114	114
Net increase (decrease) in cash	\$ 34,307	\$ 13,330

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	September 30, 2007	
	As Previously Reported	Restated
Balance sheet data:		
Cash and cash equivalents	\$ 279,317	\$ 258,340
Restricted cash	37,007	37,007
Restricted investments	266,660	269,085
Accounts receivable	128,427	118,870
Inventories	139,822	138,386
Leasehold improvement receivable		25,000
Other current assets	47,251	50,913
Total current assets	898,484	897,601
Property and equipment, net	304,786	322,225
Goodwill	14,436	15,389
Intangible assets, net	48,297	49,009
Deferred financing costs, net	121	121
Deferred income taxes	531	531
Leasehold improvement receivable		73,130
Other noncurrent assets	18,117	17,541
Total assets	\$ 1,284,772	\$ 1,375,547
Current maturities of long term debt	\$ 266,093	\$ 266,093
Accounts payable	228,922	208,079
Other accrued liabilities	133,160	148,188
Total current liabilities	628,175	622,360
Capital lease obligations	107,620	106,340
Deferred income taxes	1,422	(1,106)
Deferred rental allowance		97,016
Other noncurrent liabilities	48,616	43,910
Total liabilities	785,833	868,520
Nonredeemable shareholders' equity:		
Common shares	538,718	538,718
Accumulated other comprehensive income	1,243	1,243
Additional paid in capital		(519)
Accumulated deficit	(41,022)	(32,415)
Total nonredeemable shareholders' equity	498,939	507,027
Total liabilities and nonredeemable shareholders' equity	\$ 1,284,772	\$ 1,375,547

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As used herein the terms "we", "us", "our" and "TA" include TravelCenters of America LLC and its consolidated subsidiaries unless otherwise expressly stated or the context otherwise requires.

Part I. Financial Information**Item 1. Financial Statements****TravelCenters of America LLC****Consolidated Balance Sheets**

(dollars in thousands, except share amounts)

	Company September 30, 2007 (unaudited) (Restated)	Predecessor December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 258,340	\$ 55,297
Restricted cash	37,007	
Restricted investments	269,085	
Accounts receivable (less allowance for doubtful accounts of \$2,123 as of September 30, 2007 and \$1,344 as of December 31, 2006)	118,870	91,850
Inventories	138,386	90,350
Deferred income taxes		14,806
Leasehold improvement receivable	25,000	
Other current assets	50,913	14,651
Total current assets	897,601	266,954
Property and equipment, net	322,225	653,668
Goodwill	15,389	49,681
Intangible assets, net	49,009	1,907
Deferred financing costs, net	121	15,462
Deferred income taxes	531	438
Leasehold improvement receivable	73,130	
Other noncurrent assets	17,541	7,482
Total assets	\$ 1,375,547	\$ 995,592
Liabilities and Shareholders Equity		
Current liabilities:		
Current maturities of long term debt	\$ 266,093	\$ 7,019
Accounts payable	208,079	121,198
Other current liabilities	148,188	71,278
Total current liabilities	622,360	199,495
Other noncurrent liabilities	43,910	22,594
Long term debt (net of unamortized discount)		668,734
Capital lease obligations	106,340	
Deferred income taxes	(1,106)	15,492
Deferred rental allowance	97,016	
Total liabilities	868,520	906,315
Redeemable equity		13,403

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Commitments and contingencies (Note 14)

Nonredeemable shareholders' equity:

Common shares, no par value, 14,152,665 shares issued and outstanding at September 30, 2007	538,718	
Common shares, par value \$0.00001, 20,000,000 shares authorized, 6,937,003 shares issued and outstanding at December 31, 2006		3
Preferred stock 5,000,000 shares authorized but unissued at December 31, 2006		
Accumulated other comprehensive income	1,243	1,383
Additional paid in capital	(519)	224,565
Accumulated deficit	(32,415)	(150,077)
Total nonredeemable shareholders' equity	507,027	75,874
Total liabilities, redeemable equity and nonredeemable shareholders' equity	\$ 1,375,547	\$ 995,592

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

TravelCenters of America LLC

Unaudited Consolidated Statements of Operations and Comprehensive Income (Loss)

(dollars in thousands, except per share amounts)

	Company Three months ended September 30, 2007 (Restated)	Predecessor Three months Ended September 30, 2006
Revenues:		
Fuel	\$ 1,447,583	\$ 1,064,569
Non fuel	332,102	234,921
Rent and royalties	3,933	2,593
Total revenues	1,783,618	1,302,083
Cost of goods sold (excluding depreciation):		
Fuel	1,392,628	1,017,967
Non fuel	143,088	98,899
Total cost of goods sold (excluding depreciation)	1,535,716	1,116,866
Operating expenses:		
Site level operating	163,287	110,517
Selling, general & administrative	32,597	13,711
Real estate rent	57,908	2,785
Depreciation and amortization	5,976	18,616
Merger related		4,773
Total operating expenses	259,768	150,402
Income (loss) from operations	(11,866)	34,815
Equity in income of joint venture	547	
Interest income	7,043	660
Interest expense	(5,108)	(12,704)
Income (loss) before income taxes	(9,384)	22,771
Provision for income taxes	7,074	8,737
Net income (loss)	\$ (16,458)	\$ 14,034
Other comprehensive income (loss), net of tax:		
Unrealized gain on derivative instruments, (net of taxes of \$0 and \$(165), respectively)		(320)
Foreign currency translation adjustments, (net of taxes of \$132 and \$(4), respectively)	676	(13)
Comprehensive income (loss)	\$ (15,782)	\$ 13,701
Weighted average shares outstanding:		
Basic	13,884	6,937
Diluted	13,884	7,618
Earnings (loss) per common share:		
Basic	\$ (1.19)	\$ 2.02
Diluted	\$ (1.19)	\$ 1.84

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

TravelCenters of America LLC

Unaudited Consolidated Statements of Operations and Comprehensive Income (Loss)

(dollars in thousands, except per share amounts)

	Company Eight months Ended September 30, 2007 (Restated)	Predecessor One month Ended January 31, 2007	Nine months Ended September 30, 2006
Revenues:			
Fuel	\$ 3,266,012	\$ 285,053	\$ 3,010,252
Non fuel	732,371	66,795	660,673
Rent and royalties	8,361	834	7,542
Total revenues	4,006,744	352,682	3,678,467
Cost of goods sold (excluding depreciation):			
Fuel	3,153,507	270,694	2,899,156
Non fuel	309,611	27,478	275,071
Total cost of goods sold (excluding depreciation)	3,463,118	298,172	3,174,227
Operating expenses:			
Site level operating	361,173	36,093	316,999
Selling, general & administrative	69,621	8,892	48,531
Real estate rent	132,167	931	8,063
Depreciation and amortization	19,333	5,786	51,545
Merger related		44,972	4,773
Total operating expenses	582,294	96,674	429,911
Income (loss) from operations	(38,668)	(42,164)	74,329
Other income			1,250
Debt extinguishment expenses		(16,140)	
Equity in income of joint venture	737		
Interest income	12,161	1,131	1,306
Interest expense	(9,375)	(5,345)	(36,322)
Income (loss) before income taxes	(35,145)	(62,518)	40,563
Provision (benefit) for income taxes	(2,730)	(40,470)	15,459
Net income (loss)	\$ (32,415)	\$ (22,048)	\$ 25,104
Other comprehensive income (loss), net of tax:			
Unrealized gain on derivative instruments, (net of taxes of \$0, \$0, and \$(347), respectively)			(673)
Foreign currency translation adjustments, (net of taxes of \$361, \$(47) and \$108, respectively)	1,243	(47)	343
Comprehensive income (loss)	\$ (31,172)	\$ (22,095)	\$ 24,774
Weighted average shares outstanding:			
Basic	10,519	6,937	6,937
Diluted	10,519	6,937	7,562
Earnings (loss) per common share:			
Basic	\$ (3.08)	\$ (3.18)	\$ 3.62
Diluted	\$ (3.08)	\$ (3.18)	\$ 3.32

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

TravelCenters of America LLC

Unaudited Consolidated Statements of Cash Flows

(dollars in thousands)

	Company Eight Months Ended September 30, 2007 (Restated)	Predecessor One Month Ended January 31, 2007	Predecessor Nine Months Ended September 30, 2006
Cash flows from operating activities:			
Net income (loss)	\$ (32,415)	\$ (22,048)	\$ 25,104
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Noncash rent expense	12,428	34	392
Share based compensation expense		4,268	11,946
Depreciation and amortization	19,333	5,786	51,545
Equity in income of joint venture	(737)		
Amortization of deferred financing costs		267	2,348
Debt extinguishment expenses		16,140	
Deferred income tax provision	(2,730)	(33,827)	7,605
Provision for doubtful accounts	446	50	75
Changes in assets and liabilities, net of effect of business acquisitions:			
Accounts receivable	(28,012)	9,112	(15,463)
Inventories	(15,357)	4,779	(599)
Other current assets	(15,477)	(10,452)	443
Accounts payable and other accrued liabilities	924	59,966	27,475
Cash received for leasehold improvements	13,667		
Other, net	(7,678)	5,950	(1,834)
Net cash provided by (used in) operating activities	(55,608)	40,025	109,037
Cash flows from investing activities:			
Acquisitions of businesses	(25,059)		
Proceeds from asset sales	19	35	2,606
Capital expenditures	(75,905)	(7,176)	(56,948)
Proceeds from asset sales to Hospitality Trust	1,438		
Net cash used in investing activities	(99,507)	(7,141)	(54,342)
Cash flows from financing activities:			
Increase (decrease) in checks drawn in excess of bank balances		(8,170)	(3,450)
Proceeds from issuance of common shares, net	205,338		
Long term debt repayments		(54)	(5,255)
Cash deposited to secure letters of credit	(37,007)		
Net cash provided by (used in) financing activities	168,331	(8,224)	(8,705)
Effect of exchange rate changes on cash	114	(7)	28
Net increase (decrease) in cash	13,330	24,653	46,018
Cash and cash equivalents at the beginning of the period	245,010	55,297	47,547
Cash and cash equivalents at the end of the period	\$ 258,340	\$ 79,950	\$ 93,565

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

TravelCenters of America LLC

Notes to Unaudited Consolidated Financial Statements

(dollars in thousands, except per share amounts)

1. Basis of Presentation and Organization.

TravelCenters of America LLC, which we refer to as the Company or we, operates and franchises travel centers under the TravelCenters of America, TA and Petro brands primarily along the U.S. interstate highway system. Our customers include trucking fleets and their drivers, independent truck drivers and motorists.

At September 30, 2007, our geographically diverse business included 234 travel centers in 41 U.S. states and in Canada. As of September 30, 2007, we operated 187 of these travel centers, which we refer to as company operated sites, and our franchisees operated 47 of these travel centers including, 10 travel centers which our franchisees sublease from us and 37 travel centers which our franchisees own.

Our travel centers typically include 20 to 25 acre sites and provide our customers with diesel fuel and gasoline as well as nonfuel products and services such as truck repair and maintenance services, full service restaurants, quick service restaurants, travel and convenience stores and other driver amenities. We also collect rents and franchise royalties from our franchisees.

We were formed as a Delaware limited liability company on October 10, 2006. Our initial capitalization of one dollar was provided by Hospitality Properties Trust, or Hospitality Trust, on our formation date. We were a wholly owned, indirect subsidiary of Hospitality Trust, and until January 31, 2007, we conducted no business activities.

On January 31, 2007, Hospitality Trust acquired Travel Centers of America, Inc. through a merger of a subsidiary of ours with and into TravelCenters of America, Inc., restructured the business of TravelCenters of America, Inc. and distributed our shares to its shareholders in a spin off transaction.

The principal effects of the restructuring were that (i) TravelCenters of America, Inc. became our 100% owned subsidiary, (ii) subsidiaries of Hospitality Trust that we do not own became owners of the real estate at substantially all of the travel centers and certain other assets previously owned by TravelCenters of America, Inc. as of January 31, 2007, (iii) we entered a lease of that real estate and those other assets, which we refer to as the TA Lease, and (iv) all of the outstanding indebtedness of TravelCenters of America, Inc. was repaid in full, which series of transactions we refer to as the HPT Transaction. We retained the balance of the assets previously owned by TravelCenters of America, Inc. and continue their operation.

On May 30, 2007, we acquired Petro Stopping Centers, L.P., or Petro, from Petro Stopping Centers Holdings, L.P., or Petro Holdings (see Note 4). Also on May 30, 2007, Hospitality Trust acquired Petro Holdings, which owned the real estate of 40 Petro travel centers. Simultaneously with Hospitality Trust's acquisition of this real estate, we leased these 40 travel centers from Hospitality Trust. We refer to this lease as the Petro

Lease.

In connection with the HPT Transaction and the Petro acquisition, we accounted for our acquired assets and liabilities at their respective fair values, in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. Accordingly, our balance sheet is not comparable with the historical balance sheet of our predecessor as of December 31, 2006, which is included herein. Similarly, significant differences exist between our statement of operations and comprehensive income (loss) and that of our predecessor. Our results include rent and interest expense related to our leases with Hospitality Trust while our predecessor's results included interest expense related to funded debt, debt extinguishment expense, merger related expenses and a larger depreciation and amortization expense amount.

The accompanying consolidated financial statements are unaudited. These unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles applicable for interim financial statements. Therefore, the notes and disclosures do not include all the information necessary for complete financial statements in accordance with U.S. generally accepted accounting principles. These unaudited interim financial statements should be read in conjunction with the financial statements and notes contained in our predecessor's audited consolidated financial statements as of and for the year ended December 31, 2006. In the opinion of our management, all adjustments, which include only normal recurring adjustments considered necessary for a fair presentation, have been included. Our operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

TravelCenters of America LLC

Notes to Unaudited Consolidated Financial Statements

(dollars in thousands, except per share amounts)

The information contained in this Quarterly Report on Form 10-Q/A should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures About Market Risk and the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission.

2. Recently Issued Accounting Pronouncements.

In June 2006 the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109, or FIN 48. FIN 48 is effective for fiscal years beginning after December 15, 2006. FIN 48 prescribes methods for the financial statement recognition and measurement of tax positions taken or expected to be taken in tax returns. Under this guidance, a benefit can be recognized with respect to a tax position only if it is more likely than not that the position will be sustained upon examination. In such cases, the tax position is to be measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. There was no material impact on our financial statements as a result of our adoption of FIN 48 effective January 1, 2007.

3. HPT Transaction.

The following table summarizes the amounts assigned, based on their fair values, to the assets and liabilities we acquired as a result of the HPT Transaction. The following amounts are preliminary and represent our best estimates of the fair values of the assets and liabilities and therefore are subject to change. See Note 5 for pro forma results of operations data.

	(Restated)
Current assets	\$ 460,417
Property and equipment	231,996
Goodwill	15,390
Intangible assets	23,674
Leasehold improvement receivable	82,733
Other noncurrent assets	9,852
Total assets acquired	824,062
Current liabilities	247,999
Capital lease obligations	107,620
Deferred taxes	1,262
Deferred rental allowance	101,528
Noncurrent liabilities	32,533
Net assets acquired	\$ 333,120

4. Petro Acquisition.

On May 30, 2007, we acquired Petro for approximately \$63,567. In addition, we assumed Petro's outstanding 9% Senior Secured Notes due 2012, or the 9% Notes, with a face amount of \$250,000 and a fair value of \$270,399, which had been defeased. We also paid \$1,230 of direct acquisition costs and accrued certain other liabilities. Also on May 30, 2007, Hospitality Trust acquired the real estate of 40 Petro travel centers, and simultaneously with Hospitality Trust's acquisition of this real estate, we entered the Petro Lease for these 40 locations. We refer to this transaction as the Petro Acquisition.

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TravelCenters of America LLC

Notes to Unaudited Consolidated Financial Statements

(dollars in thousands, except per share amounts)

The assets we acquired in the Petro Acquisition included:

- Two travel centers owned and operated by Petro.
- Two travel centers that Petro leases from third parties other than Hospitality Trust.
- A 40% minority interest in a joint venture which owns a travel center that is managed by Petro.
- Contract rights as franchisor of 24 Petro travel centers.
- Four land parcels which we believe are suitable for development of new travel centers.
- Certain personal property, contract rights and all of the working capital associated with the 44 sites operated by Petro.

The aggregate acquisition cost was \$426,977, which was comprised of the following:

Calculation of acquisition cost for Petro Stopping Centers, L.P.:		
Cash consideration	\$	63,567
Assumed indebtedness defeased at closing		270,399
Other assumed liabilities		101,231
Estimated fees and other direct acquisition costs		1,230
Total acquisition cost	\$	436,427

The following table summarizes the amounts assigned, based on their fair values, to the assets and liabilities acquired in the Petro Acquisition. The following amounts are preliminary and represent our best estimates of the fair values of the assets and liabilities and therefore are subject to change. See Note 5 for pro forma results of operations.

Cash and cash equivalents	\$	42,205
Restricted investments		277,164
Other current assets		54,061
Property and equipment		33,587
Intangible assets		20,136
Other noncurrent assets		9,272
Total assets acquired		436,427
Indebtedness		270,399

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Current liabilities		98,296
Other noncurrent liabilities		2,935
Net assets acquired	\$	64,797

Of the \$20,136 of acquired intangible assets, \$7,906 was assigned to registered trademarks that are not subject to amortization. The remaining \$12,230 of acquired intangible assets is being amortized over a useful life of 20 years.

Simultaneously with our Petro Acquisition and our lease of 40 Petro sites from Hospitality Trust, the 9% Notes were defeased, and these 9% Notes and the related defeasance deposit of restricted investments will cease to be reflected on our balance sheet when these 9% Notes are repaid in February 2008.

TravelCenters of America LLC

Notes to Unaudited Consolidated Financial Statements

(dollars in thousands, except per share amounts)

5. Pro Forma Information.

The following unaudited pro forma information presents our results of operations as if both the HPT Transaction and the Petro Acquisition had occurred at the beginning of the period presented:

	Three months ended		Nine months ended	
	September 30, 2007 (Restated)	September 30, 2006	September 30, 2007 (Restated)	September 30, 2006
Total revenues	\$ 1,783,618	\$ 1,880,597	\$ 5,234,089	\$ 5,352,711
Net income (loss)	\$ (16,458)	\$ 8,076	\$ (79,844)	\$ (4,567)
Income (loss) per common share	\$ (1.19)	\$ 0.92	\$ (7.44)	\$ (0.52)

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 HPT Transaction and the Petro Acquisition occurred at the beginning of the periods presented, or that may result in the future. The pro forma net loss for the nine months ended September 30, 2007, reflected \$66,554 of merger related expenses, \$16,662 of debt extinguishment expenses and \$4,268 of share based compensation expense, each incurred by our predecessor or Petro as a result of the HPT Transaction or the Petro Acquisition, and \$15,251 of expenses related to employee retention and separation payments. We do not include motor fuel taxes in our fuel revenues and fuel cost of sales; however prior to the Petro Acquisition, Petro included motor fuel taxes in its fuel revenues and fuel cost of sales. These amounts, for periods prior to May 30, 2007, have not been removed from Petro's reported revenues. For the nine months ended September 30, 2007, the total revenue presented above includes \$130,240 of motor fuel taxes that were also included in fuel cost of sales. For the three months ended September 30, 2006, the total revenue presented above includes \$77,971 of motor fuel taxes that were also included in fuel cost of sales. For the nine months ended September 30, 2006 the total revenue presented above includes \$237,490 of motor fuel taxes that were also included in fuel cost of sales.

6. Earnings Per Share.

During the quarter ended September 30, 2007, we issued 5,335,090 common shares for net proceeds of \$205,338 after underwriter discounts and commissions and other costs of the offering. These proceeds will be used for general business purposes, including funding expansion activities. We also issued 9,000 common shares under our equity incentive plan (see Note 13).

The following table reconciles our predecessor's basic earnings per common share to diluted earnings per common share. The assumed exercise of our predecessor's stock options and warrants would have had an anti-dilutive effect on loss per common share for the one month period ended January 31, 2007. Our unvested common share grants had an anti-dilutive effect on our loss per common share for the three months and eight months ended September 30, 2007.

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	One month ended January 31, 2007	Predecessor Three months ended September 30, 2006	Nine months ended September 30, 2006
	(share amounts in thousands)		
Determination of shares:			
Weighted average common shares outstanding	6,937	6,937	6,937
Shares attributable to the assumed exercise of our predecessor s outstanding stock options	n/a	404	348
Shares attributable to the assumed exercise of our predecessor s outstanding warrants	n/a	277	277
Diluted weighted average common shares outstanding	6,937	7,618	7,562
Basic earnings (loss) per common share	\$ (3.18)	\$ 2.02	\$ 3.62
Diluted earnings (loss) per common share	\$ (3.18)	\$ 1.84	\$ 3.32

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(dollars in thousands, except per share amounts)

7. Inventories.

Inventories consisted of the following:

	Company September 30, 2007 (Restated)	Predecessor December 31, 2006
Non-fuel merchandise	\$ 101,214	\$ 71,820
Fuel	37,172	18,530
Total inventories	\$ 138,386	\$ 90,350

8. Property and Equipment.

Property and equipment we acquired as a result of the HPT Transaction and Petro Acquisition was recorded based on the fair market values as of the date of those transactions. All other property and equipment is recorded at cost. We depreciate our property and equipment on a straight line basis over the following estimated useful lives of the assets:

Building and site improvements	15-40 years
Machinery and equipment	3-15 years
Furniture and fixtures	5-10 years

We are obligated to remove underground storage tanks and certain other assets at some sites we lease. We evaluate our asset retirement obligations based on estimated tank useful lives, internal and external estimates as to the cost to remove the tanks and related obligations in the future, and regulatory or contractual requirements. We recognized an asset retirement obligation as of January 31, 2007, of \$10,197, and we recorded an additional liability related to underground storage tanks of \$2,935 as a result of the Petro Acquisition on May 30, 2007. The asset retirement obligation, which is included within other noncurrent liabilities in our consolidated balance sheet, was \$13,759 at September 30, 2007.

9. Goodwill and Intangible Assets.

Acquired goodwill and intangible assets are recorded based on their fair market values as of their acquisition dates or at the excess of amounts paid to a seller over the fair value of identifiable assets acquired less liabilities assumed. We amortize certain intangible assets over periods generally ranging from five to 20 years.

10. Indebtedness.

Simultaneously with our Petro Acquisition, Petro and Hospitality Trust covenant defeased all of Petro's 9% Notes, made arrangements to call Petro's 9% Notes as of February 15, 2008, and deposited with the trustee for the 9% Notes U.S. Treasury obligations sufficient to effect the covenant defeasance, to pay all of the interest that will accrue on the 9% Notes until the redemption date and to pay the full amount of the 9% Notes, including the redemption premium, on the redemption date of February 15, 2008. On September 30, 2007, \$250,000 in principal amount of the 9% Notes was outstanding. The 9% Notes are our obligations and are expected to remain so until the redemption date, and are included on our balance sheet as of September 30, 2007, at their estimated fair value of \$266,093, which includes the redemption premium. The U.S. Treasury obligations and related interest receipts are expected to remain restricted investments of ours until exhausted by the payment in full of the interest, principal and redemption amounts of the 9% Notes as these amounts are paid.

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11. Leasing Transactions.

Our leases with Hospitality Trust are triple net leases, which require us to pay all costs incurred in the operation of the leased travel centers, including personnel, utilities, inventories, services to customers, repairs and maintenance, insurance, real estate and personal property taxes and ground lease payments. The TA Lease expires on December 31, 2022, and minimum rent increases annually during the first five years of the lease term as shown in the table below and may increase if Hospitality Trust funds or reimburses the cost in excess of \$125,000 (see below) for improvements to the leased TA travel centers. The Petro Lease expires on June 30, 2024, subject to extension by us for all but not less than all of the leased Petro travel centers for up to two additional periods of 15 years each, and requires minimum annual rent of \$62,225. Starting in 2012 and 2013, respectively, the TA Lease and Petro Lease require us to pay Hospitality Trust additional rent equal to 3% of increases in nonfuel gross revenues and 0.3% of increases in gross fuel revenues at the leased travel centers over a base amount. The increase in percentage rent attributable to fuel revenues is subject to a maximum each year calculated by reference to changes in the consumer price index.

The TA Lease requires us to pay minimum rent to Hospitality Trust as follows:

Lease Year	Annual Rent
February 1, 2007 through January 31, 2008	\$ 153,500
February 1, 2008 through January 31, 2009	\$ 157,000
February 1, 2009 through January 31, 2010	\$ 161,000
February 1, 2010 through January 31, 2011	\$ 165,000
February 1, 2011 through January 31, 2012	\$ 170,000
February 1, 2012 and thereafter	\$ 175,000

Although the future minimum lease payments under the TA Lease are scheduled to increase over time, we are required, under generally accepted accounting principles, to recognize the expense related to these payments in equal annual amounts for the term of the lease, or \$170,696 per year. There are no scheduled minimum rent increases under the Petro Lease.

Hospitality Trust has agreed to provide up to \$25,000 of funding annually for the first five years of the TA Lease for improvements to the leased TA travel centers. There will not be any adjustment in our minimum rent as Hospitality Trust funds these amounts. All improvements funded by Hospitality Trust will be owned by Hospitality Trust. We may request that Hospitality Trust fund amounts in excess of the \$25,000 annually referred to above in return for minimum rent increases according to formulas. As of September 30, 2007, Hospitality Trust has funded \$14,127 under the TA Lease and we have sold \$1,438 of additional improvements to Hospitality Trust for an increase in annual rent of \$122.

The HPT Transaction required us to evaluate our TA Lease with Hospitality Trust under Statement of Financial Accounting Standards No. 98, or FAS 98. Under FAS 98, thirteen of the travel centers owned by our predecessor that we now lease from Hospitality Trust did not qualify for operating lease treatment because more than a minor portion of those travel centers is subleased to third parties and one travel center did not qualify for operating lease treatment for other reasons. Accordingly, we recorded the leased assets at these travel centers at an amount equal to

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Hospitality Trust's recorded initial carrying amount, which was equal to their fair values, and have an equal amount of liability that is presented as capital lease obligations in our consolidated balance sheet. Rent payments related to these assets are recognized as interest expense in our consolidated statement of operations and comprehensive income (loss).

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The following table summarizes the various amounts related to the leases with Hospitality Trust and other real estate leases that are reflected in our operating results:

	Three months ended September 30, 2007 (Restated)	Eight months ended September 30, 2007 (Restated)
Minimum base rent (TA Lease cash payments)	\$ 38,374	\$ 102,331
Minimum base rent (Petro Lease cash payments)	15,556	21,087
Required straight line rent adjustment (TA Lease)	4,299	11,464
Total rent to Hospitality Trust	58,229	134,882
Less amount recognized as interest	(2,402)	(6,404)
Less capital lease amortization	(480)	(1,281)
Less leasehold improvement obligation amortization	(1,691)	(4,513)
Rent to Hospitality Trust recognized as rent expense	55,656	122,684
Other real estate lease rent	4,252	9,483
Total real estate lease rent	\$ 57,908	\$ 132,167

12. Related Party Transactions.

We were formerly a 100% subsidiary of Hospitality Trust and Hospitality Trust is our principal landlord. For the three months and eight months ended September 30, 2007, we recognized expense of \$58,229 and \$134,882 under our leases with Hospitality Trust. At September 30, 2007, other accrued liabilities on our consolidated balance sheet included \$5,531 for rent due to Hospitality Trust.

We are party to a management and shared services agreement with Reit Management & Research LLC, or Reit Management, whereby Reit Management oversees and assists us with various aspects of our business, which may include, but are not limited to, compliance with various laws and rules applicable to our status as a publicly owned company, maintenance of our travel centers, site selection for properties on which new travel centers may be developed, identification of, and purchase negotiation for, travel centers and travel center companies, accounting and financial reporting, capital markets and financing activities, investor relations and general oversight of all our daily business activities, including legal matters, human resources, insurance programs, management information systems and the like. For these services, we pay Reit Management a fee equal to 0.6% of our fuel gross margin and of our total nonfuel revenues. The fee is payable monthly based upon the prior month's margin and revenues. For the three months and eight months ended September 30, 2007, we recognized expense of \$2,339 and \$5,049, respectively, under this agreement.

We have a 40% joint venture interest in Petro Travel Plaza LLC, which owns one travel center that we operate under a management agreement. This investment is accounted for under the equity method. Included in our results for the three months and eight months ended September 30, 2007, was management fee income of \$97 and \$129, respectively. At September 30, 2007, we had a receivable from and a payable to Petro Travel Plaza LLC of \$1,474 and \$1,604, respectively.

13. Equity Incentive Plans.

We have an equity incentive plan, or the Plan, for which 2,000,000 common shares have been reserved for awards. At September 30, 2007, 9,000 common shares had been awarded under the Plan. Shares awarded to directors vest immediately. Other shares awarded under the plan may vest on schedules set by our board of directors.

For the eight months ended September 30, 2007, the share based compensation expense recognized in connection with the vested portion of our common share awards was \$260. This expense is included within selling, general and administrative expenses in our consolidated statement of operations and comprehensive income (loss). We will recognize compensation expense for unvested shares as they vest in future periods.

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Our predecessor had a stock option plan that we did not assume. All 939,375 options that were outstanding under our predecessor's stock option plan as of December 31, 2006 were cancelled as part of the HPT Transaction on January 31, 2007. Our predecessor recognized share based compensation expense of \$4,268 in January 2007 when its outstanding options vested as a result of the HPT Transaction. Our predecessor recognized shared based compensation expense of \$11,946 related to their option plan for the nine months ended September 30, 2006. This expense is included within selling, general and administrative expenses in our predecessor's consolidated statement of operations and comprehensive income (loss).

14. Commitments and Contingencies.

Commitments

As of September 30, 2007, we had five properties under contract for purchase for an aggregate of \$23,000. Three of these properties are operating travel centers and two are undeveloped properties on which we intend to build new travel centers. We completed our acquisition of one of the operating properties and one of the undeveloped properties in November 2007. We expect two of the remaining acquisitions to close during the fourth quarter of 2007, and one to close in the first quarter of 2008. We expect to make improvements at these five sites with an aggregate cost of approximately \$40,000. These three potential acquisitions are subject to completion of diligence and other customary conditions; because of these contingencies we can provide no assurances that we will purchase the properties.

Guarantees

In the normal course of business, we periodically enter agreements that contain guarantees or indemnification provisions. While the maximum amount to which we may be exposed under such agreements cannot be estimated, we do not believe that any potential guaranty or indemnification will have a material adverse effect on our consolidated financial position or result of operations. We offer a warranty of our workmanship in our truck repair shops, but the annual warranty expense and corresponding liability are not material to us.

Environmental Matters

Our operations and properties are extensively regulated by environmental laws and regulations, or Environmental Laws, that (i) govern operations that may have adverse environmental effects, such as discharges to air, soil and water, as well as the management of petroleum products and other hazardous substances, or Hazardous Substances, or (ii) impose liability for the costs of cleaning up sites affected by, and for damages resulting from, disposal or other releases of Hazardous Substances. We use underground and above ground storage tanks to store petroleum products and waste at our travel centers. We must comply with requirements of Environmental Laws regarding tank construction,

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integrity testing, leak detection and monitoring, overfill and spill control, contaminant release reporting, financial assurance and corrective action in case of a release from a storage tank into the environment. At some locations, we must also comply with Environmental Laws relating to vapor recovery and discharges to water.

We have received notices of alleged violations of Environmental Laws, or are aware of the need to undertake corrective actions to comply with Environmental Laws, at travel centers in a number of jurisdictions. We do not expect that financial penalties associated with these alleged violations, or compliance costs incurred in connection with corrective actions, will be material to our results of operations or financial condition. We are conducting investigatory and/or remedial actions with respect to releases of Hazardous Substances at a number of our sites. While we cannot precisely estimate the costs we may incur in connection with the remediation of these properties, based on our current knowledge, we do not expect that the costs to be incurred at these sites will be material to our financial condition, results of operations or cash flows.

Under certain environmental agreements entered into as part of our predecessor's acquisition of travel centers, predecessor owners of certain of our sites are required to indemnify us for certain environmental conditions. Certain of our remediation expenditures may be recovered from state government administered tank funds. In addition, we have obtained insurance of up to \$35,000 for environmental liabilities at certain of our travel centers that were known at the time the policies were issued, and up to \$60,000 for unknown environmental liabilities, subject, in each case, to certain limitations and deductibles. At September 30, 2007, we had reserves for

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environmental matters of \$11,509, as well as a receivable for expected recoveries of certain of these estimated future expenditures and cash in an escrow account to fund certain of these estimated future expenditures, leaving an estimated net amount of \$4,019 to be funded from future operating cash flows. While it is not possible to quantify with certainty our environmental exposure, in our opinion, based upon the information now known to us, our potential liability in excess of the reserves we have recorded will not have a material adverse effect on our financial condition, results of operations or cash flows.

While the costs of our environmental compliance in the past have not had a material adverse impact on us, it is impossible to predict the ultimate effect changing circumstances and changing Environmental Laws may have on us in the future. We cannot be certain that additional contamination presently unknown to us does not exist at our sites, or that material liability will not be imposed on us 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, and such costs could have a material adverse effect on us.

Pending Litigation

We are involved from time to time in various legal and administrative proceedings and threatened legal and administrative proceedings incidental to the ordinary course of our business. Other than as described below, we believe that we are not now involved in any litigation, individually or in the aggregate, which could have a material adverse affect on our business, financial condition, results of operations or cash flows.

On February 27, 2006, Flying J, Inc. and certain of its affiliates, or Flying J, filed a lawsuit against us and Pilot Travel Centers, LLC and certain of its affiliates, or Pilot, in the U.S. District Court for the District of Utah. Flying J and Pilot are competitors of ours. Flying J also markets a fuel purchasing credit card to trucking companies. The Flying J lawsuit claims, in essence, that we and Pilot have refused to accept the Flying J fuel card, and that such refusal was the result of unlawful concerted action. Flying J is seeking, among other things, an injunction requiring us and Pilot to accept the Flying J fuel card and damages. We believe that there are substantial factual and legal defenses to Flying J's claims. This case is at an early stage and we cannot estimate our ultimate exposure to loss or liability, if any, related to this litigation. However, like most complex antitrust litigation, the costs of this continuing defense are likely to be substantial.

Beginning in mid December 2006, and continuing to the present, a series of class action lawsuits have been filed against numerous companies in the petroleum industry, including us, in United States District Courts in over 20 states. Major petroleum companies and significant fuel retailers have been named as defendants in one or more of these lawsuits. The plaintiffs in these lawsuits generally allege that they purchased motor fuel that was greater than 60 degrees Fahrenheit at the time of sale. There are two primary theories upon which the plaintiffs seek recovery in these cases. The first theory alleges that the plaintiffs purchased smaller quantities of motor fuel than the amount for which defendants charged them because the defendants measured the amount of motor fuel they delivered in gallons that, at higher temperatures, contain less energy. These cases seek, among other relief, an order requiring the defendants to install temperature related equipment on retail fuel dispensing devices, damages and attorneys' fees. The second theory alleges that fuel taxes are calculated in temperature adjusted to 60 degree gallons and are collected by the government from suppliers and wholesalers, who are reimbursed in the amount of the tax by the defendant retailers before the fuel is sold to consumers. The tax cases allege that when the fuel is subsequently sold to consumers at temperatures above 60 degrees, the defendant retailers sell a greater volume of fuel than the amount on which they paid tax, and therefore reap a windfall because the customers pay

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more tax than the retailer paid. The tax cases seek, among other relief, recovery of excess taxes paid and punitive damages. We believe that there are substantial factual and legal defenses to the theories alleged in these lawsuits. These cases have been consolidated for pretrial purposes in the United States District Court for the District of Kansas pursuant to multi district litigation procedures. These cases are at an early stage and we cannot estimate our ultimate liability, if any, related to these lawsuits, nor the costs of their defense, at this time.

On November 3, 2006, Great American Insurance Company of New York and Novartis Pharmaceuticals Corporation, or Novartis, filed a complaint in the United States District Court for the Southern District of New York against our predecessor and a trucking company, Prime, Inc., in connection with the alleged theft of a tractor trailer operated by Prime which contained Novartis' s pharmaceutical products. The theft allegedly occurred at one of our travel centers. Novartis seeks damages up to or exceeding \$30,000 together with interest, litigation costs and

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attorneys' fees. On January 5, 2007, our predecessor answered Novartis' complaint and asserted a cross claim for contribution and indemnification against Prime. We believe that there are substantial defenses to this claim and that any liability arising from this matter may be covered by one or more of our existing insurance policies.

On May 2, 2007, a class action lawsuit was filed against us in the United States District Court for the Northern District of Indiana. The complaint alleges violation of a provision of the Federal Fair and Accurate Transactions Act which limits certain credit and debit card information that may appear on electronically printed receipts provided to cardholders. The plaintiff purports to represent a class of all persons provided with electronically printed receipts for transactions occurring at our travel centers in Indiana after December 4, 2006 which receipts allegedly violate the Federal Fair and Accurate Transactions Act. The complaint seeks damages of one hundred dollars to one thousand dollars per violation, attorneys' fees, litigation expenses and costs. This case is at an early stage and we cannot estimate our ultimate liability, if any, related to this lawsuit, nor the costs of its defense, at this time.

15. Income Taxes.

The provision (benefit) for income taxes was as follows:

	Company			Predecessor	
	Three Months Ended September, 2007 (Restated)	Eight Months Ended September, 2007 (Restated)	One Month Ended January, 2007	Three Months Ended September, 2006	Nine Months Ended September, 2006
Current tax provision (benefit):					
Federal	\$ 7,470	\$	\$ (6,750)	\$ 6,660	\$ 6,600
State	1,480		107	623	1,254
Foreign					
	8,950		(6,643)	7,223	7,854
Deferred tax provision (benefit):					
Federal	(10,931)	(11,901)	(31,380)	1,045	7,167
State	(1,452)	(1,336)	(2,432)	559	528
Foreign			(15)	(90)	(90)
	(12,383)	(13,237)	(33,827)	1,514	7,605
Tax provision (benefit)	(3,433)	(13,237)	(40,470)	8,737	15,459
Valuation allowance	10,507	10,507			
Net tax provision (benefit)	\$ 7,074	\$ (2,730)	\$ (40,470)	\$ 8,737	\$ 15,459

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Because of our short history and recent operating losses, we have recorded a valuation allowance to account for our anticipated net operating loss, which will be carried forward and available to offset future taxable income. We will, however, continue to assess our ability to generate sufficient taxable income during future periods in which these tax losses may be realized.

Our effective tax rate for the three months and eight months ended September 30, 2007 was a provision of 75.4% and a benefit of 7.8%, respectively, which differed from statutory rates primarily because we established a valuation allowance and partially due to state income taxes net of the federal tax effect. Our predecessor's effective tax rates for the one month ended January 31, 2007 and the nine months ended September 30, 2006 were a benefit of 64.7% and a provision of 38.1%, respectively. Our predecessor's rate for the one month ended January 31, 2007 differed from the statutory rate primarily due to deductibility for tax purposes of expenses related to stock options that were not expensed for financial reporting purposes, partially offset by certain merger related expenses recognized in the financial statements which were not deductible for income tax purposes. Our predecessor's rate for the nine months ended September 30, 2006, differed from the statutory rate primarily due to state income taxes, net of the federal tax effect. The differences in the effective tax rates among these periods primarily resulted from

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the effects of the HPT Transaction on our predecessor's results for the one month ended January 31, 2007. These tax attributes, such as net operating losses and tax credits, were transferred to Hospitality Trust in connection with the HPT Transaction.

16. Supplemental Cash Flow Information.

	Company Eight Months Ended September 30, 2007 (Restated)	One Month Ended January 31, 2007	Predecessor Nine Months Ended September 30, 2006
Supplemental disclosure of cash flow information:			
Interest paid (net of capitalized interest)	\$ 362	\$ 4,373	\$ 32,179
Income taxes paid (net of refunds)	\$ 6,541	\$ 71	\$ 740
Noncash investing and financing activities:			
Issuance of common shares	\$ 260	\$	\$

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We were formed in October 2006 as a Delaware limited liability company and a 100% owned subsidiary of Hospitality Trust to succeed to the operating business of our predecessor. Until January 31, 2007, we had no activities. When Hospitality Trust acquired our predecessor on January 31, 2007, it caused us to acquire the operating business of our predecessor, it recapitalized us and then distributed our shares to Hospitality Trust shareholders.

Because of the restructuring and spin off, which we refer to collectively as the HPT Transaction, the historical financial information of our predecessor is not comparable to our present business or indicative of our future financial position, results of operations or cash flows. You should read the following discussion in conjunction with the financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q/A and our Annual Report on Form 10-K for the year ended December 31, 2006. This discussion contains forward looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward looking statements for many reasons, including the risks described in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2006.

Our revenues and income are potentially subject to material changes as a result of the market prices of diesel fuel and gasoline, as well as the availability of these products. These factors are subject to the worldwide petroleum products supply chain, which historically has experienced shocks as a result of, among other things, severe weather, political crises, wars and other military actions and variations in demand. Over the past few years there has been a significant increase in the cost of diesel fuel and gasoline as crude oil demand increased due to economic growth in certain regions of the world such as India and China and as events such as Hurricane Katrina affected the supply of petroleum products. Recently, the cost of crude oil has continued to increase, recently exceeding \$95 per barrel. These significant increases can usually be passed on to our customers, but volatility in the crude oil and refined products markets has sometimes resulted in short term negative or positive effects on our operating results. We expect that the petroleum products markets may continue to be volatile and that prices for petroleum products will remain at historically high levels for the foreseeable future. While we at times may experience product availability shortages in certain areas, we do not expect these occasional supply disruptions will have a material effect on our results of operations.

Quarterly Business Update

For the three months ended September 30, 2007, our results showed significant differences as compared to the results of our predecessor for the comparable period of 2006, most of which were due to our acquisition of Petro on May 30, 2007. The acquisition of Petro accounted for a 35.6% increase in our fuel revenue, a 34.0% increase in fuel gross margin, a 37.9% increase in nonfuel revenue, a 35.6% increase in non fuel gross margin, a 35.2% increase in total gross margin and a 40.3% increase in site level operating expenses.

Operating results in our industry for the three months ended September 30, 2007, were adversely affected by slowing economic growth in the United States generally and, in particular, within the trucking industry. We believe that the relative weakness of the U.S. economy, the slowing in the housing market and durable goods orders, and the historically high cost of crude oil, among other factors, have led to reduced demand by shippers for trucks to carry freight. As a result, total miles driven by trucks were down for the third quarter as compared to the prior year quarter. The decline in miles driven by our trucking customers resulted in greater competition within our industry for the fueling customer. Market forces drove diesel and gasoline prices steadily upward throughout the 2007 third quarter; this tends also to reduce demand and to compress our operating financial margins over time. Many U.S. trucking fleets are reporting some reduced ability to pass through the increased

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cost of fuel to their customers, which has focused the attention of our fleet customers on the cost of fuel and further compressed fuel margins. These negative pressures in the market had an adverse effect on our results for the third quarter and may continue to affect us.

Changes in the Number of Our Travel Centers

The changes in the number of our travel centers and in their method of operation (company operated, franchisee leased and operated or franchisee owned and operated) are factors which affect our results of operations. The following table summarizes these changes in our business from December 31, 2005 through September 30, 2007.

	Company Operated	Franchisee Leased and Operated	Franchisee Owned and Operated	Total
Number of travel centers at December 31, 2005	139	10	11	160
January - September 2006 Activity:				
New travel centers			2	2
Number of travel centers at September 30, 2006	139	10	13	162
October - December 2006 Activity:				
New travel centers	1			1
Number of travel centers at December 31, 2006	140	10	13	163
January - September 2007 Activity:				
Acquisition of franchisee travel center	1		(1)	
Petro acquisition	45		24	69
New travel centers	2		1	3
Closed travel center	(1)			(1)
Number of travel centers at September 30, 2007	187	10	37	234

Historical Results of Operations***Relevance of Fuel Revenues and Fuel Volumes***

Due to market pricing of commodity fuel products and our pricing arrangements with fuel customers, we do not consider fuel revenue to be a particularly reliable measure for analyzing our results of operations or our predecessor's results of operations from period to period. As a result solely of changes in petroleum products market prices, our fuel revenue may increase or decrease significantly versus our or our predecessor's historical results of operations, in both absolute amounts and on a percentage basis, without a comparable change in fuel sales volumes or in gross profit per gallon. We consider fuel volumes to be a better measure of comparative performance than fuel revenues.

Three months ended September 30, 2007 compared to September 30, 2006

The amounts in the following table for the three months ended September 30, 2007 include the results of Petro.

(dollars in thousands)	Company Three months ended September 2007 (Restated)	Predecessor Three months ended September 2006	Change (Restated)
Revenues:			
Fuel	\$ 1,447,583	\$ 1,064,569	\$ 383,014
Non fuel	332,102	234,921	97,181
Rent and royalties	3,933	2,593	1,340
Total revenues	1,783,618	1,302,083	481,535
Cost of goods sold (excluding depreciation):			
Fuel	1,392,628	1,017,967	374,661
Non fuel	143,088	98,899	44,189
Total cost of goods sold (excluding depreciation)	1,535,716	1,116,866	418,850
Operating expenses:			
Site level operating	163,287	110,517	52,770
Selling, general & administrative	32,597	13,711	18,886
Real estate lease rent	57,908	2,785	55,123
Depreciation and amortization	5,976	18,616	(12,640)
Merger related		4,773	(4,773)
Total operating expenses, net	259,768	150,402	109,366
Income (loss) from operations	\$ (11,866)	\$ 34,815	\$ (46,681)
Equity in income of joint venture	547		547
Interest income	7,043	660	6,383
Interest expense	(5,108)	(12,704)	7,596
Income (loss) before income taxes	(9,384)	22,771	(32,155)
Provision (benefit) for income taxes	7,074	8,737	(1,663)
Net income (loss)	\$ (16,458)	\$ 14,034	\$ (30,492)

Same Site Comparisons. A travel center is included in the following same site comparisons only if it was continuously operated by us or our predecessor from July 1, 2006 through September 30, 2007 or, in the case of rent revenues and royalty revenues, by a franchisee of ours or our predecessor for the entire period. Travel centers are not excluded from the same site comparisons as a result of expansions in their size or in the services offered. The following table excludes Petro travel centers because they were not operated by us or our predecessor prior to May 30, 2007.

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Three months ended September 30,
Company **Predecessor**
2007 **2006**
(gallons and dollars in thousands) **Change**

Number of company operated travel centers	137	137	
Number of franchisee operated travel centers	21	21	