

BOWLIN TRAVEL CENTERS, INC.

Financial Statements

For the Quarterly Period Ended

October 31, 2017

(unaudited)

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

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

	October 31, 2017 (Unaudited)	January 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,957	\$ 3,523
Marketable securities	953	953
Accounts receivable	22	18
Inventories	3,867	3,687
Prepaid expenses	208	232
Prepaid income taxes	21	50
Deferred income taxes	71	71
Interest receivable	5	1
Total current assets	9,104	8,535
Property and equipment, net	9,324	9,334
Capital lease, net	426	221
Long-term deferred tax assets	—	14
Assets held for sale	487	487
Intangible assets, net	67	31
Investment in real estate	334	334
Total assets	\$ 19,742	\$ 18,956
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 831	\$ 636
Current maturity of long-term debt	163	314
Current maturity of capital lease obligation	84	40
Accrued liabilities	904	951
Deferred revenue	48	53
Total current liabilities	2,030	1,994
Deferred income taxes	837	765
Capital lease obligation, less current maturities	342	181
Long-term debt, less current maturities	4,108	4,119
Total liabilities	7,317	7,059
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, none issued or outstanding at October 31, 2017 and January 31, 2017	—	—
Common stock, \$0.001 par value; 10,000,000 shares authorized, 4,028,427 issued and outstanding at October 31, 2017 and 4,040,672 issued and outstanding at January 31, 2017	5	5
Less: Treasury stock, \$0.001 par value: 554,921 shares at October 31, 2017 and 542,676 shares at January 31, 2017	1	1
Common stock outstanding	4	4
Additional paid in capital, net	9,106	9,131
Retained earnings	3,315	2,762
Total stockholders' equity	12,425	11,897
Total liabilities and stockholders' equity	\$ 19,742	\$ 18,956

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>Nine Months Ended</u>	
	<u>October 31, 2017 (Unaudited)</u>	<u>October 31, 2016 (Unaudited)</u>	<u>October 31, 2017 (Unaudited)</u>	<u>October 31, 2016 (Unaudited)</u>
Gross sales	\$ 6,503	\$ 5,969	\$ 21,224	\$ 19,891
Less discounts on sales	68	83	252	290
Net sales	6,435	5,886	20,972	19,601
Cost of goods sold	3,583	3,159	11,653	10,539
Gross profit	2,852	2,727	9,319	9,062
General and administrative expenses	(2,532)	(2,465)	(7,893)	(7,645)
Depreciation and amortization	(258)	(248)	(754)	(734)
Operating income	62	14	672	683
Non-operating income (expense)				
Interest income	3	2	7	6
Loss on sale of assets	(7)	—	(7)	—
Interest expense	(53)	(44)	(144)	(132)
Rental income	23	19	65	76
Total non-operating income (expense)	(34)	(23)	(79)	(50)
Income (loss) before extraordinary item	28	(9)	593	633
Income tax expense	(1)	(6)	(226)	(263)
Extraordinary item – sale of cell tower leases and easements, net of income tax expense	—	—	186	—
Net income (loss)	<u>\$ 27</u>	<u>\$ (15)</u>	<u>\$ 553</u>	<u>\$ 370</u>
Earnings per share				
Basic and diluted, net income (loss)	<u>\$ 0.007</u>	<u>\$ (0.004)</u>	<u>\$ 0.137</u>	<u>\$ 0.091</u>
Weighted average common shares outstanding	<u>4,028,427</u>	<u>4,054,720</u>	<u>4,028,427</u>	<u>4,054,720</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, 2017 (Unaudited)	October 31, 2016 (Unaudited)
Cash flows from operating activities:		
Net income	\$ 553	\$ 370
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	754	734
Amortization of loan fee	5	4
Deferred income taxes, net	86	129
Loss on sale of assets	7	—
Changes in operating assets and liabilities, net	12	(154)
Net cash provided by operating activities	1,417	1,083
Cash flows from investing activities:		
Purchases of property and equipment, net	(680)	(713)
Accrued interest receivable	(4)	(3)
Net cash used in investing activities	(684)	(716)
Cash flows from financing activities:		
Payments on long-term debt	(199)	(223)
Payments for obligation under capital lease	(70)	—
Payments for debt issuance costs	(43)	—
Retirement of long-term debt	(2,955)	—
Proceeds from borrowing	2,993	—
Additional paid-in capital, treasury stock	(25)	(36)
Net cash used in financing activities	(299)	(259)
Net increase in cash and cash equivalents	434	108
Cash and cash equivalents at beginning of period	3,523	3,681
Cash and cash equivalents at end of period	\$ 3,957	\$ 3,789

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 2017 and 2016 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, 2017. 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 property located in Edgewood, New Mexico.

The property has been identified as a component as defined in FASB ASC 205-20-45 – Accounting for Impairment or Disposal of Long-Lived Assets (as amended). The carrying value of the property of approximately \$487,000 has been reclassified as assets held for sale in the October 31, 2017 and in the January 31, 2017 balance sheets. On March 22, 2017, the Company entered into a purchase agreement to sell the property with an expected closing date in July 2017. On June 15, 2017 the buyer elected to terminate the purchase agreement.

3. In September 2017, 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 12,245 of its outstanding common shares for the nine months ended October 31, 2017 at an average price per share of approximately \$2.01 for a total repurchase of approximately \$24,675. The common stock issued and outstanding was reduced by 12,245 shares or \$12 (12,245 shares times the par value of \$0.001), and additional paid in capital was reduced by \$24,663. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

4. Extraordinary item. In March 2017, the Company sold three cell tower leases and easements located in Luna County, New Mexico to Global Signal Acquisitions IV LLC for \$300,479 cash, which is reflected in income as an extraordinary item net of income tax expense.

5. The Company renewed its retail supply agreement with Arizona Fuel Distributors, LLC to purchase Shell brand fuels for the Company's three Arizona retail locations. The company will pay the rack price plus freight. The retail supply agreement is for a period of ten years beginning on August 22, 2017 and will continue on a month to month basis until the parties either execute a new agreement or Arizona Fuel Distributor, LLC terminates the agreement. There are no minimum or maximum gallon purchase requirements for the Company.

6. On May 15, 2017, the Company entered into a capital lease agreement with YESCO LLC for a new double sided LED sign to be installed in Benson, Arizona. The term of the lease consists of sixty months commencing on the first day of the month immediately following the completion of the installation of the sign. Installation of the sign was completed in August 2017. The company will pay YESCO LLC \$48 as the maintenance component and \$4,837 as the base lease component. The Company will pay YESCO LLC \$1.00 with the final monthly payment at which time YESCO LLC will transfer ownership of the sign to the Company. As part of the security for its performance, the Company deposited with YESCO LLC the sum of \$23,200. The security deposit has been applied as a capital reduction of the base lease component. The Company will account for the lease in accordance with FASB ASC 840-30.

7. On September 25, 2017, the Company entered into a \$5 million commercial loan agreement with WestStar Bank at an interest rate of 4.95%. A portion of the loan proceeds were used to retire maturing debt at Bank of the West. The balance will provide funding for a major renovation at The Thing DQ Travel Center in Benson, Arizona.