

**BOWLIN TRAVEL CENTERS, INC.**

**Financial Statements**

**For the Quarterly Period Ended**

**July 31, 2015**

**(unaudited)**

**150 Louisiana, NE Albuquerque, NM 87108 (505) 266-5985**

**BOWLIN TRAVEL CENTERS, INC.**  
**Condensed Balance Sheets**  
(in thousands, except share data)

	<u>July 31, 2015 (Unaudited)</u>	<u>January 31, 2015</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,053	\$ 3,614
Marketable securities	951	951
Accounts receivable	8	16
Inventories	3,447	3,067
Prepaid expenses	166	199
Deferred income taxes	55	60
Interest receivable	3	1
Total current assets	<u>8,683</u>	<u>7,908</u>
Property and equipment, net	9,542	9,453
Capital lease, net	34	67
Long-term deferred tax assets	39	378
Assets held for sale	412	412
Intangible assets, net	44	48
Investment in real estate	419	419
Total assets	<u>\$ 19,173</u>	<u>\$ 18,685</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,130	\$ 662
Current maturity of long-term debt	298	293
Current maturity of obligation under capital lease	34	67
Accrued liabilities	856	858
Deferred revenue	3	21
Total current liabilities	<u>2,321</u>	<u>1,901</u>
Deferred income taxes	628	726
Long-term debt, less current maturities	4,582	4,732
Total liabilities	<u>7,531</u>	<u>7,359</u>
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, none issued or outstanding at July 31, 2015 and January 31, 2015	—	—
Common stock, \$0.001 par value; 10,000,000 shares authorized, 4,086,196 issued and outstanding at July 31, 2015 and 4,099,676 issued and outstanding at January 31, 2015	5	5
Less: Treasury stock	<u>1</u>	<u>1</u>
Common stock outstanding	4	4
Additional paid in capital, net	9,204	9,223
Retained earnings	2,434	2,099
Total stockholders' equity	<u>11,642</u>	<u>11,326</u>
Total liabilities and stockholders' equity	<u>\$ 19,173</u>	<u>\$ 18,685</u>

See accompanying notes to condensed financial statements.

**BOWLIN TRAVEL CENTERS, INC.**  
**Condensed Statements of Income**  
(in thousands, except share and per share data)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 31, 2015 (Unaudited)</u>	<u>July 31, 2014 (Unaudited)</u>	<u>July 31, 2015 (Unaudited)</u>	<u>July 31, 2014 (Unaudited)</u>
Gross sales	\$ 8,345	\$ 9,142	\$ 14,587	\$ 16,075
Less discounts on sales	93	78	159	126
Net sales	8,252	9,064	14,428	15,949
Cost of goods sold	4,718	5,906	8,432	10,790
Gross profit	3,534	3,158	5,996	5,159
General and administrative expenses	(2,753)	(2,469)	(4,928)	(4,371)
Depreciation and amortization	(238)	(223)	(474)	(469)
Operating income	543	466	594	319
Non-operating income (expense)				
Interest income	2	—	4	2
Interest expense	(48)	(46)	(94)	(95)
Gain on sale of assets	—	11	—	11
Rental income	41	44	77	80
Total non-operating income (expense)	(5)	9	(13)	(2)
Income before income taxes	538	475	581	317
Income tax expense	(227)	(134)	(246)	(77)
Net income	<u>\$ 311</u>	<u>\$ 341</u>	<u>\$ 335</u>	<u>\$ 240</u>
Earnings per share				
Basic and diluted, net income	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.06</u>
Weighted average common shares outstanding	<u>4,086,196</u>	<u>4,124,292</u>	<u>4,086,196</u>	<u>4,124,292</u>

See accompanying notes to condensed financial statements.

**BOWLIN TRAVEL CENTERS, INC.**  
**Condensed Statements of Cash Flows**  
(in thousands)

	<b>For the Six Months Ended</b>	
	<b>July 31, 2015 (Unaudited)</b>	<b>July 31, 2014 (Unaudited)</b>
Cash flows from operating activities:		
Net income	\$ 335	\$ 240
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	474	469
Amortization of loan fee	3	3
Deferred income taxes, net	246	77
Gain on sale of assets	—	(11)
Retirement of debt issuance fees	—	3
Changes in operating assets and liabilities, net	108	562
Net cash provided by operating activities	1,166	1,343
Cash flows from investing activities:		
Proceeds from sale of assets	—	19
Purchases of property and equipment, net	(528)	(418)
Accrued interest receivable	(2)	(2)
Marketable securities, net	—	(40)
Net cash used in investing activities	(530)	(441)
Cash flows from financing activities:		
Payments on long-term debt	(145)	(1,076)
Payments for obligation under capital lease	(33)	(31)
Payments for debt issuance costs	—	(22)
Proceeds from borrowing	—	1,500
Additional paid-in capital, treasury stock	(19)	(10)
Net cash (used in) provided by financing activities	(197)	361
Net increase in cash and cash equivalents	439	1,263
Cash and cash equivalents at beginning of period	3,614	2,554
Cash and cash equivalents at end of period	\$ 4,053	\$ 3,817

See accompanying notes to condensed financial statements.

## Notes to Condensed Financial Statements (Unaudited)

1. The condensed financial statements of Bowlin Travel Centers, Inc. (the "Company") as of and for the three months and six months ended July 2015 and 2014 are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position, operating results and cash flows for the interim periods. The interim financial statements should be read in conjunction with the audited financial statements and notes for the fiscal year ended January 31, 2015. Results of operations for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole.
2. The Company continues to list for sale one retail location in Edgewood, New Mexico.

The property, fixtures and equipment located in Edgewood that are listed for sale have been identified as a component as defined in FASB ASC 2005-20-45 – Accounting for Impairment or Disposal of Long-Lived Assets (as amended). The carrying value of the property, fixtures and equipment of approximately \$412,000 have been reclassified as assets held for sale in the July 31, 2015 and the January 31, 2015 balance sheets. On October 31, 2007, the Company closed the Edgewood location.

3. In September 2014, the Board of Directors voted to continue the stock repurchase program that began in September 2008, whereby up to 1,000,000 shares of its common stock outstanding may be repurchased in the open market or in privately negotiated purchases from time to time, depending on market conditions and other factors. The purchases will be funded from available working capital and will be made in accordance with applicable securities laws and regulations.

The Company repurchased 13,480 of its outstanding common shares for the six months ended July 31, 2015 at an average price per share of \$1.40, for a total repurchase of approximately \$18,852. The common stock issued and outstanding was reduced by 13,480 shares or \$13 (13,480 shares times the par value of \$0.001), and additional paid in capital was reduced by \$18,839. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

4. On April 1, 2015, the Company entered into a Marketer PMPA (Petroleum Marketing Practices Act) agreement with Western Refining Wholesale, LLC ("Western"). Western will provide ExxonMobil branded motor fuels to the Company for resale at five of the Company's ExxonMobil branded locations. The agreement has a ten-year term expiring March 31, 2025, and requires the Company to purchase certain annual minimum quantities of gasoline and diesel at a distributor's markup price of \$0.015 per gallon. In addition, Western will award the Company \$225,000 for approved Exxon image upgrades.

Termination of the Company's ExxonMobil distributorship eliminated the dealers the Company was doing business with. For the six months ended July 31, 2015, approximately \$1,718,000 in fuel sales were eliminated as well as approximately \$1,716,000 in cost of fuel purchased. The net effect on gross profit is \$2,000.