

BOWLIN TRAVEL CENTERS, INC.

Financial Statements

For the Quarterly Period Ended

October 31, 2016

(unaudited)

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

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

	<u>October 31, 2016 (Unaudited)</u>	<u>January 31, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,789	\$ 3,681
Marketable securities	954	954
Accounts receivable	22	24
Inventories	3,858	3,271
Prepaid expenses	224	224
Deferred income taxes	66	52
Interest receivable	4	1
Total current assets	<u>8,917</u>	<u>8,207</u>
Property and equipment, net	9,473	9,491
Long-term deferred tax assets	—	82
Assets held for sale	487	487
Intangible assets, net	33	40
Investment in real estate	419	419
Total assets	<u>\$ 19,329</u>	<u>\$ 18,726</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 964	\$ 558
Current maturity of long-term debt	314	303
Accrued liabilities	1,019	1,023
Income taxes payable	19	—
Deferred revenue	31	21
Total current liabilities	<u>2,347</u>	<u>1,905</u>
Deferred income taxes	764	703
Long-term debt, less current maturities	4,196	4,430
Total liabilities	<u>7,307</u>	<u>7,038</u>
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, none issued or outstanding at October 31, 2016 and January 31, 2016	—	—
Common stock, \$0.001 par value; 10,000,000 shares authorized, 4,054,720 issued and outstanding at October 31, 2016 and 4,078,690 issued and outstanding at January 31, 2016	5	5
Less: Treasury stock, \$0.001 par value: 528,628 shares at October 31, 2016 and 504,658 shares at January 31, 2016	1	1
Common stock outstanding	4	4
Additional paid in capital, net	9,157	9,193
Retained earnings	2,861	2,491
Total stockholders' equity	<u>12,022</u>	<u>11,688</u>
Total liabilities and stockholders' equity	<u>\$ 19,329</u>	<u>\$ 18,726</u>

See accompanying notes to condensed financial statements.

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

	Three Months Ended		Nine Months Ended	
	October 31, 2016 (Unaudited)	October 31, 2015 (Unaudited)	October 31, 2016 (Unaudited)	October 31, 2015 (Unaudited)
Gross sales	\$ 5,969	\$ 5,862	\$ 19,891	\$ 20,448
Less discounts on sales	83	78	290	236
Net sales	5,886	5,784	19,601	20,212
Cost of goods sold	3,159	3,120	10,539	11,552
Gross profit	2,727	2,664	9,062	8,660
General and administrative expenses	(2,465)	(2,333)	(7,645)	(7,260)
Depreciation and amortization	(248)	(238)	(734)	(712)
Operating income	14	93	683	688
Non-operating income (expense)				
Interest income	2	2	6	6
Interest expense	(44)	(46)	(132)	(140)
Rental income	19	38	76	115
Total non-operating income (expense)	(23)	(6)	(50)	(19)
Income (loss) before income taxes	(9)	87	633	669
Income tax expense	(6)	(36)	(263)	(282)
Net income (loss)	<u>\$ (15)</u>	<u>\$ 51</u>	<u>\$ 370</u>	<u>\$ 387</u>
Earnings (loss) per share				
Basic and diluted, net income (loss)	<u>\$ (0.004)</u>	<u>\$ 0.012</u>	<u>\$ 0.091</u>	<u>\$ 0.095</u>
Weighted average common shares outstanding	<u>4,054,720</u>	<u>4,082,111</u>	<u>4,054,720</u>	<u>4,082,111</u>

See accompanying notes to condensed financial statements.

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

	For the Nine Months Ended	
	October 31, 2016 (Unaudited)	October 31, 2016 (Unaudited)
Cash flows from operating activities:		
Net income	\$ 370	\$ 387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	734	712
Amortization of loan fee	4	4
Deferred income taxes, net	129	281
Changes in operating assets and liabilities, net	<u>(154)</u>	<u>(67)</u>
Net cash provided by operating activities	<u>1,083</u>	<u>1,317</u>
Cash flows from investing activities:		
Purchases of property and equipment, net	(713)	(763)
Accrued interest receivable	<u>(3)</u>	<u>(1)</u>
Net cash used in investing activities	<u>(716)</u>	<u>(764)</u>
Cash flows from financing activities:		
Payments on long-term debt	(223)	(218)
Payments for obligation under capital lease	—	(50)
Additional paid-in capital, treasury stock	<u>(36)</u>	<u>(24)</u>
Net cash used in financing activities	<u>(259)</u>	<u>(292)</u>
Net increase in cash and cash equivalents	108	261
Cash and cash equivalents at beginning of period	<u>3,681</u>	<u>3,614</u>
Cash and cash equivalents at end of period	<u>\$ 3,789</u>	<u>\$ 3,875</u>

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 nine months ended October 2016 and 2015 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, 2016. 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 \$487,000 have been reclassified as assets held for sale in the October 31, 2016 and in the January 31, 2016 balance sheets, respectively. On October 31, 2007, the Company closed the Edgewood location.

3. In September 2016, 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 23,970 of its outstanding common shares for the nine months ended October 31, 2016 at an average price per share of approximately \$1.50, for a total repurchase of approximately \$36,054. The common stock issued and outstanding was reduced by 23,970 shares or \$24 (23,970 shares times the par value of \$0.001), and additional paid in capital was reduced by \$36,030. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

4. On August 1, 2000, the Company entered into a long-term lease for office space located at 136 Louisiana, NE, Albuquerque, New Mexico 87108 at an annual rate of \$66,600. The lease terminated on April 30, 2016. The Company has executed a Commercial Listing Agreement to lease the available office space.

5. Subsequent event. On November 18, 2016, the Company entered into an Option, Easement and Land Lease Agreement with Excelsior Mining Arizona, Inc., (Excelsior). The Company granted Excelsior an option to lease a portion of its property located in Benson, Arizona that includes a non-exclusive access and utilities easement. The Company will receive \$30,000 for the first three years of the option and another \$30,000 if Excelsior extends the option for three additional years. Excelsior will also pay \$1,000 annually for the easement. Upon exercising the option, the lease will commence for a period of thirty years at a rate of \$15,000 annually, with a ten percent increase every five years.