

TRAVELCENTERS OF AMERICA LLC
Form 10-Q
May 07, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 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, 2013

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

20-5701514

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(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

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

(Address of Principal Executive Offices)

(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 May 3, 2013: 29,533,451 common shares.

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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.

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(in thousands, except share data)

	March 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 135,964	\$ 35,189
Accounts receivable (less allowance for doubtful accounts of \$1,672 as of March 31, 2013, and \$1,516 as of December 31, 2012)	168,114	106,273
Inventories	188,503	191,006
Other current assets	60,981	61,020
Total current assets	553,562	393,488
Property and equipment, net	576,492	576,512
Goodwill and intangible assets, net	22,364	20,041
Other noncurrent assets	32,613	28,240
Total assets	\$ 1,185,031	\$ 1,018,281
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 194,349	\$ 143,605
Current HPT Leases liabilities	29,612	28,354
Other current liabilities	130,615	111,168
Total current liabilities	354,576	283,127
Noncurrent HPT Leases liabilities	348,153	351,135
Senior Notes due 2028	110,000	
Other noncurrent liabilities	30,369	30,585
Total liabilities	843,098	664,847
Commitments and contingencies		
Shareholders equity:		
Common shares, no par value, 31,683,666 shares authorized at March 31, 2013, and December 31, 2012, and 29,535,851 and 29,536,466 shares issued and outstanding at March 31, 2013, and December 31, 2012, respectively	605,878	605,106
Accumulated other comprehensive income	1,165	1,299
Accumulated deficit	(265,110)	(252,971)
Total shareholders equity	341,933	353,434

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Total liabilities and shareholders' equity	\$	1,185,031	\$	1,018,281
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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TravelCenters of America LLC

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

(in thousands, except per share data)

	Three Months Ended March 31,	
	2013	2012
Revenues:		
Fuel	\$ 1,625,107	\$ 1,683,193
Nonfuel	329,194	308,154
Rent and royalties	3,050	3,522
Total revenues	1,957,351	1,994,869
Cost of goods sold (excluding depreciation):		
Fuel	1,548,179	1,614,747
Nonfuel	145,365	136,770
Total cost of goods sold (excluding depreciation)	1,693,544	1,751,517
Operating expenses:		
Site level operating	183,933	170,137
Selling, general & administrative	23,227	23,167
Real estate rent	51,884	49,498
Depreciation and amortization	13,223	11,859
Total operating expenses	272,267	254,661
Loss from operations	(8,460)	(11,309)
Income (loss) from equity investees	436	(200)
Acquisition costs	(115)	(142)
Interest income	235	222
Interest expense	(4,065)	(2,512)
Loss before income taxes	(11,969)	(13,941)
Provision for income taxes	170	244
Net loss	\$ (12,139)	\$ (14,185)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment, net of taxes of \$(53) and \$48, respectively	(126)	123
Equity interest in investee's unrealized loss on investments	(8)	(1)
Other comprehensive income (loss)	(134)	122
Comprehensive income (loss)	\$ (12,273)	\$ (14,063)
Net loss per share:		
Basic and diluted	\$ (0.41)	\$ (0.49)

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

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TravelCenters of America LLC

Condensed Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net loss	\$ (12,139)	\$ (14,185)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash rent expense	(2,129)	(2,139)
Share based compensation expense	772	534
Depreciation and amortization expense	13,223	11,859
(Income) loss from equity investees	(436)	200
Amortization of deferred financing costs	154	87
Deferred income tax provision	85	51
Provision for (recovery of) doubtful accounts	22	(223)
Changes in assets and liabilities, net of effects of business acquisitions:		
Accounts receivable	(61,925)	(36,456)
Inventories	3,004	3,839
Other current assets	635	1,237
Accounts payable and other current liabilities	73,278	39,590
Other, net	737	77
Net cash provided by operating activities	15,281	4,471
Cash flows from investing activities:		
Proceeds from sales of improvements to HPT	22,409	13,060
Proceeds from asset sales	7	56
Acquisitions of businesses, net of cash acquired	(9,367)	(5,570)
Capital expenditures	(32,535)	(34,777)
Net cash used in investing activities	(19,486)	(27,231)
Cash flows from financing activities:		
Proceeds from sale/leaseback transactions with HPT	246	
Proceeds from Senior Notes issuance	110,000	
Sale/leaseback financing obligation payments	(509)	(549)
Payment of deferred financing fees	(4,748)	(22)
Net cash provided by (used in) financing activities	104,989	(571)
Effect of exchange rate changes on cash	(9)	13
Net increase (decrease) in cash	100,775	(23,318)
Cash and cash equivalents at the beginning of the period	35,189	118,255
Cash and cash equivalents at the end of the period	\$ 135,964	\$ 94,937
Supplemental disclosure of cash flow information:		
Interest paid (including rent classified as interest)	\$ 2,322	\$ 2,416
Income taxes paid (net of refunds)	\$ (48)	\$ 221

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

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TravelCenters of America LLC

Notes to Condensed Consolidated Financial Statements (Unaudited)

(in thousands, except share and per share amounts)

1. Basis of Presentation, Business Description and Organization

TravelCenters of America LLC, which we refer to as the Company or we, us and our, operates and franchises travel centers under the TravelCenters of America, TA or related brand names, or the TA brand, and the Petro Stopping Centers and Petro brand names, or the Petro brand, primarily along the U.S. interstate highway system. Our customers include long haul trucking fleets and their drivers, independent truck drivers and motorists.

At March 31, 2013, our geographically diverse business included 244 travel centers in 41 U.S. states and in Canada, including 171 travel centers operating under the TA brand and 73 travel centers operating under the Petro brand. As of March 31, 2013, we operated 210 of these travel centers, which we refer to as Company operated sites, and our franchisees operated 34 of these travel centers. Of our 244 travel centers at March 31, 2013, we owned 27, we leased or managed 189 from or for others, including 185 that we leased from Hospitality Properties Trust, or HPT, and franchisees owned or leased 28 from others. We sublease to franchisees six of the travel centers we lease from HPT.

Our travel centers include over 25 acres of land on average and typically offer customers 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, royalties and other fees from our franchisees.

We manage our business on the basis of one operating segment and, therefore, have one reportable segment. Our travel centers sell similar products and services, use similar processes to sell those products and services, and sell their products and services to similar groups of customers. We make specific disclosures concerning fuel and nonfuel products and services because it facilitates our discussion of trends and operational initiatives within our business and industry. We have only a single travel center located in a foreign country, Canada, and, we consider the revenues and assets related to our operations in Canada not to be material.

The accompanying condensed consolidated financial statements are unaudited. These unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, applicable for interim financial statements. The disclosures do not include all the information necessary for complete financial statements in accordance with GAAP. These unaudited interim financial statements should be read in conjunction with the consolidated financial statements and notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, or our Annual Report. In the opinion of our management, all adjustments, which include normal recurring adjustments, considered necessary for a fair presentation have been included. All material intercompany transaction and balances have been eliminated. While our revenues are modestly seasonal, the quarterly variations in our operating results may reflect greater seasonal differences because our rent and certain other costs do not vary seasonally. For this and other reasons, our operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

We have reclassified certain prior year amounts to be consistent with the current year presentation.

Recently Issued Accounting Pronouncements

In January 2013, we adopted Financial Accounting Standards Board Accounting Standards Update No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This update requires companies to report, in one place, information about reclassifications out of accumulated other comprehensive income, or AOCI. Companies are also required to present details of reclassifications in the disclosure of changes in AOCI balances. The update is effective for interim and annual reporting periods beginning after December 15, 2012. The implementation of this update did not cause any changes to our condensed consolidated financial statements.

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TravelCenters of America LLC

Notes to Condensed Consolidated Financial Statements (Unaudited)

(in thousands, except share and per share amounts)

2. Earnings Per Share

Unvested shares issued under our share award plan are deemed participating securities because they participate equally in earnings with all of our other common shares. The following table presents a reconciliation from net loss to the net loss available to common shareholders and the related earnings per share.

	Three Months Ended March 31,	
	2013	2012
Net loss, as reported	\$ (12,139)	\$ (14,185)
Less: net loss attributable to participating securities	(755)	(814)
Net loss available to common shareholders	\$ (11,384)	\$ (13,371)
Weighted average common shares (1)	27,698,301	27,123,480
Basic and diluted net loss per share	\$ (0.41)	\$ (0.49)

(1) Excludes the unvested shares granted under our share award plan, which shares are considered participating securities because they participate equally in earnings and losses with all of our other common shareholders. The weighted average number of unvested shares outstanding for the three months ended March 31, 2013 and 2012, was 1,837,905 and 1,651,527, respectively.

3. Inventories

Inventories consisted of the following:

	March 31,	December 31,
	2013	2012
Nonfuel products	\$ 141,258	\$ 144,025
Fuel products	47,245	46,981
Total inventories	\$ 188,503	\$ 191,006

4. Acquisitions

During January and February 2013, we acquired for cash the assets at two travel centers for an aggregate of approximately \$9,411, and we accounted for these transactions as business combinations. One of these travel centers was purchased from a franchisee. We have included the results of the acquired sites in our condensed consolidated financial statements from their respective dates of acquisition. The pro forma impact of including the results of operations of the acquired business from the beginning of the period is not material to our condensed consolidated results of operations. The following table summarizes the amounts assigned, based on their fair values, to the assets we acquired and liabilities we assumed in the business combinations described above. The estimates of fair values for the assets acquired and liabilities assumed were based upon preliminary calculations and valuations and our estimates and assumptions for each of these acquisitions are subject to change as we obtain additional information for our estimates during the respective measurement periods (up to one year from the acquisition date).

Cash	\$	44
Inventories		516
Property and equipment		6,389
Goodwill		2,597
Other noncurrent assets		25
Other current liabilities		(35)
Other noncurrent liabilities		(125)
Total purchase price	\$	9,411

During the first quarter of 2013, we incurred and charged to expense \$115 of acquisition costs related to our acquisition activity. During April and May 2013 we completed the acquisitions of two additional travel centers for \$9,210.

Table of Contents**TravelCenters of America LLC****Notes to Condensed Consolidated Financial Statements (Unaudited)****(in thousands, except share and per share amounts)****5. Senior Notes**

On January 15, 2013, we completed the issuance at par of \$110,000 aggregate principal amount of our 8.25% Senior Notes, or the Senior Notes, in an underwritten public offering. On January 15, 2013, we entered into the Indenture and the First Supplemental Indenture to that Indenture, each dated as of January 15, 2013, with U.S. Bank National Association, as Trustee. The Senior Notes were issued under the Indenture, as supplemented and amended by the First Supplemental Indenture. The Senior Notes are our senior unsecured obligations. The Senior Notes bear interest at 8.25% per annum, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on April 15, 2013. The Senior Notes will mature (unless previously redeemed) on January 15, 2028. We may, at our option, at any time on or after January 15, 2016, redeem some or all of the Senior Notes by paying 100% of the principal amount of the Senior Notes to be redeemed plus accrued but unpaid interest, if any, to, but not including, the redemption date. The Indenture does not limit the amount of indebtedness we may incur. We may issue additional debt from time to time. Total expenses of the offering of \$4,913 were capitalized as deferred financing costs, which are included in other noncurrent assets in our condensed consolidated balance sheet.

We estimate that the fair value of our Senior Notes was \$113,080 using the trading price (a Level 1 input) on or about March 31, 2013. The fair value of the Senior Notes exceeds their book value because the Senior Notes were trading at a premium to their par value.

6. Accumulated Other Comprehensive Income

Accumulated other comprehensive income at March 31, 2013, consisted of the following:

	Foreign currency translation adjustment	Equity interest in investee s unrealized gain (loss) on investments	Accumulated other comprehensive income
Balance at December 31, 2012	\$ 1,200	\$ 99	\$ 1,299
Foreign currency translation adjustment, net of tax of \$(53)	(126)		(126)
Equity interest in investee s unrealized gain on investments		(8)	(8)
Other comprehensive income (loss), net of tax	(126)	(8)	(134)
Balance at March 31, 2013	\$ 1,074	\$ 91	\$ 1,165

7. Related Party Transactions

Relationship with HPT

HPT is our former parent company, our principal landlord and our largest shareholder. We were created as a separate public company in 2007 as a result of a spin off from HPT. As of March 31, 2013, HPT owned 2,540,000 of our common shares, representing approximately 8.6% of our outstanding common shares. One of our Managing Directors, Mr. Barry Portnoy, is a managing trustee of HPT. Mr. Barry Portnoy's son, Mr. Adam Portnoy, is also a trustee of HPT, and Mr. Barry Portnoy's son-in-law is an executive officer of HPT. Our other Managing Director, Mr. Thomas O'Brien, who is also our President and Chief Executive Officer, was a former executive officer of HPT. In addition, one of our Independent Directors, Mr. Arthur Koumantzelis, was a trustee of HPT at the time we were created; Mr. Koumantzelis resigned and ceased to be a trustee of HPT shortly before he joined our Board of Directors in 2007.

We have two leases with HPT, the TA Lease and the Petro Lease, pursuant to which we lease 185 travel centers from HPT. Our TA Lease is for 145 travel centers that we operate under the TravelCenters of America or TA brand names. Our Petro Lease is for 40 travel centers that we operate under the Petro brand name. The TA Lease expires on December 31, 2022. The Petro Lease expires on June 30, 2024, and may be extended by us for up to two additional periods of 15 years each. We have the right to use the TA, TravelCenters of America and other trademarks historically used by our predecessor, which are owned by HPT, during the term of the TA Lease.

Table of Contents**TravelCenters of America LLC****Notes to Condensed Consolidated Financial Statements (Unaudited)****(in thousands, except share and per share amounts)**

The HPT Leases are triple net leases that require us to pay all costs incurred in the operation of the leased travel centers, including personnel, utilities, acquiring inventories, providing services to customers, insurance, paying real estate and personal property taxes, environmental related expenses, underground storage tank removal costs and ground lease payments at those travel centers at which HPT leases the property and subleases it to us. We also are required to generally indemnify HPT for certain environmental matters and for liabilities which arise during the terms of the leases from ownership or operation of the leased travel centers. In addition, we are obligated to pay HPT at lease expiration an amount equal to an estimate of the cost of removing underground storage tanks on the leased sites.

Effective February 1, 2012, the annual rent amount payable under the TA Lease increased by \$5,000 pursuant to the final fixed rent increase included in the HPT Leases. Accordingly, under the current terms of the HPT Leases, our rent payments to HPT will not increase except as a result of percentage rent and rent related to sales to HPT of improvements we make to properties we lease from HPT, as further described in the following paragraphs, or in the event HPT acquires and leases other properties to us.

Effective January 2012, we began to incur percentage rent payable to HPT under the TA Lease, and effective January 2013, we began to incur percentage rent payable to HPT under the Petro Lease. Percentage rent under the HPT Leases is based on the excess of our fuel and nonfuel revenues over the applicable base year periods. The percentage rent is paid to HPT quarterly in arrears. HPT has agreed to waive the first \$2,500 of percentage rent that may become due under the Petro Lease. The total amount of percentage rent we recognized as expense during the three months ended March 31, 2013 and 2012 was \$689 and \$729, respectively. The amount of percentage rent that would have been payable under the Petro Lease for the three months ended March 31, 2013, was \$116; this amount was waived and not recognized as an expense in the three months ended March 31, 2013.

Under the HPT Leases, we may request that HPT purchase approved amounts for renovations, improvements and equipment at the leased travel centers in return for increases in our minimum annual rent according to the following formula: the minimum rent per year will be increased by an amount equal to the amount paid by HPT multiplied by the greater of (i) 8.5% or (ii) a benchmark U.S. Treasury interest rate plus 3.5%. During the three months ended March 31, 2013, pursuant to the terms of the HPT Leases, we sold to HPT \$22,655 of improvements we made to properties leased from HPT, and, as a result, our minimum annual rent payable to HPT increased by approximately \$1,926. As of March 31, 2013, our property and equipment balance included \$8,383 for similar improvements we have made to HPT owned sites that we intend to request that HPT purchase from us for an increase in future rent; however, HPT is not obligated to purchase these improvements.

The following table summarizes the various amounts related to the HPT Leases and leases with other lessors that are reflected in real estate rent expense in our condensed consolidated statements of operations and comprehensive income (loss).

	Three Months Ended March 31,	
	2013	2012
Cash payments for rent under HPT Leases	\$ 52,850	\$ 50,299
Accrued estimated percentage rent not yet paid	666	729

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Straight line rent adjustments	(241)	35
Sale/leaseback financing obligation amortization	(509)	(549)
Rent payments recognized as interest expense	(1,741)	(1,810)
Deferred leasehold improvements allowance amortization	(1,692)	(1,692)
Amortization of deferred gain on sale/leaseback transactions	(77)	(17)
Rent expense related to HPT Leases	49,256	46,995
Rent paid to others (1)	2,607	2,394
Straight line rent adjustments for other leases	21	109
Total real estate rent expense	\$ 51,884	\$ 49,498

(1) Includes rent paid directly to HPT's landlords under leases for properties we sublease from HPT as well as rent related to properties we lease from landlords other than HPT.

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TravelCenters of America LLC

Notes to Condensed Consolidated Financial Statements (Unaudited)

(in thousands, except share and per share amounts)

The following table summarizes the various amounts related to our HPT Leases that are included in our balance sheets.

	March 31, 2013	December 31, 2012
Current HPT Leases liabilities:		
Accrued rent	\$ 17,901	\$ 17,092
Current portion of sale/leaseback financing obligation (1)	2,459	2,038
Current portion of straight line rent accrual (2)	2,177	2,149
Current portion of deferred gain on sale/leaseback transactions (3)	306	306
Current portion of deferred tenant improvements allowance (4)	6,769	6,769
Total Current HPT Leases liabilities	\$ 29,612	\$ 28,354
Noncurrent HPT Leases liabilities:		
Deferred rent obligation (5)	\$ 150,000	\$ 150,000
Sale/leaseback financing obligation (1)	81,510	82,195
Straight line rent accrual (2)	54,705	55,233
Deferred gain on sale/leaseback transactions (3)	2,715	2,792
Deferred tenant improvements allowance (4)	59,223	60,915
Total Noncurrent HPT Lease liabilities	\$ 348,153	\$ 351,135

(1) *Sale/leaseback Financing Obligation.* GAAP governing the transactions related to our entering the TA Lease required us to recognize in our consolidated balance sheet the leased assets at thirteen of the travel centers previously owned by our predecessor that we now lease from HPT because we sublease more than a minor portion of those travel centers 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 HPT's recorded initial carrying amounts, which were equal to their fair values, and recognized an equal amount of liability that is presented as sale/leaseback financing obligation in our consolidated balance sheet. In addition, sales to HPT of improvements at these 14 travel centers are accounted for as sale/leaseback transactions and these liabilities are increased by the amount of proceeds we receive from HPT. We recognize a portion of the total rent payments to HPT related to these assets as a reduction of the sale/leaseback financing obligation and a portion as interest expense in our consolidated statements of operations and comprehensive income (loss). We determined the allocation of these rent payments to the liability and to interest expense using the effective interest method. The amounts allocated to interest expense were \$1,741 and \$1,810 for the three months ended March 31, 2013 and 2012, respectively.

In August 2012 and November 2012, we acquired the businesses of former franchisees at four travel centers that we subleased to the franchisees and that were four of the thirteen travel centers discussed in the previous paragraph. Those acquisitions eliminated the sublease such that these sites then qualified for sale/leaseback accounting. Accordingly, we removed from our balance sheet the undepreciated and unamortized amounts of the assets and liabilities related to those sites. We reduced our property and equipment balance by \$22,229 and our sale/leaseback financing obligation balance by \$24,646 (\$231 current and \$24,415 noncurrent), resulting in a gain of \$2,417 that was deferred and will be amortized as a reduction of rent expense over the remaining term of the TA Lease. See also footnote (3) below.

(2) *Straight Line Rent Accrual.* The TA Lease included scheduled rent increases over the lease term, as do certain of the leases for properties we sublease from HPT and pay the rent directly to HPT's landlords. Also, under our leases with HPT, we are obligated to pay to HPT at lease expiration an amount equal to an estimate of the asset retirement obligation we would have if we owned the underlying assets. We recognize the effects of scheduled rent increases and the future payment to HPT for asset retirement obligations in real estate rent expense over the lease terms on a straight line basis, with offsetting entries to this accrual balance.

(3) *Deferred Gain on Sale/Leaseback Transactions.* Under GAAP, the gain or loss from the sale portion of a sale/leaseback transaction is deferred and amortized into real estate rent expense on a straight line basis over the term of the lease. See also footnote (1) above.

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TravelCenters of America LLC

Notes to Condensed Consolidated Financial Statements (Unaudited)

(in thousands, except share and per share amounts)

(4) *Deferred Tenant Improvements Allowance.* HPT committed to fund up to \$125,000 of capital projects at the sites we lease under the TA Lease without an increase in rent payable by us, which amount HPT had fully funded by September 30, 2010, net of discounting to reflect our accelerated receipt of those funds. In connection with this commitment, we recognized a liability for the rent deemed to be related to this tenant improvements allowance. This deferred tenant improvements allowance was initially recorded at an amount equal to the leasehold improvements receivable we recognized for the discounted value of the then expected future amounts to be received from HPT, based upon our then expected timing of receipt of those payments. We amortize the deferred tenant improvements allowance on a straight line basis over the term of the TA Lease as a reduction of real estate rent expense.

(5) *Deferred Rent Obligation.* Pursuant to a rent deferral agreement with HPT, through December 31, 2010, we deferred a total of \$150,000 of rent payable to HPT. The deferred rent obligation is payable in two installments, \$107,085 in December 2022 and \$42,915 in June 2024. This obligation does not bear interest, unless certain events of default or other events occur, including a change of control of us.

On April 15, 2013, we entered an agreement with Equilon Enterprises LLC doing business as Shell Oil Products US, or Shell, pursuant to which Shell has agreed to construct a network of natural gas refueling lanes at up to 100 of our travel centers located along the U.S. interstate highway system, including travel centers we lease from HPT. In connection with that agreement, on April 15, 2013, we and HPT amended the HPT Leases to revise the calculation of percentage rent payable by us under the HPT Leases, with the intended effect that the amount of percentage rent be unaffected by the type of fuel sold, whether diesel fuel or natural gas. That amendment also made certain administrative changes. Also on that date, in order to facilitate our agreement with Shell, HPT entered into a subordination, non-disturbance and attornment agreement with Shell, whereby HPT agreed to recognize Shell's license and other rights with respect to the natural gas refueling lanes at our HPT leased travel centers on certain conditions and in certain circumstances.

Relationship with RMR

Reit Management & Research LLC, or RMR, provides business management and shared services to us pursuant to a business management and shared services agreement, or our business management agreement. RMR also provides building management services to us for our headquarters building pursuant to a property management agreement. Under our business management agreement with RMR, we acknowledge that RMR also provides management services to other companies, including HPT. One of our Managing Directors, Mr. Barry Portnoy, is Chairman, majority owner and an employee of RMR. Mr. Barry Portnoy's son, Mr. Adam Portnoy, is an owner of RMR and serves as President, Chief Executive Officer and a director of RMR. Our other Managing Director, Mr. Thomas O'Brien, who is also our President and Chief Executive Officer, is also an Executive Vice President of RMR. Mr. Andrew Rebbholz, our Executive Vice President, Chief Financial Officer and Treasurer, and Mr. Mark Young, our Executive Vice President and General Counsel, are Senior Vice Presidents of RMR. HPT's executive officers are officers of RMR. A majority of our Independent Directors also serve as independent directors or independent trustees of other public companies to which RMR or its affiliates provide management services. Mr. Barry Portnoy serves as a managing director or managing trustee of those companies, including HPT, and Mr. Adam Portnoy serves as a managing trustee of a majority of those companies, including HPT. In addition, officers of RMR serve as officers of those companies.

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Pursuant to our business management agreement with RMR, we recognized business management fees for the three months ended March 31, 2013 and 2012 of \$2,483 and \$2,322, respectively. For the three months ended March 31, 2013 and 2012, we recognized property management fees of \$34 and \$30, respectively, pursuant to our property management agreement with RMR at our headquarters building. These amounts are included in selling, general and administrative expenses in our condensed consolidated financial statements.

Relationship with AIC

We, RMR, HPT and five other companies to which RMR provides management services each currently own 12.5% of Affiliates Insurance Company, or AIC, an Indiana insurance company. All of our Directors, all of the trustees and directors of the other publicly held AIC shareholders and nearly all of the directors of RMR currently serve on the board of directors of AIC. RMR provides management and administrative services to AIC pursuant to a management and administrative services agreement with AIC. As of March 31, 2013, we have invested \$5,229 in AIC since its formation in November 2008. Although we own less than 20% of AIC, we use the equity method to account for this investment because we believe that we have significant influence over AIC because all of our Directors are also directors of AIC. Our investment in AIC had a carrying value of \$5,697 and \$5,629 as of March 31, 2013 and December 31, 2012, respectively. For the three months ended March 31, 2013 and 2012, we recognized income of \$76 and \$45,

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respectively, related to our investment in AIC. We and the other shareholders of AIC have purchased property insurance providing \$500,000 of coverage pursuant to an insurance program arranged by AIC and with respect to which AIC is a reinsurer of certain coverage amounts. This program was modified and extended in June 2012 for a one year term and we paid a premium, including taxes and fees, of \$3,183 in connection with that renewal, which amount may be adjusted from time to time as we acquire or dispose of properties that are included in that program. We periodically consider the possibilities for expanding our insurance relationships with AIC to include other types of insurance and may in the future participate in additional insurance offerings AIC may provide or arrange. We may invest additional amounts in AIC in the future if the expansion of this insurance business requires additional capital, but we are not obligated to do so. By participating in this insurance business with RMR and the other companies to which RMR provides management services, we expect that we may benefit financially by possibly reducing our insurance expenses or by realizing our pro-rata share of any profits of this insurance business.

Relationship with PTP

PTP is a joint venture between us and Tejon Development Corporation, or Tejon, which owned the land on which PTP has built two travel centers in California. We own a 40% interest in PTP and operate the two travel centers PTP owns for which we receive management and accounting fees. The carrying value of the investment in PTP as of March 31, 2013 and December 31, 2012, was \$15,692 and \$15,332, respectively. During the three months ended March 31, 2013 and 2012, we recognized management and accounting fee income of \$200. At March 31, 2013 and December 31, 2012, we had a net payable to PTP of \$285 and \$575, respectively. We recognized income and losses of \$360 and \$(245) during the three months ended March 31, 2013 and 2012, respectively, related to this investment.

8. Commitments and Contingencies

Contingencies

As of March 31, 2013, we had entered agreements to acquire two travel centers, and during April 2013 we entered an agreement to acquire a third travel center for an aggregate amount of approximately \$13,210. The acquisitions of two of these travel centers for \$9,210 was completed in April and May 2013. We expect to purchase the other travel center during the second quarter of 2013; however, this purchase is subject to conditions and may not occur.

Guarantees

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In the normal course of our business we periodically enter into agreements that contain guarantees or indemnification provisions. While we cannot estimate the maximum amount to which we may be exposed under these agreements, we do not believe that any potential guaranty or indemnification is likely to have a material adverse effect on our consolidated financial position or results of operations.

We offer a warranty of our workmanship in our truck service facilities; the annual warranty expense and corresponding liability are not material to us.

Environmental Matters

Extensive environmental laws regulate our operations and properties. These laws may require us to investigate and clean up hazardous substances, including petroleum products, released at our owned and leased properties. Governmental entities or third parties may hold us liable for property damage and personal injuries, and for investigation, remediation and monitoring costs incurred in connection with any contamination and regulatory compliance. We use both underground storage tanks and above ground storage tanks to store petroleum products and waste at our travel centers. We must comply with environmental laws regarding tank construction, integrity testing, leak detection and monitoring, overfill and spill control, release reporting and financial assurance for corrective action in the event of a release. At some locations we must also comply with environmental laws relative to vapor recovery or discharges to water. Under the terms of our leases, we generally have agreed to indemnify HPT for any environmental liabilities related to travel centers that we lease from HPT and we are required to pay all environmental related expenses incurred in the operation of the travel centers.

From time to time we have received, and in the future likely will receive, notices of alleged violations of environmental laws or otherwise have become or will become aware of the need to undertake corrective actions to comply with environmental laws at our travel centers. Investigatory and remedial actions were, and regularly are, undertaken with respect to releases of hazardous substances at our travel centers. In some cases we received, and may receive, contributions to partially offset our environmental costs from

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insurers, from state funds established for environmental clean up associated with the sale of petroleum products or from indemnitors who agreed to fund certain environmental related costs at travel centers purchased from those indemnitors. To the extent we incur material amounts for environmental matters for which we do not receive insurance or other third party reimbursement or for which we have not previously recorded a reserve, our operating results may be materially adversely affected. In addition, to the extent we fail to comply with environmental laws and regulations, or we become subject to costs and requirements not similarly experienced by our competitors, our competitive position may be harmed.

At March 31, 2013, we had a gross accrued liability of \$9,188 for environmental matters as well as a receivable for expected recoveries of certain of these estimated future expenditures of \$2,136, resulting in an estimated net amount of \$7,052 that we expect to need to fund in the future. We do not have a reserve for unknown current or potential future environmental matters. Accrued liabilities related to environmental matters are recorded on an undiscounted basis because of the uncertainty associated with the timing of the related future payments. We cannot precisely know the ultimate costs we will incur in connection with currently known or future potential environmental related violations, corrective actions, investigation and remediation; however, based on our current knowledge we do not expect that our net costs for such matters to be incurred at our travel centers, individually or in the aggregate, would be material to our financial condition or results of operations.

We have insurance of up to \$10,000 for certain environmental liabilities at certain of our travel centers that were known at the time the policies were issued, and up to \$40,000 for certain environmental liabilities not known by us at the time the policies were issued, subject, in each case, to certain limitations and deductibles. However, we can provide no assurance that we will be able to maintain similar environmental insurance coverage in the future on acceptable terms.

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 or the ultimate outcome of matters currently pending. We cannot be certain that 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 we discover additional environmental problems, or if government agencies impose additional environmental requirements, increased environmental compliance or remediation expenditures may be required, which could have a material adverse effect on us. In addition, legislation and regulation regarding climate change, including greenhouse gas emissions, and other environmental matters may be adopted or administered and enforced differently in the future, which could require us to expend significant amounts. For instance, federal and state governmental requirements addressing emissions from trucks and other motor vehicles, such as the U.S. Environmental Protection Agency's gasoline and diesel sulfur control requirements that limit the concentration of sulfur in motor vehicle gasoline and diesel fuel, could negatively impact our business. Further, legislation and regulations that limit carbon emissions also may cause our energy costs at our travel centers to increase.

Legal Proceedings

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In May 2010, the California Attorney General filed a litigation on behalf of the California State Water Resources Control Board against various defendants, including us, HPT TA Properties Trust, PTP and Tejon in the Superior Court of California for Alameda County seeking unspecified civil penalties and injunctive relief for alleged violations of underground storage tank laws and regulations at various facilities in Kern and Merced Counties, which alleged violations do not include release of contamination into the environment. On July 26, 2010, the California Attorney General voluntarily dismissed this litigation against us and the other named defendants, and on September 2, 2010, refiled its complaint against the same defendants in the Superior Court of California for Merced County, seeking unspecified civil penalties and injunctive relief. The parties are presently engaged in discovery and the court has not yet set a date for a trial. We have denied the material allegations in the complaint and asserted various affirmative defenses. We disagree with the Attorney General's allegations and we intend to defend this lawsuit if a settlement is not reached. Under the TA Lease and our expired lease agreement with Tejon for a travel center that was closed in 2009, we are liable to indemnify HPT TA Properties Trust and Tejon for any liabilities, costs and expenses they incur in connection with this litigation. We have accrued an estimated loss for this matter and believe that the additional amount of loss we may realize, if any, upon the ultimate resolution of this matter in excess of the amount we have accrued will not be material.

Beginning in December 2006, a series of class action lawsuits was filed against numerous companies in the petroleum industry, including our predecessor and our subsidiaries, in U.S. district courts in over 20 states. Major petroleum refiners and retailers were named as defendants in one or more of these lawsuits. The plaintiffs in the lawsuits generally allege that they are retail purchasers who purchased motor fuel at temperatures greater than 60 degrees Fahrenheit at the time of sale. One theory alleges that the plaintiffs purchased smaller amounts of motor fuel than the amount for which defendants charged them because the defendants measured the amount of motor fuel they delivered by volumes which, at higher temperatures, contain less energy. A second theory

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alleges that fuel taxes are calculated in temperature adjusted 60 degree gallons and are collected by governmental agencies from suppliers and wholesalers, who are reimbursed in the amount of the tax by the defendant retailers before the fuel is sold to consumers. These tax cases allege that, when the fuel is subsequently sold to consumers at temperatures above 60 degrees, the retailers sell a greater volume of fuel than the amount on which they paid tax, and therefore reap unjust benefit because the customers pay more tax than the retailer pays. A third theory, advanced more recently in connection with plaintiffs' request for class certification, alleges that all purchasers of fuel at any temperature are harmed because the defendants do not use equipment that adjusts for temperature or disclose the temperature of fuel being sold, and thereby deprive customers of information they allegedly require to make an informed purchasing decision. We believe that there are substantial factual and legal defenses to the theories alleged in these so called "hot fuel" lawsuits. The temperature cases seek nonmonetary relief in the form of an order requiring the defendants to install devices that display the temperature of the fuel and/or temperature correcting equipment on their retail fuel pumps and monetary relief in the form of damages, but the plaintiffs have not quantified the damages they seek. The tax cases also seek monetary relief. Plaintiffs have proposed a formula (which we dispute) to measure these damages as the difference between the amount of fuel excise taxes paid by defendants and the amount collected by defendants on motor fuel sales. Plaintiffs have taken the position in filings with the Court that under this approach, our damages for an eight-year period for one state would be approximately \$10,700. We deny liability and disagree with the plaintiffs' positions. All of these cases have been consolidated in the U.S. District Court for the District of Kansas pursuant to multi-district litigation procedures. On May 28, 2010, that Court ruled that, with respect to two cases originally filed in the U.S. District Court for the District of Kansas, it would grant plaintiffs' motion to certify a class of plaintiffs seeking injunctive relief (implementation of fuel temperature equipment and/or posting of notices regarding the effect of temperature on fuel). On January 19, 2012, the Court amended its prior ruling, and certified a class with respect to plaintiffs' claims for damages as well. A TA entity was named in one of those two Kansas cases, but the Court ruled that the named plaintiffs were not sufficient to represent a class as to TA. TA was thereafter dismissed from the Kansas case, and TA entities have been dismissed voluntarily from several other cases as well. Several defendants in the Kansas cases, including major petroleum refiners, have entered into multi-state settlements. Following a September 2012 trial against the remaining defendants in the Kansas cases, the jury returned a unanimous verdict in favor of those Kansas defendants, and the judge likewise ruled in the Kansas defendants' favor on the sole non-jury claim. In early 2013, the Court announced its intention to remand three cases originally filed in federal district courts in California back to their original courts. A TA entity is named in one of these three California cases. Recently, the Court severed one defendant from these California cases and announced that the cases would proceed with respect to that defendant, and would be stayed to all others, including TA. On April 9, 2013, the Court granted plaintiffs' motion for class certification in the California cases. The class is limited to the liability and injunctive aspects of the plaintiffs' claims, leaving the question of relief in the form of damages for a second phase of the trial. The Court has not issued a decision on class certification or motions for summary judgment with respect to the remaining cases that have been consolidated in the multi-district litigation. We cannot estimate our ultimate exposure to loss or liability, if any, related to these lawsuits, but, the continued costs to defend these cases could be significant.

On April 6, 2009, five independent truck stop owners, who are plaintiffs in a purported class action suit against Comdata Network, Inc., or Comdata, in the U.S. District Court for the Eastern District of Pennsylvania, filed a motion to amend their complaint to add us as a defendant, which was allowed on March 25, 2010. The amended complaint also added as defendants Ceridian Corporation, Pilot Travel Centers LLC and Love's Travel Stops & Country Stores, Inc. Comdata markets fuel cards which are used for payments by trucking companies at truck stops. The amended complaint alleged antitrust violations arising out of Comdata's contractual relationships with truck stops in connection with its fuel cards. The plaintiffs have sought unspecified damages and injunctive relief. On March 24, 2011, the Court dismissed the claims against TA in the amended complaint, but granted plaintiffs leave to file a new amended complaint. Four independent truck stop owners, as plaintiffs, filed a new amended complaint against us on April 21, 2011, repleading their claims. On May 6, 2011, we renewed our motion to dismiss the complaint with prejudice while discovery otherwise proceeded. The Court denied our renewed motion to dismiss on March 29, 2012, and we filed an answer to the complaint on April 30, 2012. The Court has set a schedule that provides that fact discovery shall end on May 24, 2013, and trial shall begin on August 18, 2014. We believe that there are substantial factual and legal defenses to the plaintiffs' claims against us. We cannot estimate our ultimate exposure to loss or liability, if any, related to this lawsuit, but the continued costs to defend this case could be significant.

In February 2012, Riverside County in the State of California performed its annual inspection of the underground storage tank systems at one of our sites and subsequently asserted that we were in violation of state laws and regulations governing the operation of those systems. We have demanded indemnification from third parties who we believe may be responsible for these alleged violations and we have reached an agreement in principle to resolve the County's claims and our claim for indemnification from third parties. We recorded in 2012 an expense with respect to this matter of \$26, which is net of our expected receipt of third party indemnification.

In addition to the legal proceedings referenced above, we are routinely involved in various other legal and administrative proceedings, including tax audits incidental to the ordinary course of our business, none of which we expect, individually or in the aggregate, to have a material adverse effect on our business, financial condition, results of operations or cash flows.

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9. Income Taxes

Because we do not have sufficient history of generating taxable income we do not currently recognize in our income tax provision the future benefit of all of our deferred tax assets, including the tax benefit associated with our loss carry forwards from prior years. We will continue to assess our ability to generate taxable income during future periods in which our deferred tax assets may be realized. If and when we believe it is more likely than not that we will recover our deferred tax assets, we will reverse the valuation allowance as an income tax benefit in our consolidated statement of operations and comprehensive income (loss), which will affect our results of operations. As a result of certain trading in our shares during 2007, our 2007 federal net operating loss of \$50,346 and other tax credit carry forwards are generally not available to us for the purpose of offsetting future taxable income because of certain Internal Revenue Code provisions regarding changes in ownership of our common shares. As of December 31, 2012, we had an unrestricted federal net operating loss carry forward of approximately \$109,795. Our federal net operating loss carryforward and tax credits and the majority of our state net operating loss carry forwards will begin to expire in 2027. Certain of our other state net operating loss carry forwards began to expire in 2012. In addition, certain states have temporarily suspended the use of net operating loss carry forwards.

For the three months ended March 31, 2013 and 2012, we recognized tax expense of \$170 and \$244, respectively, which included tax expense of \$85 and \$192, respectively, for certain state taxes based on operating income that are payable without regard to our tax loss carry forwards. Tax expense also included \$85 and \$52 in the first quarter of 2013 and 2012, respectively, related to a noncash deferred liability arising from foreign currency translation adjustments that do not offset our deferred tax assets and from the amortization of indefinite lived intangible assets for tax purposes but not for GAAP purposes.

In measuring our deferred tax assets, we considered all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is needed for all or a portion of the deferred tax assets. Judgment is required in considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is unnecessary. In order to assess the likelihood of realizing the benefit of these deferred tax assets, we are required to rely on our projections of future income. We believe that our history of losses coupled with the fact that we have a short history of operating profits that is limited to 2011 and 2012, creates sufficient negative evidence such that we are unable to conclude that realization of the benefit is more likely than not. As a result, we have concluded that it is appropriate to maintain a full valuation allowance against our net deferred tax assets until our profitability becomes more predictable. We may reverse some or all of the valuation allowance when we believe that we will more likely than not realize the benefit of our deferred tax assets. At that time, we will record deferred tax assets as an income tax benefit in our consolidated statements of operations and comprehensive income (loss), which will affect our results of operations. If our profitability realized during the past two years continues, our estimates and assumptions regarding the valuation allowance may change in the future.

10. Other Information

Interest expense consisted of the following:

	Three Months Ended March 31,	
	2013	2012
Interest related to our Senior Notes and Credit Facility	\$ 2,373	\$ 533
HPT rent classified as interest	1,741	1,810
Amortization of deferred financing costs	154	87
Capitalized interest	(325)	
Other	122	82
Total interest expense	\$ 4,065	\$ 2,512

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

Overview (dollars in thousands)

The following discussion should be read in conjunction with the financial statements included elsewhere in this Quarterly Report on Form 10-Q, or this Quarterly Report, and in our Annual Report.

Our revenues and income are subject to potentially material changes as a result of the market prices and availability of fuel. These factors are subject to the worldwide petroleum products supply chain, which historically has incurred price and supply volatility and, in some cases, shocks as a result of, among other things, severe weather, terrorism, political crises, wars and other military actions and variations in demand, which are often the result of changes in the macroeconomic environment. Over the past few years there has been significant volatility in the cost of fuel. During the first half of 2012, fuel prices generally declined due to global economic concerns, including economic conditions in Europe. However, during the third quarter of 2012 fuel prices generally rose due to tensions in the Middle East and economic stimulus programs in Europe and elsewhere. During the fourth quarter of 2012, fuel prices declined and at the end of 2012 were near the prices we experienced at the end of 2011. During the first quarter of 2013, prices have generally declined and are at a lower level than the prices experienced during the first quarter of 2012. We expect that changes in our costs for fuel products can largely be passed on to our customers, but often there are delays in passing on price changes that can affect our fuel gross margins. Although other factors have an effect, during periods of rising fuel commodity prices fuel gross margins per gallon tend to be lower than they otherwise may have been and during periods of falling fuel commodity prices fuel gross margins per gallon tend to improve. Also, fuel price increases and volatility can have negative effects on our sales and profitability and increase our working capital requirements. We expect that the fuel markets will continue to be volatile for the foreseeable future. For more information about fuel market risks that may affect us and our approaches for mitigating those risks, see Part II, Item 4, Quantitative and Qualitative Disclosures About Market Risk in this Quarterly Report and Part II, Item 7A, Qualitative and Quantitative Disclosures About Market Risk in our Annual Report.

The condition of the U.S. economy generally, and the financial condition and activity of the trucking industry in the U.S. specifically, impacted our financial results during the first quarter of 2013, and we expect that they will continue to impact our financial results in future periods. The trucking industry is the primary customer for our goods and services. Freight and trucking demand in the U.S. historically generally reflects the level of commercial activity in the U.S. economy. During 2012 and the first quarter of 2013, the U.S. economy generally slowly improved and the financial condition and activity level in the trucking industry similarly slowly improved, but the recovery is uneven. These trends have generally promoted increased sales of our fuel and nonfuel products and services from the levels during the recent recession. However, the improving fuel efficiency of motor vehicle engines and other fuel conservation practices employed by trucking companies continue to reduce the demand for diesel fuel that might otherwise exist for a given level of trucking miles driven. Reflecting these and other factors, our nonfuel revenues in the first quarter of 2013 increased on a same site basis over the prior year, but fuel sales volumes on a same site basis for the 2013 first quarter declined compared to the prior year and the level of fuel sales volume continues to be below that experienced before the recent U.S. economic recession which we believe was affecting the trucking industry as early as in late 2007. Despite the year over year declines in fuel sales volumes, our fuel gross margins and fuel gross margins per gallon for the 2013 first quarter increased on a same site basis over the prior year. We believe this trend primarily is attributable to market conditions and our continued focus on managing our fuel pricing to balance sales volume and profitability considerations. Our operating results for each of the first quarters of 2013 and 2012 reflected typical seasonality of our business. See Seasonality below.

We believe that the U.S. economy is in a period of economic expansion, but recent economic data has been mixed and the strength and sustainability of any economic expansion is uncertain. If the U.S. economy continues to operate as it has over the past few years or if it worsens, our financial results may not improve and may decline, resulting in our experiencing losses.

There can be no assurance that industry conditions will not deteriorate or that any one or more of the risks identified under the section Risk Factors, Warning Concerning Forward Looking Statements or elsewhere in our Annual Report; under the section Warning Concerning Forward Looking Statements or elsewhere in this Quarterly

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Report; or some other unidentified risk will not manifest itself in a manner which is material and adverse to our results of operations, cash flow or financial position.

Number of Travel Center Sites

The following table summarizes the changes in the number of travel center sites (company operated and franchisee operated) from December 31, 2011 through March 31, 2013:

	Company Operated	Franchisee Operated	Franchisee Owned and Operated	Total
Number of travel centers at December 31, 2011	194	10	33	237
January - March 2012 Activity:				
Acquired travel center	1			1
Number of travel centers at March 31, 2012	195	10	33	238
April - December 2012 Activity:				
Acquired travel centers	5			5
Acquisition of franchised travel centers	8	(4)	(4)	
Number of travel centers at December 31, 2012	208	6	29	243
January - March 2013 Activity:				
Acquired travel center	1			1
Acquisition of franchised travel center	1		(1)	
Number of travel centers at March 31, 2013	210	6	28	244

In April and May 2013, we acquired two travel centers for \$9,210. We have an agreement to acquire an additional travel center for \$4,000; we expect to purchase this travel center during the second quarter of 2013 but this purchase is subject to conditions and may not occur.

Operating Segment

We manage our business on the basis of one operating segment. Please refer to the consolidated financial statements included in Item 1 of this Quarterly Report for revenue, operating profit and asset data. We have only a single travel center located in a foreign country, Canada, and we consider the revenues and assets related to our operations in Canada to be not material. The following table sets forth the composition of our total revenues by type for the three month periods ended March 31, 2013 and 2012.

	Three Months Ended March 31,	
	2013	2012
Revenues:		

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Fuel	83.0%	84.4%
Nonfuel	16.8%	15.4%
Rent and royalties from franchisees	0.2%	0.2%
Total revenues	100.0%	100.0%

Relevance of Fuel Revenues

Due to volatile pricing of fuel products and our pricing to fuel customers, we believe that fuel revenue is not a reliable basis for analyzing our results of operations from period to period. As a result solely of changes in fuel prices, our fuel revenue may materially increase or decrease, in both absolute amounts and on a percentage basis, without a comparable change in fuel sales volumes or in fuel gross margin per gallon. We consider fuel volumes and fuel gross margin to be better measures of comparative performance than fuel revenues. However, fuel

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pricing and revenues can materially impact our working capital requirements; see [Liquidity and Capital Resources](#) below.

Results of Operations (dollars in thousands)*Three months ended March 31, 2013 compared to March 31, 2012*

The following table presents changes in our operating results for the three months ended March 31, 2013, as compared with the three months ended March 31, 2012.

(dollars in thousands)	Three Months Ended March 31,		\$ Change	% Change
	2013	2012		
Revenues:				
Fuel	\$ 1,625,107	\$ 1,683,193	\$ (58,086)	-3.5%
Nonfuel	329,194	308,154	21,040	6.8%
Rent and royalties	3,050	3,522	(472)	-13.4%
Total revenues	1,957,351	1,994,869	(37,518)	-1.9%
Cost of goods sold (excluding depreciation):				
Fuel	1,548,179	1,614,747	(66,568)	-4.1%
Nonfuel	145,365	136,770	8,595	6.3%
Total cost of goods sold (excluding depreciation)	1,693,544	1,751,517	(57,973)	-3.3%
Operating expenses:				
Site level operating expenses	183,933	170,137	13,796	8.1%
Selling, general & administrative expense	23,227	23,167	60	0.3%
Real estate rent	51,884	49,498	2,386	4.8%
Depreciation and amortization expense	13,223	11,859	1,364	11.5%
Total operating expenses	272,267	254,661	17,606	6.9%
Loss from operations	(8,460)	(11,309)	2,849	-25.2%
Income (loss) from equity investees	436	(200)	636	-318.0%
Acquisition costs	(115)	(142)	27	-19.0%
Interest income	235	222	13	5.9%
Interest expense	(4,065)	(2,512)	(1,553)	61.8%
Loss before income taxes	(11,969)	(13,941)	1,972	-14.1%
Provision for income taxes	170	244	(74)	-30.3%
Net loss	\$ (12,139)	\$ (14,185)	\$ 2,046	-14.4%

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Same Site Comparisons. As part of the discussion and analysis of our operating results we refer to increases and decreases in results on a same site basis. For purposes of these comparisons, we include a travel center in the following same site comparisons only if we continuously operated it from January 1, 2012, through March 31, 2013, or, for rent and royalty revenues, if during that period the travel center was continuously operated by one of our franchisees. We do not exclude travel centers from the same site comparisons as a result of expansions in their size or changes in the services offered. The table below excludes the data of two travel centers TA operates that are owned by a joint venture and one company operated site that was temporarily closed during parts of the period.

(gallons and dollars in thousands)	Three Months Ended March 31,		\$	% Change
	2013	2012	Change	Favorable/ (Unfavorable)
Number of company operated travel centers	191	191		
Fuel: (1)				
Fuel sales volume (gallons)	462,485	485,560	(23,075)	(4.8)%
Fuel revenues	\$ 1,516,901	\$ 1,595,746	\$ (78,845)	(4.9)%
Fuel gross margin	\$ 73,601	\$ 67,654	\$ 5,947	8.8%
Fuel gross margin per gallon	\$ 0.159	\$ 0.139	\$ 0.020	14.4%
Nonfuel: (1)				
Nonfuel revenues	\$ 312,860	\$ 307,588	\$ 5,272	1.7%
Nonfuel gross margin	\$ 174,714	\$ 171,137	\$ 3,577	2.1%
Nonfuel gross margin percentage	55.8%	55.6%		20b.p
Total gross margin	\$ 248,315	\$ 238,791	\$ 9,524	4.0%
Site level operating expenses (1)	\$ 173,139	\$ 167,488	\$ 5,651	(3.4)%
Site level operating expenses as a percentage of nonfuel revenues(1)	55.3%	54.5%		(80) b.p.
Site level gross margin in excess of site level operating expenses(1)	\$ 75,176	\$		