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TravelCenters of America

Sara Alpern, an analyst with Trifhorn Capital, stared out the window of her office overlooking Central Park. She had on her desk a well-thumbed printout of the final registration document for shares of TravelCenters of America (TA), a national operator of full-service travel centers (highway truck stops) recently spun off from Hospitality Properties Trust (HPT), a publicly traded real estate investment trust (REIT). It was February 1, 2007 and shares of TA had begun publicly trading that morning. She had read about numerous other spin-offs that had proven to be lucrative investments if purchased soon after they began trading. She wondered, Would the dynamics surrounding TA be any different? As she turned back to her Bloomberg monitor, she wasn't sure what to make of the \$29.00 price for TA shares flashing on the screen. Nearly 900,000 shares had traded hands that day, about 10% of shares outstanding.

Less than six months earlier, on September 18, 2006, HPT had announced an agreement to purchase TA for \$1.9 billion. As part of this transaction, HPT would retain all of TA's real estate and transfer its operating business to a newly formed subsidiary (New-TA) that would be distributed to HPT's existing shareholders via a spin-off transaction. New-TA would simultaneously enter into long-term lease agreements with HPT for the TA real estate retained by HPT. On the date of the announcement, HPT shares closed down 0.78% while the S&P 500 finished up 0.14%.

Hospitality Properties Trust

Prior to the acquisition of TA, HPT owned 310 hotels, located throughout the United States, Puerto Rico, and Canada and operated by third parties under long-term management agreements under the Marriott, Hyatt, Carlson, Radisson, InterContinental, and Homestead Village brands. The management of HPT believed that the rental income from TA's sites would significantly diversify its revenue stream by providing exposure to a historically recession-resistant industry that did not follow the cyclical patterns of the hotel industry. (For HPT's historical financial information, see Exhibit 1.)

TA's operating business was spun off for federal income tax considerations. To maintain its status as an REIT for tax purposes, a large majority of HPT's gross income had to be generated from real-

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estate rents or mortgage interest.¹ To meet these requirements, HPT was forced to divest itself of TA's operating business.

HPT expected to finance the \$1.9 billion purchase of TA by issuing new debt (50%) and new equity (50%). Based on HPT's recent stock price (see **Exhibit 2**), the company would need to issue nearly 21 million shares to raise the required \$1.0 billion of new equity.² HPT estimated that it could do so at a 6.5% interest rate. The long-term treasury yield in February 2007 was 5.0%. HPT expected to generate an annual average of \$170.7 million in rental income from New-TA and incur \$8.4 million of incremental administrative expenses going forward.

REITs were generally purchased by investors for their income-generating characteristics. At the time of the spin-off, HPT was paying \$0.74 per share in quarterly dividends, a 6.4% annualized yield based on its opening stock price of \$46.49 on February 1, 2007. REITs were typically valued based on a multiple of their "funds from operations" or "FFO," a real estate industry term that closely resembled levered operating cash flow in a traditional business. According to analyst estimates (excluding the impact of the TA transaction), HPT was expected to generate \$307.7 million in FFO, or \$4.14 in FFO per share, in 2006. It was therefore trading at slightly over 11x FFO, while a comparable set of hospitality REITs had recently been trading at a median multiple of 11.9x 2006 FFO (see **Exhibit 3**).

TravelCenters of America³

TA operated full-service travel centers, primarily along U.S. interstate highways. Its network included 163 travel centers in 40 states and one in Ontario. Customers included long-haul trucking fleets and their drivers, independent truck drivers, and motorists. Many of TA's travel centers had originally been developed more than 25 years ago when prime real estate locations along interstate highways had been more readily available. TA's nationwide network gave long-haul trucking fleets an opportunity to reduce the number of their suppliers by routing their trucks within the TA network from coast to coast.

TA offered a broad range of products and services, including diesel fuel and gasoline, truck repair and maintenance services, full-service restaurants, more than 20 brands of quick-service restaurants, travel and convenience stores, and other driver amenities. The typical TA site included over 20 acres of land with parking for approximately 170 tractor-trailers and 100 cars, multiple diesel and gasoline fueling points, an approximately 150-seat, full-service restaurant, one to three quick-service restaurants operated under various well-recognized brands, and a truck repair facility and parts store.

In the 12 months ended September 30, 2006, TA generated \$4.8 billion of revenues and \$664 million of gross profit. Eighty-two percent of its revenues came from the sale of nearly 1.8 billion gallons of fuel, but these sales carried low margins and accounted for only 23% of total gross profit. On the other hand, non-fuel products and services accounted only 18% of revenues but, due to relatively higher gross margins, generated 77% of the company's gross profits. TA spent

¹ Real Estate Investment Trusts were exempt from paying corporate income taxes under Section 856 of the Internal Revenue Code (IRC) so long as they met certain income tests and annual distribution requirements.

² HPT had already issued 13.8 million of the required shares at a price of \$47.51 in January 2007. Thus, its total share count immediately prior to the spin-off was 88,084,251 and its share count immediately prior to the TravelCenters acquisition announcement had been 74,284,251.

³ Adapted from the TravelCenters of America LLC 10-K filed March 20, 2007.

approximately \$70 million in capital expenditures annually on the upkeep and improvement of its facilities.

The Spin-off Transaction

Simultaneously with the closing of its acquisition of TA, HPT transferred TA's operating business to New-TA, which was distributed to HPT's shareholders via a spin-off transaction on the morning of February 1, 2007. Shareholders of HPT received one share of New-TA for every ten shares of HPT they owned. At the time of the spin-off, there were approximately 88,084,251 shares of HPT outstanding. (See **Exhibit 4** for a list of HPT shareholders as of December 31, 2006.)

HPT retained substantially all of TA's real estate and entered into a 16-year lease with New-TA for this real estate. The annual cash rent expense started at \$153.5 million and increased each year. On average, over the 16-year life of the lease, the minimum annual rent expense for New-TA would be \$170.7 million. However, as part of the lease terms, HPT would fund up to \$125 million of New-TA's capital expenditures over the next five years. (See **Exhibits 5a** and **5b** for a summary of the material terms of the lease and a schedule of minimum rent payments.)

In addition, New-TA entered into a management and shared services agreement with REIT Management LLC, an affiliate of HPT, which required New-TA to make annual payments equal to 0.6% of the sum of gross profits from fuel sales and revenues from non-fuel sales. In the 12 months ended September 30, 2006, this would have amounted to a payment of \$6.1 million to REIT Management LLC. (See **Exhibit 6** for pro forma income statements for TA following the spin-off, as filed with the SEC.)

Finally, in conjunction with the spin-off, HPT placed \$213 million of cash on New-TA's balance sheet. New-TA had no debt outstanding after the spin-off. (See **Exhibit 7** for a pro forma balance sheet for TA following the spin-off.)

Valuation of New-TA

HPT's \$1.9 billion purchase price implied an EV/EBITDA of approximately 10x estimated EBITDA for TA on a stand-alone basis. However, comparable businesses (convenience stores that sold gasoline) were currently trading at approximately 8x forward EBITDA estimates (see **Exhibit 8**). A number of questions were on Alpern's mind. Had HPT overpaid for TA? Were EV/EBITDA multiples an appropriate method to value these businesses? How should one adjust the valuation for the fact that TA had previously owned substantially all of its real estate, but New-TA would lease substantially all of its real estate? (See **Exhibit 9** for five-year financial projections, including pre- and post-acquisition data.)

Alpern considered two methods of valuing New-TA: (i) a traditional discounted-cash-flow valuation and (ii) a separate valuation of each of the components of the enterprise (i.e., the cash flow prior to rental payments, the rental payments, the management fee payments, the capital expenditures reimbursed by HPT, and the \$213 million of excess cash on the balance sheet).

Risk Factors

Alpern normally glossed over the “Risk Factors” section of offering memorandums as she believed it contained mostly boilerplate legal statements and did not offer an unbiased assessment of subtle business and investment risks. This time, however, a few statements regarding conflicts of interest caught her attention (see **Exhibit 10**). She wasn’t sure how to evaluate these with respect to the deal.

Decision

In addition to coming up with a reasonable per share valuation of New-TA, Alpern wanted to make sure she understood exactly why HPT was entering into this transaction and what it had to gain. She suspected that this transaction would be accretive to HPT shareholders, but if so, how much value would it create? In addition to any value created from earnings accretion, HPT shareholders received shares of TA that were currently worth \$2.90 for every share of HPT they held. She wondered: Was all this value being created out of thin air?

She also wanted to better understand the rationale for certain aspects of the transaction. For instance, why did HPT put \$213 million of cash on TA’s balance sheet in conjunction with the spin-off? Were HPT’s incentives to allow TA to thrive, or merely to survive?

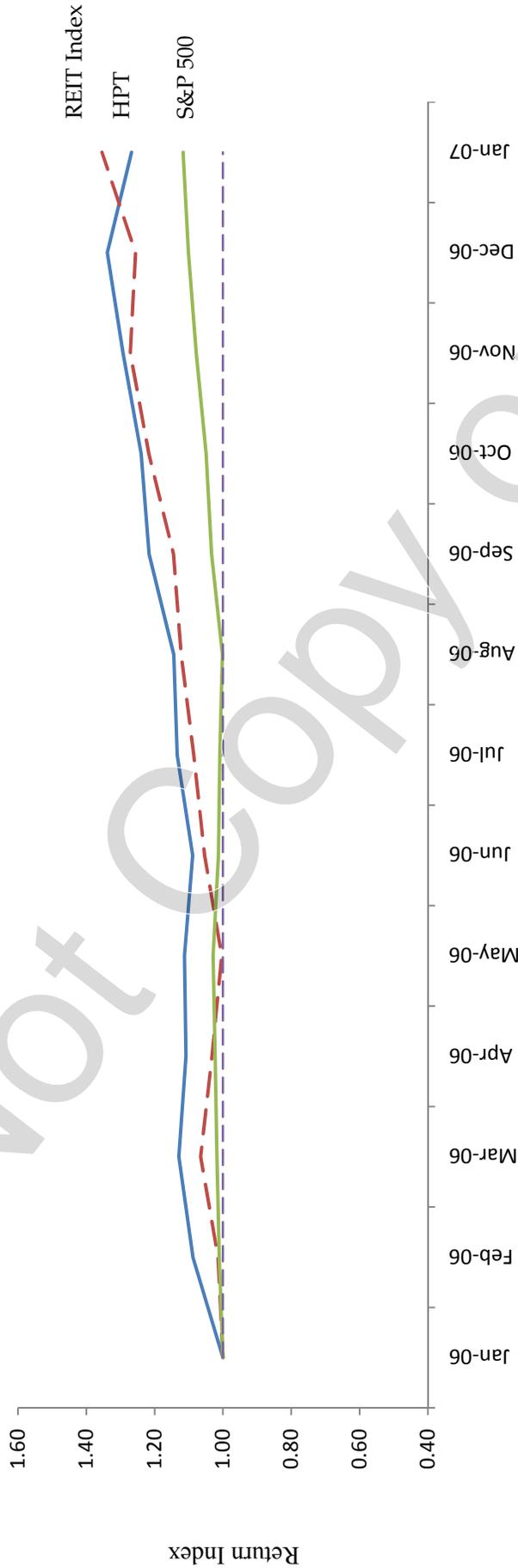
Finally, Alpern wondered how HPT shareholders—most of whom were institutional real estate funds or fixed-income investors—were reacting now that they had received shares of New-TA.

Exhibit 1 Hospitality Properties Trust—Historic Financials

(In thousands, except per-share data)	Year Ended December 31		
	2006	2005	2004
Income Statement Data:			
<i>Revenues:</i>			
Hotel operating revenues	\$879,324	682,541	498,122
Rental income	120,649	114,332	112,325
FF&E reserve income	20,299	19,767	18,147
Interest income	2,674	1,373	627
Gain on lease terminations	—	—	—
Total revenues	\$1,022,946	818,013	629,221
<i>Expenses:</i>			
Hotel operating expenses	618,334	476,858	333,818
Interest	81,451	65,263	50,393
Depreciation and amortization	141,198	127,242	110,333
General and administrative	25,090	22,514	18,659
Loss on early extinguishment of debt	—	—	—
Loss on asset impairment	—	7,300	—
Total expenses	\$366,073	699,177	513,203
Income before income taxes	\$156,873	118,836	116,018
Income tax expense	(372)	(57)	—
Income before gain on sale of real estate and discontinued operations	156,501	118,779	116,018
Gain on sale of real estate	—	—	203
Income from continuing operations	\$156,501	118,779	116,221
Balance Sheet Data (as of December 31):			
Real estate properties, at cost	\$4,018,781	3,606,404	3,161,259
Real estate properties, net	\$3,316,268	2,997,605	2,608,019

Source: Hospitality Properties Trust 2006 Annual Report.

Exhibit 2 Scaled Returns: HPT Stock, REIT Index, and S&P 500



Source: Casewriters. HPT Stock Returns from Datastream. REIT Index from REIT.com, "Monthly Index Values & Returns, 1972-2008," <http://www.reit.com/tabid/208/Default.aspx> (accessed August 1, 2008). S&P 500 data from Yahoo Finance, <http://finance.yahoo.com/> (accessed August 1, 2008).

Exhibit 3 Lodging REITs: Comparable Company Analysis

Company Name	Ticker	FFO/Share			FFO/Share Growth		P/FFO		PEG (FFO)	
		2005	2006E	2007E	2006E	2007E	2006E	2007E	2006E	2007E
LaSalle Hotel Properties	LHO	\$2.25	\$2.82	\$3.39	25.3%	20.2%	16.8	14.0	66%	69%
Host Hotels & Resorts	HST	\$1.15	\$1.53	\$1.87	33.0%	22.2%	16.3	13.4	49%	60%
DiamondRock Hospitality	DRH	\$0.52	\$1.30	\$1.56	150.0%	20.0%	14.0	11.7	9%	58%
Highland Hospitality	HIH	\$0.75	\$1.09	\$1.34	45.3%	22.9%	13.8	11.2	30%	49%
Strategic Hotels & Resorts	BEE	\$1.37	\$1.48	\$1.84	8.0%	24.3%	13.9	11.2	173%	46%
Winston Hotels	WXH	\$0.59	\$1.09	\$1.24	84.7%	13.8%	12.4	10.9	15%	79%
Hospitality Properties	HPT	\$3.77	\$4.13	\$4.46	9.5%	8.0%	11.4	10.6	120%	132%
Equity Inns	ENN	\$1.00	\$1.35	\$1.56	35%	15.6%	12.0	10.3	34%	67%
Eagle Hospitality Properties	EHP	\$0.76	\$0.86	\$0.95	13.2%	10.5%	10.8	9.7	82%	93%
FelCor Lodging Trust	FCH	(\$3.07)	\$1.96	\$2.25	n/a	14.8%	10.9	9.5	n/a	64%
Hersha Hospitality Trust	HT	\$0.72	\$1.00	\$1.16	38.9%	16.0%	10.8	9.3	28%	58%
Innkeepers USA Trust	KPA	\$1.05	\$1.32	\$1.72	25.7%	30.3%	11.9	9.1	46%	30%
Ashford Hospitality Trust	AHT	\$0.96	\$1.11	\$1.32	15.6%	18.9%	10.8	9.1	69%	48%
Sunstore Hotel Investors	SHO	\$2.03	\$2.56	\$3.04	26.1%	18.8%	10.7	9.0	41%	48%
Mean		\$0.99	\$1.69	\$1.98	39.3%	18.3%	12.6	10.6	59%	64%
Median		\$0.98	\$1.34	\$1.64	26.1%	18.8%	11.9	10.5	46%	59%

Source: RBC Capital Markets, January 22, 2007.

Exhibit 4 Hospitality Properties Trust—Shareholders as of December 31, 2006

	Holder	HPT Shares	% of Total Shares	TA Shares to be Received
1	Barclays Global Investors	5,824,948	6.8%	582,495
2	Capital Research and Management Company	5,330,000	6.2%	533,000
3	The Vanguard Group, Inc.	4,610,586	5.3%	461,059
4	Morgan Stanley & Co. International Limited Investment Arm	3,546,964	4.1%	354,696
5	Cohen & Steers Capital Management, Inc.	3,440,734	4.0%	344,073
6	J.P. Morgan Asset Management	2,535,633	2.9%	253,563
7	State Street Global Advisors, Inc.	2,198,853	2.5%	219,885
8	ING Clarion Real Estate Securities, L.P.	1,408,900	1.6%	140,890
9	LSV Asset Management	1,197,200	1.4%	119,720
10	Putnam Investment Management, LLC	1,141,513	1.3%	114,151
11	Nomura Asset Management Co., Ltd.	1,065,053	1.2%	106,505
12	Federated Investors Inc.	1,046,315	1.2%	104,632
13	Morgan Stanley Investment Management Inc.	977,712	1.1%	97,771
14	Franklin Portfolio Associates, LLC	823,700	1.0%	82,370
15	Morgan Stanley Investment Management Limited	773,555	0.9%	77,356
16	RREEF America LLC	708,400	0.8%	70,840
17	Teacher Retirement System of Texas	606,200	0.7%	60,620
18	AIM Management Group Inc.	601,600	0.7%	60,160
19	Dimensional Fund Advisors LP	585,500	0.7%	58,550
20	Neuberger Berman, LLC	542,524	0.6%	54,252
21	College Retirement Equities Fund	542,372	0.6%	54,237
22	Gateway Investment Advisers, L.P.	515,187	0.6%	51,519
23	AEW Capital Management, LP	495,600	0.6%	49,560
24	Northern Trust Investments, N.A.	472,278	0.5%	47,228
25	MFC Global Investment Management	465,917	0.5%	46,592
26	Citadel Investment Group, LLC	418,788	0.5%	41,879
27	BNY Mellon Wealth Management	412,305	0.5%	41,231
28	Two Sigma Investments, LLC	401,300	0.5%	40,130
29	Barclays Global Investors Limited	383,399	0.4%	38,340
30	New York State Common Retirement Fund	374,100	0.4%	37,410
31	Goldman Sachs Asset Management, L.P.	339,016	0.4%	33,902
32	The Boston Company Asset Management, LLC	330,738	0.4%	33,074
33	Quantitative Management Associates LLC	328,743	0.4%	32,874
34	Martingale Asset Management LP	324,783	0.4%	32,478
35	Westwood Management Corp.	321,885	0.4%	32,189
	Top 35	45,092,301	52.10%	4,509,230
	Top 50	48,743,162	56.5%	4,874,316
	51–100	6,713,049	7.8%	671,305
	101–200	3,627,156	4.2%	362,716
	All Other	27,200,884	31.5%	2,720,088
	Total	86,284,251	100.0%	8,628,425

Source: Thomson Financial.

Note: On December 2, 2006, HPT sold 12 million shares of common stock (in part, to fund the TravelCenters acquisition). Total shares outstanding after the transaction was 86,284,251. Underwriters were expected to exercise their over-allotments.

Exhibit 5a Lease Terms: New-TA and HPT

Operating Costs—The lease is expected to be a "triple net" lease, which requires New-TA to pay all costs incurred in the operation of the leased travel centers, including personnel, utilities, inventories, service to customers, insurance, real estate and personal property taxes and ground lease payments, if any.

Improvements—HPT expects to agree to provide up to \$25 million of funding annually for the first five years of the lease for certain specified improvements to the leased travel centers. This funding is expected to be cumulative, meaning if some portion of the \$25 million is not spent in one year it may be drawn by New-TA from us in subsequent years until December 31, 2015. All improvements are expected to be owned by us. There is not expected to be any adjustment in minimum rent as HPT funds these amounts.

Maintenance and Alterations—Except for HPT's commitment to fund up to \$125 million as described above, New-TA is expected to be required to maintain, at its expense, the leased travel centers in good order and repair, including structural and non-structural components. New-TA may request that HPT fund amounts for renovations, improvements and equipment at the leased travel centers, in addition to the \$125 million described above, in return for minimum annual rent increases according to a formula; generally, the amount funded times the greater of (i) 8.5% or (ii) a benchmark U.S. Treasury interest rate plus 3.5%.

Percentage Rent—Starting in 2012, the lease will require New-TA to pay additional rent with respect to each lease year in an amount equal to three percent (3%) of increases in non-fuel gross revenues and three tenths of one percent (0.3%) of increases in gross fuel revenues at each leased travel center over 2011 gross revenue amounts. Percentage rent attributable to fuel sales is expected to be subject to a maximum each year calculated by reference to changes in the consumer price index.

Term—The term of the lease is expected to expire on December 31, 2022.

Exhibit 5b Schedule of Minimum Lease Payments

Calendar Year	Minimum Rent (\$000s)
2007	\$153,500
2008	\$157,000
2009	\$161,000
2010	\$165,000
2011	\$170,000
2012	\$175,000
2013	\$175,000
2014	\$175,000
2015	\$175,000
2016	\$175,000
2017	\$175,000
2018	\$175,000
2019	\$175,000
2020	\$175,000
2021	\$175,000
2022	\$175,000
Average Straight Line	\$170,719

Source: Company filings and casewriter analysis.

Exhibit 6 Pro Forma Summary Income Statement for New-TA (in 1,000 USD)

	2003		2004		2005		2006	
	September 30		September 30		September 30		September 30	
Sales								
Fuel	1,513,648	1,959,239	3,231,853	3,010,251	2,294,946	3,947,158	3,947,158	3,947,158
Non-fuel	649,502	707,958	833,500	660,674	627,527	866,647	866,647	866,647
Rent and Royalties	13,080	10,667	9,943	7,502	7,502	9,984	9,984	9,984
Total Revenues	2,176,230	2,677,864	4,075,296	3,678,468	2,929,975	4,823,789	4,823,789	4,823,789
Cost of Goods Sold								
Fuel	1,408,728	1,857,160	3,102,513	2,899,156	2,206,346	3,795,323	3,795,323	3,795,323
Non-fuel	266,038	289,867	348,267	275,071	259,486	363,852	363,852	363,852
Operating Expenses								
Operating Expenses	342,045	362,169	420,367	325,062	308,418	437,011	437,011	437,011
Selling, General and Administrative ^a	40,543	43,180	53,051	48,532	32,702	68,881	68,881	68,881
Depreciation and Amortization	60,375	58,750	64,981	52,124	46,078	71,027	71,027	71,027
Merger and Refinancing Expenses	0	0	0	4,773	0	4,773	4,773	4,773
Gain on Asset Sales	(1,476)	(2,547)	(207)	(579)	(208)	(578)	(578)	(578)
Income from Operations	59,977	69,285	86,324	74,329	77,153	83,500	83,500	83,500
Memo								
Income from Operations	59,977	69,285	86,324	74,329	77,153	83,500	83,500	83,500
Plus: Depreciation and Amortization	60,375	58,750	64,981	52,124	46,078	71,027	71,027	71,027
Plus: Merger and Refinancing Expenses	0	0	0	4,773	0	4,773	4,773	4,773
Plus: SFAS-123 Stock Compensation Expense	0	65	8,921	11,946	53	20,814	20,814	20,814
Less: Reversal of Gain on Asset Sales	(1,476)	(2,547)	(207)	(579)	(208)	(578)	(578)	(578)
Historical EBITDA	118,876	125,553	160,019	142,593	123,076	179,536	179,536	179,536
Less: Pro Forma Management Fee to HPT ^b			(5,777)	(4,631)	(4,297)	(6,111)	(6,111)	(6,111)
Less: Pro Forma Straight-Line Lease Rent to HPT ^c			(170,719)	(128,039)	(128,039)	(170,719)	(170,719)	(170,719)
Pro Forma EBITDA			(16,477)	9,923	(9,260)	2,706	2,706	2,706

Source: Hospitality Properties Trust 2006 Annual Report.

^aIncludes SFAS-123 stock option compensation expense.^bAs part of the spin-off, New-TA entered into a management agreement with REIT Management LLC (an affiliate of HPT) which required New-TA to pay REIT Management 0.6% of non-fuel revenues plus 0.6% of gross profits on fuel revenues.^cBased on the average lease expense over the 16-year lease with HPT.

Exhibit 7 Pro Forma Summary Balance Sheet for New-TA (in 1,000 USD)

	Pro Forma^a
Current Assets	
Cash	\$213,205
Accounts Receivable, net	89,459
Inventories	93,013
Other Current Assets	8,991
Total Current Assets	\$404,668
Property and Equipment, net	
Goodwill	207,734
Intangible assets, net	34,133
Other Non-current assets, net	23,779
	8,953
Total Assets	\$679,267
Current Liabilities	
Accounts Payable	\$124,729
Other Accrued Liabilities	79,939
Total Current Liabilities	\$204,668
Capital Lease Obligations^b	
	105,252
Other Non-current Liabilities	18,415
Total Liabilities	\$328,335
Shareholders' Equity	350,932
Total Liabilities and Shareholders' Equity	\$679,267

Source: Hospitality Properties Trust 2006 Annual Report.

^aPro forma adjustments based on latest available balance sheet (September 30, 2006).

^bUnder Statement of Financial Accounting Standards No. 98, which addresses sale leaseback transactions involving real estate, several of the leases between HPT and TA do not qualify as operating leases and must be recorded on the balance sheet as a capital lease liability. However, the annual cash payments owed to HPT for all leases are fully accounted for in the lease payment schedule in **Exhibit 5b**.

Exhibit 8 Comparable Firms

Ticker	Market Cap.	Net Debt	Enterprise Value	EBITDA		EV/EBITDA		Equity Beta	Asset Beta
				LTM	2007E	LTM	2007E		
CASY	\$1,276	176.6	\$1,452	153.0	169.0	9.5x	8.6x	1.56x	1.40x
PTRY	\$1,131	750.4	\$1,881	232.3	264.1	8.1x	7.1x	1.33x	0.90x
SUSS	\$283	75.7	\$358	53.1	—	6.7x	--	--	--
Mean						8.1x	7.9x	1.45x	1.15x

Casey's General Stores—Operated convenience stores under the name "Casey's General Store" in nine Midwest states, primarily Iowa, Missouri, and Illinois. All stores offered gasoline for sale on a self-service basis. On October 31, 2006, there were 1,456 stores in operation, of which 1,438 were operated by the Company and 18 were operated by franchisees. Casey's owned the real property at substantially all its stores.

Pantry—A leading convenience store chain in the southeastern United States. As of September 28, 2006, there were 1,493 stores in 11 states under a number of banners, including Kangaroo Express, a primary operating banner. Stores offered a broad selection of merchandise, gasoline, and ancillary products and services. Owned the real property at 368 stores and leased the real property at 1,125 stores. Lease rent expense in fiscal year ended September 30, 2006 was \$59.8 million.

Susser Holdings Corp.—One of the largest operators of convenience stores in Texas (based on store count) and the largest non-refining motor-fuel distributor in Texas (by gallons). Operations included retail convenience stores and wholesale motor-fuel distribution. As of December 31, 2006, operated 325 convenience stores in Texas and Oklahoma, offering merchandise, food service, motor fuel, and other services. Owned the real property at 246 stores and leased the real property at 79 stores. Lease rent expense in the fiscal year ended December 31, 2006 was \$22.6 million.

Source: Adapted by casewriter using Lehman Brothers estimates and Bloomberg data as of January 26, 2007.

Exhibit 9 Five-year Financial Projections, Including Pre- and Post-acquisition Data

	2005	2006	2007E	2008E	2009E	2010E	2011E
Sales							
Fuel	3,231,853	3,905,128	4,061,333	4,223,786	4,392,738	4,568,447	4,751,185
<i>Growth %</i>	65.0%	20.8%	4.0%	4.0%	4.0%	4.0%	4.0%
Non-fuel	833,500	868,380	903,115	939,240	976,809	1,015,882	1,056,517
<i>Growth %</i>	17.7%	4.2%	4.0%	4.0%	4.0%	4.0%	4.0%
Franchise Royalties	9,943	10,006	10,406	10,822	11,255	11,706	12,174
<i>Growth %</i>	(6.8%)	0.6%	4.0%	4.0%	4.0%	4.0%	4.0%
Total Revenues	4,075,296	4,783,514	4,974,855	5,173,849	5,380,803	5,596,035	5,819,876
Gross Profit							
Fuel	129,340	143,557	153,942	160,100	166,504	173,164	180,091
<i>Gross Profit / Gallon</i>	\$0.073	\$0.078	\$0.080	\$0.080	\$0.080	\$0.080	\$0.080
<i>Gallons</i>	1,771,406	1,850,266	1,924,277	2,001,248	2,081,298	2,164,550	2,251,131
<i>Growth %</i>		0	0	0	0	0	0
Non-fuel	485,233	506,507	523,807	544,759	566,549	589,211	612,780
<i>Margin %</i>	58.2%	58.3%	58.0%	58.0%	58.0%	58.0%	58.0%
Franchise Royalties	9,943	10,006	10,406	10,822	11,255	11,706	12,174
Total Gross Profit	624,516	660,070	688,155	715,681	744,309	774,081	805,044
<i>Margin%</i>	15.3%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%
Operating Expenses							
Operating Expenses	420,367	426,879	443,954	461,712	480,181	499,388	519,364
<i>Growth %</i>	16.1%	1.5%	4.0%	4.0%	4.0%	4.0%	4.0%
SG&A (ex-SFAS-123)	44,130	49,417	51,394	53,449	55,587	57,811	60,123
<i>Growth %</i>	2.4%	12.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<i>Pre- and Post-acquisition Data</i>							
Pre-acquisition Depreciation	64,981	71,856	70,000	70,000	70,000	70,000	70,000
Post-acquisition Depreciation	---	---	18,029	18,029	18,029	18,029	18,029
Post-acquisition Mgmt. Fee	5,777	6,072	6,342	6,596	6,860	7,134	7,420
Post-acquisition Cash Rent ^a	---	---	153,500	157,000	161,000	165,000	170,000
Pre-acquisition EBIT	95,038	111,918	122,807	130,520	138,540	146,882	155,557
Post-acquisition EBIT	0	0	14,936	18,895	22,652	26,719	30,109

Source: Casewriter analysis.

^aPost-acquisition cash rent expense paid to HPT.

Exhibit 10 Selected Risk Factors (excerpted from S-1)

The market price of the TA shares we expect to distribute in the spin off may be low.

The value of the TA shares we expect to distribute to our shareholders in the spin off will be determined by the trading market for those shares. We do not know the price at which the TA shares will trade. Spin off transactions often result in a large number of shareholders who desire to sell distributed shares because the shares do not match those shareholders' investment guidelines or otherwise.

We were formed for the benefit of Hospitality Trust and not for our own benefit. Our formation allows Hospitality Trust to acquire and retain ownership of 146 travel centers without adverse tax consequences to Hospitality Trust. Because we were formed to benefit Hospitality Trust, some of our contractual relationships and the terms of our initial business operations may provide more benefits to Hospitality Trust than to us.

Our creation was, and our continuing business will be, subject to conflicts of interest with Hospitality Trust and REIT Management, as follows:

- Two of our directors were trustees of Hospitality Trust at the time we were created.
- Upon completion of the spin off we will have five directors, one of whom, Mr. Barry Portnoy, also will be a trustee of Hospitality Trust and the majority owner of REIT Management, one of whom, Mr. Arthur G. Koumantzelis, is a former trustee of Hospitality Trust, and one of whom, Mr. Thomas O'Brien, is a former executive officer of Hospitality Trust.
- Mr. O'Brien who will be active in our senior management activities is also an employee of REIT Management. Another REIT Management employee, John R. Hoadley, is our treasurer and will also be active in our senior management activities. REIT Management is the manager for Hospitality Trust and we will purchase various services from REIT Management pursuant to a management and shared services agreement.

These conflicts may have caused, and in the future may cause, adverse effects on our business, including:

- Our lease with Hospitality Trust may be on terms less favorable to us than leases we could have entered as a result of arm's length negotiations.
- The terms of our management and shared services agreement with REIT Management may be less favorable to us than we could have achieved on an arm's length basis; specifically, our payments to REIT Management of 0.6% of our fuel gross margin and 0.6% of our total non-fuel revenues for shared services, equal to \$4.7 million on a pro forma basis for the nine months ended September 30, 2006, may be greater than if these services were purchased from third parties.
- Future business dealings between us and Hospitality Trust, REIT Management and their affiliates may be on terms less favorable to us than we could achieve on an arm's length basis.
- We may have to compete with Hospitality Trust, REIT Management and their affiliates for the time and attention of Messrs. Portnoy, O'Brien and Hoadley.

Source: Adapted by casewriter from TravelCenters of America LLC S-1 Offering, January 26, 2007.

Note: Form S-1 is filed with the Securities and Exchange Commission to register the initial public offer of securities.