

Edgar Filing: UNI MARTS INC - Form 10-K

UNI MARTS INC  
Form 10-K  
December 22, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 1-11556

UNI-MARTS, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	25-1311379 (I.R.S. Employer Identification No.)
477 EAST BEAVER AVENUE, STATE COLLEGE, PA (Address of principal executive offices)	16801-5690 (Zip Code)

Registrant's telephone number, including area code: (814) 234-6000  
Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS  
-----

NAME OF EACH EXCHANGE ON WHICH REGISTERED  
-----

Common Stock, \$.10 Par Value

American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None  
(Title of Class)

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 ☐

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$8,264,219.

7,196,273 shares of Common Stock were outstanding at December 5, 2003.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement of the registrant for the registrant's 2004 Annual Meeting of Stockholders, which definitive proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year end of September 30, 2003, are incorporated by reference into Part III.

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### PART I

#### ITEM 1. BUSINESS.

##### COMPANY OVERVIEW

Uni-Marts, Inc. (the "Company" or "Uni-Marts") is an independent operator of convenience stores and discount tobacco stores. All references in this report to the Company include its consolidated subsidiaries. At September 30, 2003, the Company operated 292 convenience stores and Choice Cigarette Discount Outlets ("Choice") in Pennsylvania, New York, Delaware, Maryland and Virginia, of which 237 stores sold gasoline. See "Business -- Merchandising and Marketing." Most of the stores are located in small towns and rural locations. The Company grew primarily through acquisitions with some new store construction. Many of the acquired stores are located in urban and suburban areas and are generally leased on a long-term basis.

The Company currently purchases gasoline: (a) from BPAmoco, Exxon, Mobil and Texaco for 75 locations; and (b) from other independent suppliers for 161 locations. Gasoline is sold at one additional location on a commission basis.

The size of the Company's stores generally ranges from approximately 1,200 to 3,300 square feet with newly constructed stores generally having over 3,000 square feet. The Company's largest location is 12,800 square feet in size. Typically, the convenience stores offer a complete line of over 3,000 popular consumer items. In addition, the Company offers products designed to increase store traffic, such as made-to-order proprietary and branded fast foods, as well as services including lottery tickets and automated teller machines ("ATMs").

The Company commenced its convenience store operations in 1972 and was incorporated in Delaware in 1977. In 1986, the Company's shares were distributed in a tax-free spin-off to the holders of the stock of Unico Corporation, formerly the Company's parent.

The Company's executive offices are located at 477 East Beaver Avenue, State College, PA 16801-5690, its phone number is (814) 234-6000, and the website is [www.uni-mart.com](http://www.uni-mart.com).

##### THE CONVENIENCE STORE INDUSTRY

The convenience store industry is a retail, service-oriented industry. It is distinguished from other retail businesses by its emphasis on location and convenience and a commitment to customers who need to purchase items quickly during extended hours. Convenience stores feature a wide variety of items, including prepared and self-service fast foods, dairy products, tobacco products, beverages, groceries, and health and beauty aids. In addition, many of the stores sell gasoline on a self-service basis. The stores are generally designed with customer parking and quick checkout procedures to maximize convenience, as well as to encourage impulse buying of high margin items.

The convenience store industry is highly competitive. Currently, many external forces are exerting pressure on convenience store retailers such as volatile fuel prices, margin pressures on gasoline and tobacco sales, and increasing competition. As a result of these forces, there has been substantial consolidation and an inordinate number of bankruptcy proceedings in the

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convenience store industry. The Company, like many other retailers, is facing intense competitive pressures and liquidity issues. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Convenience stores compete not only with other convenience stores, but also gasoline stations, supermarkets, drug stores, discount stores and fast food operations. To compete for a broader customer base, convenience stores are increasing the variety and quality of their food service products,

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expanding specialty product lines, adding new services and improving store layouts to attract new customers. Convenience store operators are also continuing to focus on the improvement of gasoline dispensing facilities and increased customer services. In addition, many convenience store operators are remodeling existing sites and opening new locations.

### STRATEGY

In fiscal year 2003, the Company continued to evaluate its strategies to enhance its operating performance. The Company's key strategies include the following:

**Emphasis on Merchandising and Marketing.** The Company has attempted to improve its category management capabilities to deliver appealing, high-quality, reasonably-priced packaged products. Food service products are being developed to lower employee involvement in preparation, ease customer efforts in selection and reduce transaction time.

**Upgrade Business Process Efficiency.** The Company is in the process of updating its business systems and technology as part of an effort to streamline key business processes. In fiscal year 2004, the Company plans to complete the first phase of its back office computer system to allow more effective and efficient store management and provide greater flexibility to respond quickly to marketplace changes. In addition, the Company is currently implementing an enhanced financial reporting system for improved efficiencies and synergies in the Company's financial reporting.

**Ongoing Evaluation of Store Locations.** The Company continues to evaluate existing stores based on their historical contribution. The Company will consider closing underperforming stores or investing in facility upgrades to enhance their performance. The Company retained financial advisors in fiscal year 2002, and entered into a new contractual arrangement with one of these financial advisors in January 2003, to evaluate operating strategies which include the divestiture of certain stores and non-operating assets. As part of the Company's plans to divest certain stores, in fiscal year 2003 the Company reclassified the assets of 130 stores on its balance sheet as discontinued operations and reclassified the related debt as current maturities. At September 30, 2003, the Company had 128 remaining stores classified as discontinued operations. Also during fiscal year 2003, the Company completed negotiations with its lenders and entered into several Master Property Disposition Agreements, discussed more fully in Footnote F to the Consolidated Financial Statements, which will facilitate its divestiture plan. Under these agreements, the lenders will permit release of their security interests in certain real property and equipment, accept reduced prepayment or yield maintenance penalties, and forbear certain covenant requirements.

### MERCHANDISING AND MARKETING

The Company's merchandising and marketing programs are designed to promote

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convenience through store location, hours of operation, parking, customer service, product selection and checkout procedures. Store hours are intended to meet customer needs and the characteristics of the community in which each store is located. Approximately 50% of the Company's convenience stores are open 24 hours per day, while the majority of the remaining stores are open from 5:00 a.m. to 12:30 a.m. To improve speed of service, most of the Company's products and services are sold on a self-service basis.

Uni-Marts has a merchandising and marketing department which develops and implements promotional and advertising programs, sometimes in conjunction with suppliers. The Company utilizes an internet web site, radio, billboard and newspaper advertising media to generate sales, increase customer traffic and promote the Company's name and image.

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**Convenience Store Merchandise Sales.** The Company's convenience stores offer dry grocery items, health and beauty aids, newspapers and magazines, novelty items, dairy products, candy, frozen foods, beverages, tobacco products, fountain drinks and freshly-ground coffee and cappuccino products. Many stores also offer a variety of prepared and self-service fast foods, including freshly made sandwiches, roller grill items, pizzas, and thaw and serve baked goods. In recent years, the Company has added new merchandise products such as prepared foods and proprietary fast foods, as well as expanded its line of novelty and specialty store items, as part of an effort to increase sales volume and customer traffic. In addition, the Company continues to offer a number of customer services, such as ATMs, prepaid cellular telephones and telephone cards and lottery ticket and money order sales, all of which are designed to increase customer traffic.

**Convenience Store Gasoline Sales.** Convenience store operations are enhanced by self-service gasoline facilities, which the Company plans to include in as many new locations as possible. Sales of gasoline products at the Company's stores are affected by wholesale and retail price volatility, competition and marketing decisions. At September 30, 2003, the Company had 237 locations offering gasoline, with 140 of these locations also offering kerosene and 19 offering diesel fuel.

The Company offers BPAmoco gasoline at 34 locations, Exxon gasoline at 24 locations, Mobil gasoline at 9 locations, Texaco gasoline at 8 locations, Citgo gasoline at one location, Sunoco gasoline at one location and Uni-Mart branded gasoline at 159 locations. One additional location sells branded gasoline on a commission basis.

**Choice Cigarette Discount Outlets.** During fiscal year 2003, the Company sold one discount tobacco store operating under the name of Choice Cigarette Discount Outlets. At September 30, 2003, the Company operated 67 Choice stores, with 50 of these locations offering gasoline. The Company currently has no plans to convert convenience store locations to Choice Cigarette Discount Outlets.

### COMPANY OPERATIONS

**Store Management.** Each Company-operated store is managed by a store manager. All Company stores are divided into groups of approximately nine stores by geographic area. Each group is managed by a store supervisor. A regional manager is responsible for a number of groups and their group supervisors. The regional managers report directly to the Executive Vice President of Operations. Managers, supervisors and regional managers are compensated in part through incentive programs which provide for quarterly bonuses based primarily on the achievement of specific financial targets. The number of full-time and part-time employees per store depends on the sales volume of the store and its hours of

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operation.

Franchises. At September 30, 2003, the Company had three franchise stores which operate under various franchise agreements. Under all franchise agreements, the franchisee pays a royalty, which varies depending upon the agreement and whether the Company or the franchisee owns the convenience food-store equipment. The royalty is based on the store's merchandise sales volume.

As part of its services to two franchise locations, the Company provides accounting services, merchandising and advertising assistance, store layout and design guidance, supplier and product selection and ongoing operational assistance. These franchisees are required to use the same internal control systems that the Company uses for the stores it operates. The Company does not provide these services for one franchise location. The Company has periodically closed franchised stores and does not intend to grant new or extend its franchise agreements and plans to sell its existing franchises back to the current operator where possible.

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Dealers. At September 30, 2003, the Company supplied gasoline to 17 dealers. Sales at these locations represented approximately 4% of the Company's gasoline volume in fiscal years 2003 and 2002.

### SEASONALITY

The Company's business generally has been subject to seasonal influences with higher sales in the third and fourth quarters of each fiscal year, since customers tend to purchase more convenience items and gasoline during the warmer months. Due to adverse weather conditions, merchandise sales for the second fiscal quarter have generally been lower than other quarters. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Seasonality and Unaudited Quarterly Results."

### DISTRIBUTION AND SUPPLY

All stores are scheduled to be serviced at least weekly by vendors. The Company does not distribute products to its stores itself. The Company utilizes a single wholesale distributor for most in-store merchandise, pursuant to a three-year supply agreement that expires in April 2005. The Company believes that it could replace this distributor with one or more other distributors. Certain products, such as bakery items, dairy products, snacks, soft drinks, magazines and perishable products, are distributed by wholesale route salespeople. As part of the sale of its dairy operation in 1994, the Company entered into a 10-year supply agreement that expires in March 2004 with the purchaser which provides for the Company's purchase of dairy products sold at most of its Pennsylvania stores. The Company is currently negotiating a new five-year supply agreement with similar pricing and payment terms. In fiscal year 1998, the Company entered into 10-year gasoline supply agreements with Exxon and Mobil for stores that sell approximately 26% of the Company's gasoline volume. As part of the purchase of the OSSI stores, in fiscal year 2000 the Company entered into agreements with Amoco and Texaco with terms expiring in years 2008 and 2006, respectively. Sales at these branded locations represented approximately 25% of the Company's gasoline volume in fiscal year 2003. Gasoline is purchased for the remaining stores from various suppliers based on price and availability. Should a gasoline shortage occur, the Company's sales of gasoline could be adversely affected.

### MANAGEMENT CONTROLS AND INFORMATION SYSTEMS

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In fiscal year 2000 the Company initiated a multi-year program to improve the efficiency of its operational process and management controls through a program of process reengineering and investment in information systems. These systems are designed to improve the timeliness and accuracy of management information, reduce paperwork and enhance pricing, inventory and cash controls. At September 30, 2003, the Company had installed this back office system in 225 stores. The Company has budgeted \$600,000 in fiscal year 2004 to install the back office system in the remaining stores. The Company utilizes its current computer systems for inventory and accounting control, financial record-keeping and management reporting, allowing management to monitor and evaluate store operations. The Company's computer systems also are programmed to identify variances from budgeted amounts by store on a monthly and year-to-date basis. In addition, profit and loss statements by store compare the current year's results for the month and year-to-date to the previous year's results.

Store managers are responsible for placing orders for grocery, tobacco, frozen food and non-food items directly into the central computer system of the Company's wholesale supplier. Order and receiving reports are reviewed by store supervisors. Invoices are reviewed and compared to receiving reports by the Company's accounting personnel and are paid centrally.

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### COMPETITION

The convenience store industry is highly competitive. It is characterized by a few large companies, some medium-sized companies and many small, independent companies. Several of the Company's competitors are substantially larger and have greater resources than the Company. The Company's primary competitors include national chains such as A-Plus and 7-Eleven and regional chains such as Sheetz, WaWa, Turkey Hill and Co/Go. The Company also competes with other convenience stores, small supermarkets, grocery stores and major and independent gasoline distributors. Competition for merchandise sales is based primarily on location, product selection, speed of service, quality and price.

Competition for gasoline sales is based on price, location and facilities. The Company competes primarily with other convenience stores, self-service gasoline stations operated by independent dealers and major oil companies, as well as hypermarkets. The Company's competitive advantages for gasoline sales at certain stores include location, pay-at-the pump, well-lit canopies and branded and unbranded products. The Company faces intense competition in areas where other retailers have newer stores and offer similar facilities as the Company. In addition, gasoline retailers in some areas compete for market share through aggressive pricing strategies that negatively impact the Company's ability to maintain historical margins and volume.

The Company competes for sales of cigarettes primarily with other convenience stores, as well as other locations that offer mainly discounted tobacco products.

### ENVIRONMENTAL COMPLIANCE AND REGULATION

The Company's gasoline operations are subject to federal, state and local environmental laws and regulations primarily relating to the underground storage tanks. The United States Environmental Protection Agency (the "EPA") has established standards for owners and operators of underground storage tanks ("USTs") relating to, among other things: (i) maintaining leak detection systems; (ii) upgrading UST systems; (iii) implementing corrective action in response to releases; (iv) closing out-of-use USTs to prevent future releases; (v) maintaining appropriate records; and (vi) maintaining evidence of financial responsibility for corrective action and compensating third parties for bodily

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injury and property damage resulting from UST releases. All states in which the Company operates also have adopted these regulatory programs.

The Company has spent substantial amounts of money in prior years to upgrade its underground storage tanks to meet the applicable standards and requirements. In fiscal year 2004, the Company does not expect expenditures to maintain environmental compliance at its locations to have a material adverse effect on the Company's financial position, results of operations or cash flows. Management believes that the Company is currently in material compliance with all applicable federal and state environmental laws and regulations.

### GOVERNMENTAL REGULATION

In addition to the laws and regulations referred to under "Environmental Compliance and Regulation," certain other aspects of the Company's business are governed by federal, state and local statutes. As a franchisor, the Company is also subject to federal and state laws governing franchising, which include, among other matters, the commencement and termination of franchises.

A significant portion, approximately 47%, of the Company's merchandise sales is derived from the sale of cigarettes at its locations. If the government were to impose significant additional regulations or restrictions on the sale of tobacco products, it could have a material adverse effect on the Company.

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Management believes that the Company is currently in material compliance with all applicable federal and state laws and regulations.

### TRADEMARKS

The name "UNI-MART" and the Company's UNI-MART logo were registered with the U.S. Patent and Trademark Office as of May 13, 1997, and are owned by and licensed from Uni-Marts of America, Inc., a wholly-owned subsidiary of the Company.

### EMPLOYEES

As of September 30, 2003, the Company had approximately 2,450 employees, approximately 1,330 of whom were full-time. None of the Company's employees are covered by a collective bargaining agreement.

### ITEM 2. PROPERTIES.

The following table sets forth certain information with respect to administrative and storage facilities owned or leased by the Company as of September 30, 2003:

LOCATION	TYPE OF OWNERSHIP	LEASE EXPIRATION	SQUARE FOOTAGE	USE
-----	-----	-----	-----	---
State College, PA.....	Leased	December 2010	26,500	Administrative offices
State College, PA.....	Owned	N/A	5,400	Administrative offices
Oak Hall, PA.....	Leased	December 2004	19,400	Storage facility
Pittsburgh, PA.....	Leased	August 2009	2,700	Regional office and storage facility
Camp Hill, PA.....	Leased	November 2004	3,700	Regional office and storage facility



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Wilkes-Barre, PA.....	Leased	April 2005	10,900	Regional office
Wilkes-Barre, PA.....	Leased	June 2006	16,000	Maintenance warehouse

The Company's above-referenced leased administrative offices and storage facility in State College and Oak Hall, Pennsylvania, respectively, are leased from HFL Corporation. HFL Corporation is controlled by Henry D. Sahakian, the Company's Chairman of the Board and Chief Executive Officer, and his brother, Daniel D. Sahakian, a Director of the Company.

Of the Company's 292 store locations, 168 are owned by the Company, 14 are leased from affiliated parties and 110 are leased from unaffiliated parties. Most leases are for initial terms of five to ten years with renewal terms of five years available at the Company's option. Under most leases, the Company is responsible for the payment of insurance, taxes and maintenance. If a renewal option is available and the property continues to be suited to the Company's needs, the Company will generally renew its leases prior to expiration. Where renewals are not available or the Company otherwise determines to change location, the Company is generally able to locate acceptable alternative facilities.

Of the leased locations, one is subleased to a franchisee. The Company also owns a gasoline service station, which is leased to an unaffiliated operator. As of September 30, 2003, the Company had no stores under construction.

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The Company's store leases expire as follows:

FISCAL YEAR OF LEASE EXPIRATION (1)	NUMBER OF FACILITIES
2004	11
2005	5
2006	4
2007	7
2008 and later	97

(1) Most of the Company's leases have one or more renewal options at an agreed upon rental or fair market rental at the end of their initial terms.

### ITEM 3. LEGAL PROCEEDINGS.

The Company is involved in litigation and other legal matters which have arisen in the normal course of business. Although the ultimate results of these matters are not currently determinable, management does not expect that they will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

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## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock is listed on the American Stock Exchange under the symbol "UNI." The transfer agent and registrar for shares of the Company's Common Stock is Mellon Investor Services LLC, Ridgefield Park, New Jersey. As of December 5, 2003, the Company had 7,196,273 shares of its Common Stock outstanding.

Set forth below is a table which shows the high and low sale prices as reflected on the American Stock Exchange and dividends paid on Common Stock for each quarter in the two most recent fiscal years.

	FIRST QUARTER -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----
2003				
Cash Dividends per share.....	\$0.00	\$0.00	\$0.00	\$0.00
Price Range:				
High.....	\$1.50	\$1.40	\$2.26	\$1.94
Low.....	\$1.07	\$0.98	\$1.15	\$1.36
2002				
Cash Dividends per share.....	\$0.00	\$0.00	\$0.00	\$0.00
Price Range:				
High.....	\$3.10	\$3.20	\$3.10	\$2.64
Low.....	\$1.80	\$1.59	\$2.40	\$1.18

In April 1997, the Company's Board of Directors elected to temporarily suspend the quarterly dividends on its Common Stock. There can be no assurance of future dividends because they are dependent not only on future earnings, but also on the Company's capital requirements, loan covenants and financial condition. Certain of the Company's debt agreements contain loan covenants that restrict the payment of dividends without the lender's prior consent or require the maintenance of minimum net worth levels.

The Company has not sold any unregistered securities during the period covered by this report.

At December 5, 2003, the Company had approximately 372 stockholders of record of Common Stock. The Company believes that approximately 44 percent of its Common Stock is held in street or nominee names.

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### EQUITY COMPENSATION PLAN INFORMATION (IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table sets forth information concerning shares of common stock that may be issued upon exercise of options under all equity compensation plans as of September 30, 2003.

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PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER REMAINING FOR FUTURE UNDERWRITING COMPLETION
-----	-----	-----	-----
Equity compensation plans approved by security holders.....	1,161	\$2.18	
Equity compensation plans not approved by security holders.....	0	0	
	----	----	
Total.....	1,161	\$2.18	
	=====	=====	

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## ITEM 6. SELECTED FINANCIAL DATA.

### SELECTED CONSOLIDATED FINANCIAL DATA (IN THOUSANDS, EXCEPT PER SHARE DATA)

The following selected consolidated financial data should be read in conjunction with the audited consolidated financial statements, related notes, other financial information and management's discussion and analysis of financial condition and results of operations included elsewhere in this report.

	FISCAL YEAR ENDED SEPTEMBER 30,				
	2003	2002	2001	2000 (1)	1999
	-----	-----	-----	-----	-----
STATEMENTS OF OPERATIONS DATA:					
Sales and other income by the Company and its franchisees:					
Merchandise sales.....	\$140,471	\$143,315	\$130,341	\$112,159	\$ 96,8
Gasoline sales.....	154,076	117,007	143,257	121,156	74,0
Other income.....	1,445	1,658	1,676	1,744	2,0
	-----	-----	-----	-----	-----
Total.....	295,992	261,980	275,274	235,059	172,9
Cost of sales.....	239,767	205,300	216,953	184,796	127,2
	-----	-----	-----	-----	-----
Gross profit.....	56,225	56,680	58,321	50,263	45,6
Selling.....	40,363	39,811	39,931	34,885	34,0
General and administrative.....	7,621	8,026	7,264	6,731	7,5
Depreciation and amortization.....	4,435	4,709	4,884	4,177	3,9
Interest.....	3,589	3,710	4,548	3,630	2,7
Provision for asset impairment.....	0	0	54	160	2
	-----	-----	-----	-----	-----
Earnings (loss) from continuing operations before income taxes and change in accounting principle.....	217	424	1,640	680	(2,8
Income tax provision (benefit).....	6	179	651	268	(8
	-----	-----	-----	-----	-----
Earnings (loss) from continuing operations before change in accounting principle...	211	245	989	412	(2,0
	-----	-----	-----	-----	-----
Discontinued operations:					

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(Loss) earnings from discontinued operations.....	(2,311)	(2,703)	(892)	772	(3
Loss on disposal of discontinued operations.....	(720)	0	0	0	
Income tax (benefit) provision.....	(88)	(1,141)	(354)	304	(
	-----	-----	-----	-----	-----
(Loss) earnings from discontinued operations.....	(2,943)	(1,562)	(538)	468	(2
Cumulative effect of change in accounting principle, net of income tax benefit of \$310.....	(5,547)	0	0	0	
	-----	-----	-----	-----	-----
Net (loss) earnings.....	\$ (8,279)	\$ (1,317)	\$ 451	\$ 880	\$ (2,2
	=====	=====	=====	=====	=====
Earnings (Loss) Per Share:					
Earnings (loss) per share from continuing operations before change in accounting principle.....	\$ 0.03	\$ 0.03	\$ 0.14	\$ 0.06	\$ (0.
(Loss) earnings per share from discontinued operations.....	(0.41)	(0.22)	(0.08)	0.07	(0.
Loss per share from change in accounting principle.....	(0.78)	0.00	0.00	0.00	0.
	-----	-----	-----	-----	-----
Net (loss) earnings per share.....	\$ (1.16)	\$ (0.19)	\$ 0.06	\$ 0.13	\$ (0.
	=====	=====	=====	=====	=====
Weighted average number of common shares outstanding.....	7,165	7,099	7,053	6,989	6,8
	=====	=====	=====	=====	=====

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## ITEM 6. SELECTED FINANCIAL DATA (CONTINUED)

	FISCAL YEAR ENDED SEPTEMBER 30,				
	2003	2002	2001	2000 (1)	1999
	-----	-----	-----	-----	-----
BALANCE SHEET DATA:					
Working capital.....	\$ 6,083	\$ 1,743	\$ 7,195	\$ 3,500	\$ (5
Total assets.....	127,961	145,145	148,630	144,238	88,4
Long-term obligations.....	34,450	72,126	81,273	75,006	34,1
Stockholders' equity.....	20,123	28,317	29,493	28,968	27,9

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(1) In April 2000, the Company purchased the operating assets and business of OSSI, consisting of 43 convenience stores and gasoline dispensing stations.

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## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### RISKS THAT COULD AFFECT FUTURE RESULTS

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A number of the matters and subject areas discussed in this Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report that are not historical or current facts, including statements regarding the Company's plans and strategies or future financial performance, deal with potential future circumstances and developments. These forward-looking statements frequently can be identified by the use of terminology such as "believes," "expects," "may," "will," "should" or "anticipates" (or the negative or other variations thereof) or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Although the Company believes that its expectations are based on reasonable assumptions within the bounds of its knowledge, investors and prospective investors are cautioned that such statements are only projections and that actual events or results may differ materially from those expressed in any such forward-looking statements. In addition to other factors described elsewhere in this report, the Company's actual consolidated quarterly or annual operating results have been affected in the past, or could be affected in the future, by factors, including, without limitation, general economic, business and market conditions; environmental, tax and tobacco legislation or regulation; volatility of gasoline prices, margins and supplies; competition and ability to maintain merchandising margins; the ability to successfully consummate the Company's divestiture program; the sufficiency of cash balances, cash from operations and cash from asset sales to meet future cash obligations; volume of customer traffic; weather conditions; labor costs; and the level of capital expenditures.

### OVERVIEW

Matters discussed below should be read in conjunction with "Statements of Operations Data" on the preceding pages.

As part of the Company's plan to divest of stores, in fiscal 2003 the Company reclassified the assets of 130 stores on its balance sheet as discontinued operations and reclassified the related debt as current maturities. At September 30, 2003, the Company had 128 remaining stores classified as discontinued operations. The Company continues to operate the stores pending their successful negotiation of sale or sublease. At September 30, 2003, the Company had 164 stores classified as continuing operations.

The Company's revenues are derived primarily from sales of merchandise and gasoline at its convenience and discount tobacco stores. In fiscal year 2003, merchandise sales at continuing operations declined by 2.0% compared to fiscal 2002. Average merchandise sales at continuing operations for stores open two full years were relatively flat in fiscal year 2003 compared to fiscal year 2002. Seven fewer stores in operation in fiscal 2003 compared to fiscal 2002 contributed to lower merchandise sales. In fiscal year 2002 compared to fiscal year 2001, average merchandise sales at continuing operations for stores open two full years increased by 7.6% due partly to higher retail cigarette prices. On average, cigarette sales represented approximately 47% of total merchandise sales in each of the last three fiscal years. There has been volatility in selling prices as a result of competition among cigarette manufacturers. Since the Company expects this trend to continue, it has sought to increase sales of other merchandise at its convenience stores to mitigate the volatility.

Total gasoline sales at continuing operations in fiscal year 2003 increased by 31.7%, or 31.9 cents per gallon, as a result of an increase in the average reported retail price per gallon of petroleum sold at the Company's locations. The 31.9 cent per gallon price increase includes the effect of the change in the Company's payment method for Pennsylvania gasoline taxes that became effective in June 2003.

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Gross profits on gasoline sales in fiscal year 2003 increased by 6.2% compared to fiscal year 2002. Gasoline margin per gallon sold in fiscal year 2003 increased by 5.4% in comparison to fiscal year 2002. Average gallons of gasoline sold at continuing operations for the Company's stores open two full years increased by 1.0% in fiscal year 2003 compared to fiscal year 2002 and declined by 1.1% in fiscal year 2002 compared to fiscal year 2001.

The Company sells gasoline at 237 locations, including one location where gasoline is sold on a commission basis. The Company purchases petroleum from a variety of competing sources. Branded gasoline is purchased under supply agreements for 75 locations and branded and unbranded gasoline is purchased from various sources for 161 locations. Gasoline margins have historically been volatile and there can be no assurance that the Company's gasoline margins will be maintained or enhanced by purchasing from these sources.

In fiscal year 2003, the Company continued with its divestiture strategy and sold or closed seven locations. In fiscal 2004, the Company intends to continue to evaluate all of its strategic alternatives to enhance stockholder value, which includes the divestiture of store locations. If the disposition of assets is successful and is in excess of certain amounts, certain of the Company's executive officers will be eligible to receive bonuses pursuant to a Transaction Success Bonus Plan adopted by the Company. The aggregate amount of such bonuses will be based upon the total consideration received for such assets.

If the Company is unsuccessful in consummating its accelerated disposition strategy, the Company could encounter liquidity problems during fiscal year 2004. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

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### RESULTS OF OPERATIONS

The following table sets forth the percentage relationship of certain expense items to total revenues. It should be noted that the primary factors influencing the percentage relationship of cost of sales to revenues are the volatility of gasoline prices and gross profits, and the number of stores selling gasoline. On a percentage basis, the gross profit on gasoline sales is significantly less than the gross profit on merchandise sold in the convenience stores.

	FISCAL YEAR ENDED SEPTEMBER 30,		
	2003	2002	2001
Revenues:			
Merchandise sales.....	47.5%	54.7%	47.4%
Gasoline sales.....	52.0	44.7	52.0
Other income.....	0.5	0.6	0.6
	-----	-----	-----
Total revenues.....	100.0	100.0	100.0
Cost of sales.....	81.0	78.4	78.8
	-----	-----	-----
Gross profit:			
Merchandise (as a percentage of merchandise sales).....	30.1	30.2	32.1
Gasoline (as a percentage of gasoline sales).....	8.1	10.0	10.3
Total gross profit.....	19.0	21.6	21.2

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Costs and expenses:			
Selling.....	13.6	15.2	14.5
General and administrative.....	2.6	3.0	2.6
Depreciation and amortization.....	1.5	1.8	1.8
Interest.....	1.2	1.4	1.7
	-----	-----	-----
Total expenses.....	18.9	21.4	20.6
	-----	-----	-----
Earnings from continuing operations before income taxes and change in accounting principle.....	0.1	0.2	0.6
Income tax provision.....	0.0	0.1	0.2
	-----	-----	-----
Earnings from continuing operations before change in accounting principle.....	0.1	0.1	0.4
	-----	-----	-----
Discontinued operations:			
Loss from discontinued operations.....	(0.8)	(1.0)	(0.3)
Loss on disposal of discontinued operations.....	(0.2)	0.0	0.0
Income tax provision (benefit).....	0.0	(0.4)	(0.1)
	-----	-----	-----
Loss from discontinued operations.....	(1.0)	(0.6)	(0.2)
Cumulative effect of change in accounting principle, net of income tax benefit.....	(1.9)	0.0	0.0
	-----	-----	-----
Net (loss) earnings.....	(2.8)%	(0.5)%	0.2%
	=====	=====	=====

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### FISCAL YEAR 2003 COMPARED TO FISCAL YEAR 2002

At September 30, 2003, the Company operated 292 stores, which were comprised of 225 Uni-Mart convenience stores and 67 Choice Cigarette Discount Outlets ("Choice"). Of these locations, three were franchised and 237 offered self-service gasoline. The Company closed two convenience stores, and sold four convenience stores, one Choice store and one non-operating location in fiscal year 2003 as part of its divestiture plan.

In fiscal 2003, the Company announced plans to divest 130 stores and reclassified the assets relating to these stores as discontinued operations and reclassified the related debt of \$34.4 million as current maturities. At September 30, 2003, the Company had 128 remaining stores classified as properties held for sale on its balance sheet with a net book value of \$41.0 million. The income and expense relating to these stores is classified as discontinued operations. The Company intends to continue to operate these stores pending successful negotiation of their sale or sub-lease.

### CONTINUING OPERATIONS

Revenues from continuing operations of 164 stores for fiscal year 2003 were \$296.0 million, an increase of \$34.0 million, or 13.0%, compared to revenues of \$262.0 million in fiscal year 2002. This increase is primarily the result of a 31.7%, or 31.9 cent per gallon, increase in gasoline sales at continuing operations as a result of an increase in the average reported retail price per gallon of petroleum sold at the Company's locations in fiscal year 2003. The 31.9 cent per gallon price increase includes the effect of the change in the Company's payment method for Pennsylvania gasoline taxes of 25.9 cents per gallon that became effective in June 2003. As reported in the Company's Form 10-Q filed for the period ended July 3, 2003, in June 2003, the Company changed its payment method for gasoline taxes for its Pennsylvania stores and now

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includes the gasoline taxes in its average reported retail price per gallon and its cost of sales. This change in payment method has no effect on gross profits.

Gasoline sales in fiscal year 2003 were \$154.1 million, compared to \$117.0 million in fiscal year 2002, an increase of \$37.1 million. The gasoline sales increase in fiscal year 2003 includes approximately \$7.1 million for gasoline taxes for the Company's Pennsylvania stores reported in the fourth quarter of fiscal year 2003, which was not included in gasoline sales in fiscal year 2002.

In fiscal year 2003, merchandise sales were \$140.5 million, a decline of \$2.8 million, or 2.0%, compared to merchandise sales of \$143.3 million in fiscal year 2002. At comparable stores, merchandise sales from continuing operations were relatively flat, while gasoline gallons sold from continuing operations increased by 1.0% from fiscal 2002 levels. The Company had seven fewer stores, two of which sold gasoline, in operation in fiscal year 2003 compared to fiscal year 2002, contributing to lower merchandise sales levels. Other income declined by 12.9% to \$1.4 million, from \$1.7 million in fiscal year 2002, primarily as a result of decreased interest, dividend, royalty and rental income.

Gross profits on merchandise sales declined by \$1.0 million, or 2.2%, to \$42.3 million, compared to merchandise gross profits of \$43.3 million for fiscal year 2002. Fewer stores in operation in fiscal year 2003 and a 0.7% lower merchandise gross profit rate contributed to the decline in merchandise gross margins in fiscal year 2003 compared to fiscal year 2002.

Gross profits on gasoline sales in fiscal year 2003 increased by \$722,000, or 6.2%, to \$12.5 million compared to gasoline gross profits of \$11.7 million in fiscal year 2002. Gasoline gross margins increased primarily due to a 0.8% increase in gasoline gallons sold at the Company's locations in fiscal year 2003 compared to fiscal year 2002.

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Selling expenses increased by \$500,000, or 1.4%, to \$40.3 million, compared to \$39.8 million in fiscal year 2002 due primarily to increases in credit card fees resulting from higher retail petroleum prices, offset by fewer stores in operation. General and administrative expenses declined by \$400,000, or 5.1%, to \$7.6 million from \$8.0 million in fiscal year 2002 due to a reduction in the number of employees, lower advertising and supplies expenses, offset by higher legal and audit fees. Depreciation and amortization expense declined by \$300,000, or 5.8%, to \$4.4 million as the result of the adoption of Statement of Financial Accounting Standard No. 142 ("SFAS No. 142"), lower levels of capital expenditures and fewer stores in operation in fiscal year 2003. Lower borrowing levels and lower interest rates resulted in a \$100,000, or 3.3%, decline in interest expense in fiscal year 2003 to \$3.6 million from \$3.7 million in the prior fiscal year.

Earnings from continuing operations in fiscal year 2003, before income taxes and change in accounting principle, were \$217,000, compared to earnings from continuing operations, before income taxes and change in accounting principle, of \$424,000 in fiscal year 2002. The Company recorded a provision for income taxes of \$6,000, compared to an income tax provision of \$179,000 in fiscal year 2002. Net earnings from continuing operations before a change in accounting principle were \$211,000, or \$0.03 per share, for fiscal year 2003, compared to net earnings from continuing operations before a change in accounting principle of \$245,000, or \$0.03 per share, for fiscal year 2002.

### DISCONTINUED OPERATIONS

The loss from discontinued operations for fiscal year 2003 was \$2.3 million, compared to a loss of \$2.7 million in fiscal year 2002. The decrease in



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loss from discontinued operations was primarily the result of reductions in depreciation and amortization and interest expenses and higher gasoline gross margins, offset by lower merchandise gross profits, increased credit card fees resulting from higher retail petroleum prices and higher levels of store maintenance. In fiscal year 2003, the loss on disposal of discontinued operations was \$720,000 in comparison to no loss in fiscal year 2002. The Company recorded an income tax benefit of \$88,000 for the loss on discontinued operations in fiscal year 2003, compared to an income tax benefit of \$1.1 million for the prior fiscal year. The net loss from discontinued operations for fiscal year 2003 was \$2.9 million, or \$0.41 per share, compared to a net loss of \$1.6 million, or \$0.22 per share, in fiscal year 2002.

### OTHER

The loss from change in accounting principle in fiscal year 2003 was a one-time, non-cash charge of \$5.5 million, or \$0.78 per share, due to the adoption of SFAS 142 and the write-off of the Company's goodwill.

During fiscal year 2003, the Company increased its valuation allowance against the deferred tax asset because it was determined that it is more likely than not that the Company will not be able to fully utilize the net operating loss ("NOL") carryforward. This increase in the reserve has resulted in a 4.5% tax benefit in comparison to a 42.2% tax benefit in fiscal year 2002.

Total net losses for the fiscal year ended September 30, 2003 for continued and discontinued operations were \$8.3 million, or \$1.16 per share, compared to total net losses of \$1.3 million, or \$0.19 per share, in fiscal year 2002.

### FISCAL YEAR 2002 COMPARED TO FISCAL YEAR 2001

At September 30, 2002, the Company operated 299 stores, which were comprised of 231 Uni-Mart convenience stores and 68 Choice Cigarette Discount Outlets. Of these locations, four were

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franchised and 239 offered self-service gasoline. The Company had one less store in operation in fiscal year 2002 compared to fiscal year 2001.

### CONTINUING OPERATIONS

Revenues from continuing operations of 169 stores in fiscal year 2002 were \$262.0 million, a decline of \$13.3 million, or 4.8%, compared to revenues of \$275.3 million in fiscal year 2001. This decline is the net result of a \$26.2 million decline in gasoline sales, offset by a \$13.0 million increase in merchandise sales. Merchandise sales increased to \$143.3 million, or 10.0%, from \$130.3 million in fiscal year 2001. Higher comparable store sales levels, as well as contributions from higher retail cigarette prices in the fourth quarter of fiscal year 2002 contributed to the merchandise sales growth. Gasoline sales declined to \$117.0 million, or 18.3%, from \$143.2 million in fiscal year 2001, primarily due to a 19.9 cent per gallon decline in the average reported retail price per gallon of petroleum sold at the Company's locations. At comparable stores, merchandise sales from continuing operations increased by 7.6%, while gasoline gallons sold from continuing operations declined by 1.1% from fiscal year 2001 levels. Other income in fiscal year 2002 declined by \$18,000 to \$1.7 million.

Gross profits on merchandise sales increased by \$1.4 million, or 3.5%, to \$43.3 million in fiscal year 2002, compared to merchandise gross profit margins of \$41.9 million in fiscal year 2001. Merchandise gross profits increased, despite a 1.9% decline in the merchandise gross profit rate for the comparable

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periods.

Gross profits on gasoline sales declined by \$3.1 million, or 20.8%, to \$11.7 million in fiscal year 2002 compared to \$14.8 million in fiscal year 2001. A 2.7% decline in gasoline gallons sold and an 18.5% decline in gross profits per gallon sold contributed to the decline in gasoline gross margins in fiscal year 2002 compared to fiscal year 2001. Instability of the petroleum wholesale markets and increased retail competition resulted in lower gasoline gross profit margins in fiscal year 2002 when compared to fiscal year 2001.

Selling expenses declined by 0.3% to \$39.8 million in fiscal year 2002, compared to \$39.9 million in fiscal year 2001. General and administrative expense increased by \$800,000, or 10.5%, to \$8.0 million from \$7.2 million in fiscal year 2001 due principally to increased legal, professional and audit fees. These increased fees relate primarily to changes in corporate governance and corporate securities adopted at the Annual Meeting of Stockholders in February 2002, as well as the hiring of financial advisors in April 2002 and higher audit fees. Higher salary levels also affected the general and administrative expense category. Depreciation and amortization expense declined in fiscal year 2002 to \$4.7 million from \$4.9 million due to lower levels of capital expenditures in fiscal year 2002. Lower borrowing levels and lower interest rates resulted in a \$800,000, or 18.4%, decline in interest expense in fiscal year 2002 to \$3.7 million from \$4.5 million in the prior fiscal year. The Company recorded a \$54,000 provision for asset impairment in fiscal year 2001.

Earnings from continuing operations in fiscal year 2002, before income taxes and change in accounting principle, were \$424,000, compared to earnings from continuing operations, before income taxes and change in accounting principle, of \$1.6 million in fiscal year 2001. The Company recorded a provision for income taxes of \$179,000 in fiscal year 2002, compared to an income tax provision of \$651,000 in fiscal year 2001. Net earnings from continuing operations before a change in accounting principle were \$245,000, or \$0.03 per share, for fiscal year 2002, compared to net earnings from continuing operations before the change in accounting principle of \$989,000, or \$0.14 per share, for fiscal year 2001.

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### DISCONTINUED OPERATIONS

The loss from discontinued operations for fiscal year 2002 was \$2.7 million, compared to a loss of \$892,000 in fiscal year 2001. This increase in loss from discontinued operations in fiscal year 2002 was primarily the result of lower gasoline gross profits, increased credit card fees resulting from higher retail petroleum prices and higher levels of store maintenance, offset by higher merchandise gross margins and reductions in depreciation and amortization and interest expenses. There was no loss on the disposal of discontinued operations for fiscal year 2002 and fiscal year 2001, respectively. The Company recorded an income tax benefit of \$1.1 million for the loss on discontinued operations in fiscal year 2002, compared to an income tax benefit of \$354,000 for the prior fiscal year. The net loss from discontinued operations for fiscal year 2002 was \$1.6 million, or \$0.22 per share, compared to a net loss of \$538,000, or \$0.08 per share, in fiscal year 2001.

### OTHER

In 2002, Pennsylvania extended the net operating loss ("NOL") carryforward period from 10 to 20 years which resulted in a higher effective tax benefit for fiscal year 2002. This change resulted in a 42.2% tax benefit in fiscal year 2002 in comparison to a 39.7% tax benefit in fiscal year 2001.

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Total net losses for the fiscal year ended September 30, 2002 for continued and discontinued operations were \$1.3 million, or \$0.19 per share, compared to total net earnings of \$451,000, or \$0.06 per share, in fiscal year 2001.

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### SEASONALITY AND UNAUDITED QUARTERLY RESULTS

The Company's business generally has been subject to seasonal influences with higher sales in the third and fourth quarters of each fiscal year, since customers tend to purchase more convenience items, such as ice, beverages and fast food, and more gasoline during the warmer months. Due to adverse weather conditions, merchandise sales for the second fiscal quarter generally have been lower than other quarters. In addition, because of price volatility, gasoline profit margins fluctuate significantly throughout the year.

	FISCAL YEAR 2003 QUARTER ENDED				FISCAL QUARTER ENDED	
	JAN. 2, 2003	APRIL 3, 2003	JULY 3, 2003	SEP. 30, 2003	JAN. 3, 2002	APRIL 4, 2002
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					
Revenues:						
Merchandise sales.....	\$36,018	\$32,012	\$36,223	\$36,218	\$35,839	\$32,159
Gasoline sales.....	35,131	35,361	38,741	44,843	27,474	24,779
Other income.....	417	336	341	351	386	415
	-----	-----	-----	-----	-----	-----
Total revenues.....	71,566	67,709	75,305	81,412	63,699	57,353
Cost of sales.....	56,982	54,578	61,239	66,968	48,783	44,187
	-----	-----	-----	-----	-----	-----
Gross profit.....	14,584	13,131	14,066	14,444	14,916	13,166
Costs and expenses:						
Selling.....	10,375	9,847	9,995	10,146	10,104	9,781
General & administrative.....	1,901	1,985	1,787	1,948	1,902	2,141
Depreciation & amortization.....	1,120	1,099	1,149	1,067	1,194	1,166
Interest.....	927	889	824	949	1,025	837
	-----	-----	-----	-----	-----	-----
Earnings (loss) from continuing operations before income taxes and change in accounting principle.....	261	(689)	311	334	691	(759)
Income tax provision (benefit).....	17	(36)	60	(35)	234	(258)
	-----	-----	-----	-----	-----	-----
Earnings (loss) from continuing operations before change in accounting principle.....	244	(653)	251	369	457	(501)
Discontinued Operations:						
(Loss) earnings from discontinued operations.....	(708)	(1,464)	(685)	546	(524)	(986)
Loss on disposal of discontinued operations.....	0	(248)	(472)	0	0	0
Income tax (benefit) provision.....	(41)	(90)	21	22	(177)	(348)
	-----	-----	-----	-----	-----	-----
(Loss) earnings on discontinued operations.....	(667)	(1,622)	(1,178)	524	(347)	(638)
Cumulative effect of change in accounting principle, net of						

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income tax benefit.....	(5,547)	0	0	0	0	0
	-----	-----	-----	-----	-----	-----
Net (loss) earnings.....	\$ (5,970)	\$ (2,275)	\$ (927)	\$ 893	\$ 110	\$ (1,139)
	=====	=====	=====	=====	=====	=====
Earnings (Loss) Per Share:						
Earnings (loss) per share from						
continuing operations before						
change in accounting principle...	\$ 0.03	\$ (0.08)	\$ 0.03	\$ 0.05	\$ 0.07	\$ (0.07)
(Loss) earnings per share from						
discontinued operations.....	(0.09)	(0.23)	(0.16)	0.07	(0.05)	(0.09)
Loss per share from change in						
accounting principle.....	(0.78)	0.00	0.00	0.00	0.00	0.00
	-----	-----	-----	-----	-----	-----
Net (loss) earnings per share.....	\$ (0.84)	\$ (0.31)	\$ (0.13)	\$ 0.12	\$ 0.02	\$ (0.16)
	=====	=====	=====	=====	=====	=====
Weighted average number of common						
shares outstanding.....	7,131	7,155	7,186	7,191	7,189	7,095
	=====	=====	=====	=====	=====	=====

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### LIQUIDITY AND CAPITAL RESOURCES

Most of the Company's sales are for cash and its inventory turns over rapidly. From time to time, the Company utilizes portions of its cash to acquire and construct new stores and renovate existing locations.

As of April 1, 2003, the Company amended its revolving credit agreement (the "Agreement") to extend the maturity date to December 31, 2004 and revise covenants relating to interest and fixed-charge coverage ratios. As of September 30, 2003, the Company entered into an agreement with its revolving credit lender to provide a \$4.0 million sub-limit under its existing revolving credit agreement as discussed more fully in Footnotes F and G to the Consolidated Financial Statements. At September 30, 2003, \$5.8 million (including the \$2.0 million seasonal borrowing increase that expires on April 30, 2004) was available for borrowing under this Agreement for general working capital and prepayment of debt. In addition, the Company's liquid fuels tax bond expired in the third fiscal quarter of 2003. Due to the expiration of the bond, the Company pays the liquid fuels tax on purchases directly to the vendors within its normal payment terms. The Company utilizes its working capital credit facility to mitigate the cash flow impact of the liquid fuels tax bond expiration.

Capital requirements for debt service and capital leases for fiscal year 2004 are approximately \$42.8 million, which includes \$34.4 million related to the Company's divestiture plan and \$5.7 million in revolving credit that have been classified as current. However, \$33.5 million becomes due only when sales of these locations are consummated and the remaining \$0.9 million are regularly scheduled payments. The Company anticipates capital expenditures in fiscal year 2004 of \$2.0 million, funded from cash flows from operations. These capital expenditures include normal replacement of store equipment and gasoline-dispensing equipment and upgrading of the Company's in-store and corporate data processing systems.

Management believes that cash from operations, available credit facilities and asset sales will be sufficient to meet the Company's obligations for the foreseeable future. In the event that the Company cannot consummate proposed asset sales, there is a risk that the Company will not be able to meet future cash obligations.

### CONTRACTUAL OBLIGATIONS

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Below is a summarized list of the Company's contractual obligations relating to long-term debt, capitalized leases, noncancellable operating leases and gasoline supply agreements at September 30, 2003 (in thousands):

	2004	2005	2006	2007	2008	THEREAFTER	TOTAL
	-----	-----	-----	-----	-----	-----	-----
Contractual							
Obligations:							
Long-term debt							
(including							
interest).....	\$ 48,073	\$ 3,817	\$ 3,817	\$ 3,817	\$ 3,817	\$ 32,198	\$ 95,5
Capitalized leases							
(including							
interest).....	140	31	31	31	21	0	2
Operating leases.....	6,012	4,757	3,506	3,331	2,274	5,967	25,8
Gasoline supply							
agreements(1).....	134,165	115,401	95,454	91,910	77,741	74,631	589,3
	-----	-----	-----	-----	-----	-----	-----
	\$188,390	\$124,006	\$102,808	\$99,089	\$83,853	\$112,796	\$710,9
	=====	=====	=====	=====	=====	=====	=====

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- (1) The Company has agreements with four gasoline suppliers with terms ranging from 6 to 15 years. These agreements obligate the Company to purchase specified quantities of gasoline at market prices from the various suppliers over the life of the contracts. On an annualized basis, the minimum required purchases under these agreements total approximately 96.5 mil-

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lion gallons. The estimated minimum purchase obligations reflected in the table above are calculated based on the gallon purchase requirements remaining under the contracts at a current market price of \$1.39 per gallon. Although the Company did not meet the minimum purchase requirements in fiscal year 2003, the agreements provide various remedies for the renegotiation of minimum purchase requirements as necessary. (See Footnote K to the Consolidated Financial Statements)

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of the Company's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to self-insured liabilities, impairment of long-lived assets and income taxes. The Company bases its estimates on historical experience, current and anticipated business conditions, the condition of the financial markets, and various other assumptions that are believed to be reasonable under existing conditions. Actual results may differ from these estimates.

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The Company believes that the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

Self-insurance liabilities -- The Company records estimates for self-insured worker's compensation and general liability insurance coverage. Should a greater amount of claims occur compared to what was estimated, or costs increase beyond what was anticipated, reserves recorded may not be sufficient, and additional expense may be recorded.

Impairment -- The Company evaluates long-lived assets, including stores, for impairment quarterly, or whenever events or changes in circumstances indicate that the assets may not be recoverable. The impairment is measured by calculating the estimated future cash flows expected to be generated by the store, and comparing this amount to the carrying value of the store's assets. Cash flows are calculated utilizing individual store forecasts and total company projections for the remaining estimated lease lives of the stores being analyzed. Should actual results differ from those forecasted and projected, the Company may be subject to future impairment charges related to these facilities.

During the first quarter of fiscal year 2003, the Company adopted Statement of Financial Accounting Standards ("SFAS") Nos. 142 and 144. SFAS No. 142 requires that assets with indefinite lives not be amortized but tested annually for impairment and provides specific guidance for such testing. SFAS No. 144 provides additional guidance for impairment testing and determination of when an asset is considered to be for sale. The Company completed its impairment test during the second quarter of fiscal 2003 and the adoption of SFAS No. 142 resulted in the write-off of goodwill in the amount of \$5,857,000. Furthermore, in accordance with SFAS No. 144, at September 30, 2003 the Company had reclassified as assets of discontinued operations \$41.0 million in assets relating to 128 remaining stores that the Company plans to sell or sublet, reclassified the related debt totaling \$34.4 million as current maturities, and classified the income and expense of such stores as discontinued operations. In addition, the Company recognized a \$654,000 loss relating to the future disposal of certain locations. The Company cannot be certain that sales of assets will occur at the time or for the values that the Company estimates.

Income taxes -- The Company currently has net operating loss ("NOL") carryforwards that can be utilized to offset future income for federal and state tax purposes. These NOL's generate a

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significant deferred tax asset. However, the Company has recorded a valuation allowance against this deferred tax asset as it has determined that it is more likely than not that it will not be able to fully utilize the NOL's. Should the Company's assumptions regarding the utilization of these NOL's change, it may reduce some or all of this valuation allowance, which would result in the recording of an income tax benefit.

### IMPACT OF INFLATION

The Company believes that inflation has not had a material effect on its results of operations in recent years. Generally, increases in the Company's cost of merchandise can be quickly reflected in higher prices of goods sold. However, any upward movement of gasoline costs may have short-term negative effects on profit margins, since the Company's ability to raise gasoline prices can be limited due to competition from other self-service gasoline outlets. In addition, fluctuation of gasoline prices can limit the ability of the Company to maintain stable gross margins.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company uses its revolving credit facility and its mortgage and equipment loans to finance a significant portion of its operations. These on-balance sheet financial instruments, to the extent they provide for variable rates of interest, expose the Company to interest rate risk resulting from changes in the LIBOR or prime rate.

To the extent that the Company's financial instruments expose the Company to interest rate risk, they are presented in the table below. The table presents principal cash flows and related interest rates by year of maturity for the Company's revolving credit facility, mortgage loans and equipment loans at September 30, 2003.

The carrying amounts of cash and short-term debt approximate fair value. The Company estimates the fair value of its long-term, fixed-rate debt generally using discounted cash flow analysis based on the Company's current borrowing rates for debt with similar maturities. The Company estimates the fair value of its long-term, variable-rate debt based on carrying amounts plus unamortized loan fees associated with the debt.

	FISCAL YEAR OF MATURITY						TOTAL
	2004	2005	2006	2007	2008	THEREAFTER	DUE AT MATURITY
(DOLLAR AMOUNTS IN THOUSANDS)							
INTEREST-RATE SENSITIVE							
ASSETS:							
Noninterest-bearing							
checking accounts.....	\$ 3,075	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,075
Interest-bearing checking							
accounts.....	\$ 3,544	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,544
Average interest rate.....	0.90%						0.90
	-----	-----	-----	-----	-----	-----	-----
Total.....	\$ 6,619						\$ 6,619
Total average interest							
rate.....	0.48%						0.48
INTEREST-RATE SENSITIVE							
LIABILITIES:							
Variable-rate borrowings...	\$23,918	\$1,115	\$1,174	\$1,233	\$1,298	\$ 9,625	\$38,363
Average interest rate.....	4.77%	4.86%	4.86%	4.86%	4.86%	4.86%	4.84
Fixed-rate borrowings.....	\$18,721	\$ 721	\$ 798	\$ 880	\$ 972	\$16,542	\$38,634
Average interest rate.....	9.33%	9.22%	9.22%	9.22%	9.22%	9.22%	9.25
	-----	-----	-----	-----	-----	-----	-----
Total.....	\$42,639	\$1,836	\$1,972	\$2,113	\$2,270	\$26,167	\$76,997
Total average interest							
rate.....	7.06%	7.38%	7.43%	7.49%	7.55%	7.63%	7.42

## ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

## INDEPENDENT AUDITORS' REPORT

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The Board of Directors and Stockholders  
Uni-Marts, Inc.  
State College, Pennsylvania

We have audited the accompanying consolidated balance sheets of Uni-Marts, Inc. and subsidiaries (the "Company") as of September 30, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Uni-Marts, Inc. and subsidiaries as of September 30, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the consolidated financial statements, in fiscal year 2003 the Company changed its method of accounting for intangible and other assets to conform to Statement of Financial Accounting Standards No. 142.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP  
Philadelphia, Pennsylvania  
December 16, 2003

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### UNI-MARTS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	SEPTEMBER 30,	
	2003	2002
ASSETS		
Current Assets:		
Cash.....	\$ 6,619	\$ 6,501
Accounts receivable -- less allowances of \$100 and \$46....	6,186	8,404
Inventories.....	20,167	20,779
Prepaid and current deferred taxes.....	57	1,494
Property and equipment held for sale.....	41,024	1,098
Prepaid expenses and other.....	1,317	1,137



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Total Current Assets.....	75,370	39,413
Net Property, Equipment and Improvements.....	51,083	98,037
Loan Due from Officer.....	0	360
Intangible Assets.....	385	6,235
Other Assets.....	1,123	1,100
	-----	-----
Total Assets.....	\$127,961	\$145,145
	=====	=====

## LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable.....	\$ 19,056	\$ 17,811
Gas taxes payable.....	45	3,460
Accrued expenses.....	7,425	7,207
Revolving credit.....	5,705	5,867
Current maturities of long-term debt.....	36,934	3,212
Current obligations under capital leases.....	122	113
	-----	-----
Total Current Liabilities.....	69,287	37,670
Long-Term Debt, less current maturities.....	34,358	71,912
Obligations Under Capital Leases, less current maturities...	92	214
Deferred Taxes.....	0	1,797
Deferred Revenue and Other Liabilities.....	4,101	5,235
Commitments and Contingencies		
Stockholders' Equity:		
Preferred Stock, par value \$1.00 a share:		
Authorized 100,000 shares;		
issued none.....	0	0
Common Stock, par value \$.10 a share:		
Authorized 16,000,000 shares;		
issued 7,453,883 and 7,420,859 shares,		
respectively.....	745	742
Additional paid-in capital.....	23,709	23,803
Retained (deficit) earnings.....	(2,618)	5,661
	-----	-----
	21,836	30,206
Less treasury stock, at cost -- 258,110 and 291,429 shares		
of Common Stock, respectively.....	(1,713)	(1,889)
	-----	-----
Total Stockholders' Equity.....	20,123	28,317
	-----	-----
Total Liabilities and Stockholders' Equity.....	\$127,961	\$145,145
	=====	=====

See notes to consolidated financial statements

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## UNI-MARTS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE DATA)

YEAR ENDED SEPTEMBER 30,		
2003	2002	2001
-----	-----	-----

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## REVENUES:

Merchandise sales.....	\$140,471	\$143,315	\$130,341
Gasoline sales.....	154,076	117,007	143,257
Other income.....	1,445	1,658	1,676
	-----	-----	-----
	295,992	261,980	275,274
	-----	-----	-----

## COSTS AND EXPENSES:

Cost of sales.....	239,767	205,300	216,953
Selling.....	40,363	39,811	39,931
General and administrative.....	7,621	8,026	7,264
Depreciation and amortization.....	4,435	4,709	4,884
Interest.....	3,589	3,710	4,548
Provision for asset impairment.....	0	0	54
	-----	-----	-----
	295,775	261,556	273,634
	-----	-----	-----

Earnings from continuing operations before income taxes and change in accounting principle.....	217	424	1,640
Income tax provision.....	6	179	651
	-----	-----	-----

Earnings from continuing operations before change in accounting principle.....	211	245	989
--	-----	-----	-----

## Discontinued operations:

Loss from discontinued operations.....	(2,311)	(2,703)	(892)
Loss on disposal of discontinued operations.....	(720)	0	0
Income tax benefit.....	(88)	(1,141)	(354)
	-----	-----	-----

Loss from discontinued operations.....	(2,943)	(1,562)	(538)
Cumulative effect of change in accounting principle, net of income tax benefit of \$310.....	(5,547)	0	0
	-----	-----	-----

Net (loss) earnings.....	\$ (8,279)	\$ (1,317)	\$ 451
	=====	=====	=====

## Earnings (loss) per share:

Earnings per share from continuing operations before change in accounting principle.....	\$ 0.03	\$ 0.03	\$ 0.14
Loss per share from discontinued operations.....	(0.41)	(0.22)	(0.08)
Loss per share from change in accounting principle.....	(0.78)	0.00	0.00
	-----	-----	-----

Net (loss) earnings per share.....	\$ (1.16)	\$ (0.19)	\$ 0.06
	=====	=====	=====

Diluted (loss) earnings per share.....	\$ (1.16)	\$ (0.19)	\$ 0.06
	=====	=====	=====

Weighted average number of common shares outstanding.....	7,165	7,099	7,053
	=====	=====	=====

Weighted average number of common shares outstanding assuming dilution.....	7,165	7,099	7,093
	=====	=====	=====

See notes to consolidated financial statements

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	COMMON STOCK AUTHORIZED 16,000,000 SHARES		ADDITIONAL PAID-IN CAPITAL	RETAINED (DEFICIT) EARNINGS	TREASURY STOCK	
	SHARES	AMOUNT			SHARES	AMOUNT
BALANCE -- OCTOBER 1, 2000.....	7,361,123	\$736	\$23,816	\$ 6,527	333,714	\$ (2,618)
Issuance of common stock.....	26,960	3	17		(10,439)	
Net earnings.....				451		
BALANCE -- SEPTEMBER 30, 2001.....	7,388,083	739	23,833	6,978	323,275	(2,618)
Issuance of common stock.....	32,776	3	(30)		(31,846)	
Net loss.....				(1,317)		
BALANCE -- SEPTEMBER 30, 2002.....	7,420,859	742	23,803	5,661	291,429	(1,317)
Issuance of common stock.....	33,024	3	(94)		(33,319)	
Net loss.....				(8,279)		
BALANCE -- SEPTEMBER 30, 2003.....	7,453,883	\$745	\$23,709	\$ (2,618)	258,110	\$ (1,317)

See notes to consolidated financial statements

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## UNI-MARTS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30,		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and others.....	\$ 296,999	\$ 262,871	\$ 271,407
Cash paid to suppliers and employees.....	(289,100)	(252,920)	(271,213)
Dividends and interest received.....	30	45	77
Interest paid (net of capitalized interest of \$0, \$287 and \$32).....	(3,193)	(3,620)	(4,278)
Income taxes received (paid).....	32	21	(152)
Other receipts -- discontinued operations.....	203	845	4,682
Net Cash Provided by Operating Activities.....	4,971	7,242	523
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from sale of capital assets.....	29	559	394
Receipts from sale of discontinued operations.....	1,530	0	0
Purchase of property, equipment and improvements.....	(2,137)	(2,868)	(10,402)
Note receivable from officer.....	360	60	60
Cash advanced for intangible and other assets.....	(305)	(177)	(207)
Cash received for intangible and other assets.....	30	69	66
Net Cash Used in Investing Activities.....	(493)	(2,357)	(10,089)
CASH FLOWS FROM FINANCING ACTIVITIES:			

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(Payments) borrowings on revolving credit agreement.....	(162)	109	4,615
Additional long-term borrowings.....	0	0	5,197
Principal payments on debt.....	(4,201)	(3,599)	(3,065)
Proceeds from issuance of common stock.....	3	31	12
	-----	-----	-----
Net Cash (Used in) Provided by Financing Activities.....	(4,360)	(3,459)	6,759
	-----	-----	-----
Net Increase (Decrease) in Cash.....	118	1,426	(2,807)
Cash at Beginning of Year.....	6,501	5,075	7,882
	-----	-----	-----
Cash at End of Year.....	\$ 6,619	\$ 6,501	\$ 5,075
	=====	=====	=====
RECONCILIATION OF NET (LOSS) EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net (Loss) Earnings.....	\$ (8,279)	\$ (1,317)	\$ 451
Loss from discontinued operations, net of income tax benefit of \$88, \$1,141 and \$354, respectively.....	(2,223)	(1,562)	(538)
Loss on disposal of discontinued operations.....	(720)	0	0
	-----	-----	-----
(Loss) Earnings from Continuing Operations.....	(5,336)	245	989
ADJUSTMENTS TO RECONCILE NET (LOSS) EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation and amortization.....	4,435	4,709	4,884
Loss on sale of capital assets and other.....	518	354	405
Provision for asset impairment.....	0	0	54
Cumulative effect of change in accounting principle.....	5,547	0	0
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable.....	2,138	(1,046)	(1,050)
Inventories.....	692	(2,388)	(2,235)
Prepaid expenses and other.....	(178)	2,248	(2,334)
Increase (decrease) in:			
Accounts payable and accrued expenses.....	(1,951)	2,058	(2,201)
Deferred income taxes and other liabilities.....	(1,184)	(924)	(707)
	-----	-----	-----
Net Cash Provided by (Used in) Continuing Operations.....	4,681	5,256	(2,195)
	-----	-----	-----
Net Cash Provided by Discontinued Operations.....	290	1,986	2,718
	-----	-----	-----
Net Cash Provided by Operating Activities.....	\$ 4,971	\$ 7,242	\$ 523
	=====	=====	=====

See notes to consolidated financial statements

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### UNI-MARTS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

#### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company is an independent operator of convenience stores and discount tobacco stores located in Pennsylvania, New York, Delaware, Maryland and Virginia.

- (1) Principles of Consolidation -- The consolidated financial statements include the accounts of Uni-Marts, Inc. and its wholly-owned subsidiaries (the "Company"). All material intercompany balances and

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transactions have been eliminated.

- (2) Reclassifications -- Certain prior year balances have been classified to conform to the current year presentation.
- (3) Future Operations -- The Company continues to evaluate existing stores based on their historical contribution. The Company will consider closing underperforming stores or investing in facility upgrades to enhance their performance. The Company retained financial advisors in fiscal year 2002 to evaluate operating strategies which included the potential divestiture of certain store locations and non-operating assets. As a result of its analysis with its financial advisors, the Company intends to continue with its divestiture strategy.

Management believes that cash from operations, available credit facilities and asset sales will be sufficient to meet the Company's obligations for the foreseeable future. In the event that the Company is unable to consummate its divestiture strategy, there is a risk that the Company will not be able to meet future cash obligations.

- (4) Inventories -- The Company values its merchandise inventories at the lower of cost (first-in, first-out method) or market, as determined by the retail inventory method. Gasoline inventories are valued at the lower of cost (first-in, first-out method) or market (See Footnote B).
- (5) Property, Equipment and Improvements -- Depreciation and amortization are calculated using the straight-line method over the useful lives of the related assets. Amortization of improvements to leased properties is based on the remaining terms of the leases or the estimated useful lives of such improvements, whichever is shorter. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.
- (6) Asset Impairment -- Long-lived assets and certain identifiable intangibles are reviewed for impairment quarterly, or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is assessed based on the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted cash flows is less than the carrying value of the asset, an impairment loss is recognized. Any impairment loss, if indicated, is measured as the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.
- (7) Self-Insurance Reserves -- The Company assumes the risks for general liability and workers' compensation insurance exposures up to certain loss thresholds set forth in separate insurance contracts. The Company has established self-insurance reserves for these risks, which are recorded on a present value basis using a risk-free discount rate of 5.0% in 2003 and 2002, respectively, using actuarial valuations provided by an independent company. At September 30, 2003 and 2002, the Company had self-insurance reserves totaling \$3,083,400 and

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

\$2,800,800, respectively. These reserves are included in accrued expenses in the Company's consolidated balance sheets.

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- (8) Income Taxes -- The Company recognizes deferred tax assets and liabilities for temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates adjusted for valuation allowances.
- (9) Earnings Per Share -- Earnings per share are calculated based on the weighted-average number of shares of common stock outstanding. Diluted earnings per share were calculated in fiscal year 2001. Although there were potentially dilutive stock options for 1,161,333 and 1,219,833 shares outstanding in fiscal years 2003 and 2002, respectively, they were not included as the effect would have been anti-dilutive because the exercise price exceeded the market price.
- (10) Revenue Recognition -- The Company recognizes revenue from the sale of merchandise and gasoline at the time it is sold. Return activity is immaterial to revenues and operations in all periods presented.
- (11) Vendor Rebates and Allowances -- Rebates and allowances from vendors that are dependent on purchases are initially deferred (See Footnote I) and recognized as a reduction of cost of goods sold when related inventory is sold. Rebates not tied directly to purchases are recognized as reduction of selling, general and administrative expenses when earned.
- (12) Advertising Costs -- The Company expenses advertising costs in the period in which they are incurred. The Company incurred advertising costs of \$309,000, \$783,200 and \$841,800 in fiscal years 2003, 2002 and 2001, respectively, of which \$110,900, \$280,200 and \$285,900, in fiscal years 2003, 2002 and 2001, respectively, related to stores included in discontinued operations and was reclassified accordingly.
- (13) Estimates -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.
- (14) Segment Disclosures -- The Company has only one reportable segment.
- (15) Recent Accounting Pronouncements -- In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that such assets with indefinite lives not be amortized but be tested annually for impairment and provides specific guidance for such testing. If the carrying amount of goodwill exceeds its fair value an impairment loss must be recognized in an amount equal to that excess. Once an impairment is recognized, the adjusted carrying amount of goodwill will be its new basis of accounting. This statement also requires disclosure of information regarding goodwill and other assets that was previously not required. In accordance with SFAS No. 142, the Company has discontinued the amortization of goodwill as of October 1, 2002 and completed its impairment test, using a discounted cash flow approach, during the 2003 second fiscal quarter. As a result, the Company wrote-off its total goodwill balance of \$5,857,000. (See Footnote E)

The Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations," effective for the fiscal year ending September 30, 2003. Under the statement's provisions,

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(1) entities must record the fair value of a liability for an asset retirement obligation in the period in which it is incurred, (2) when the liability is initially recorded, the entity must capitalize a cost by increasing the carrying amount of the related long-lived asset, (3) over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset and (4) upon settlement of the liability, the entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. There was no material impact on the Company's consolidated financial position or results of operations as a result of the adoption of SFAS No. 143.

The Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective October 1, 2002. SFAS No. 144 addressed the financial accounting and reporting for the impairment or disposal of long-lived assets. The Company recognized a \$654,000 loss on disposal of certain locations in fiscal year 2003.

The Company adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," effective October 1, 2002. SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, and SFAS No. 64, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. There was no impact on the Company's consolidated financial position or results of operations as a result of the adoption of SFAS No. 145.

The Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," effective January 1, 2003. SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Previous accounting guidance was provided by Emerging Issues Task Force ("EITF") No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," which required that a liability for costs associated with an exit plan or disposal activity be recognized at the date of an entity's commitment to an exit plan. There was no impact on the Company's consolidated financial position or results of operations as a result of the adoption of SFAS No. 146.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure -- an Amendment of FASB Statement No. 123." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported

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results. The disclosure requirements apply to all companies for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

adoption of SFAS No. 148 had an impact on the Company's disclosure requirements, but had no impact on the Company's consolidated financial statements.

The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations for all periods represented. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair value of the Company's common stock at the date of the grant over the amount an employee must pay to acquire the stock. The following table illustrates the effect on net loss and net loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", to stock-based employee compensation (in thousands, except per share data):

	FISCAL YEAR ENDED SEPTEMBER 30,		
	2003	2002	2001
Net (loss) earnings, as reported.....	\$ (8,279)	\$ (1,317)	\$ 451
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects.....	(17)	(115)	(10)
Pro forma net (loss) earnings.....	\$ (8,296)	\$ (1,432)	\$ 441
Basic and diluted net (loss) earnings per share as reported.....	\$ (1.16)	\$ (0.19)	\$ 0.06
Pro forma basic and diluted net (loss) earnings per share.....	\$ (1.16)	\$ (0.20)	\$ 0.06

In November 2002, the EITF reached a consensus on Issue No. 02-16, "Accounting by a Reseller for Cash Consideration Received from a Vendor." Issue 02-16 provides guidance on when to classify consideration received from a vendor as a reduction of the price of the vendor's products, a reimbursement of costs incurred or as revenue. In addition, Issue 02-16 provides guidance on when to recognize rebates or refunds of a specified amount of cash consideration from a vendor that are based on the achievement of a specified cumulative level of purchases or are based on the customer purchasing from the vendor for a specified period of time. The guidance in Issue 02-16 has been adopted by the Company in the second quarter of fiscal year 2003 and there was no impact on the Company's consolidated financial position or results



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of operations.

In November of 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires entities to establish liabilities for certain types of guarantees, and expands financial statement disclosures for others. The accounting requirements of FIN 45 are effective for guarantees issued or modified after December 31, 2002, and the disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. There was no impact on the Company's consolidated financial position or results of operations as a result of the adoption of FIN 45.

The FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

that date. For variable interest entities created before February 1, 2003, it becomes applicable for the first annual period beginning after June 15, 2003.

In October 2003, the FASB (the "Board") deferred the effective date for applying the provisions of FIN 46 to the first interim or annual period ending after December 15, 2003 for interests held by public companies in variable interest entities or potential variable interest entities created before February 1, 2003. The Board considered comments received on the Exposure Draft of the proposed modifications of FIN 46 and, on December 10, 2003, the Board redeliberated certain proposed modifications. Based on management's assessment as of the date of this report, management has determined that adoption of FIN 46 has not had an impact on the Company's financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts. This Statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to language used in FASB Interpretation FIN 45, and amends certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. All provisions of the Statement, except those related to forward purchases or sales of "when-issued" securities, should be applied prospectively. The Company currently has no instruments that meet the definition of a derivative, and therefore, the adoption of this Statement has had no impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. This Statement is effective for

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financial instruments entered into or modified after May 31, 2003, and otherwise effective for most provisions, except certain mandatorily redeemable non-controlling interests deferred indefinitely, at the beginning of the first interim period beginning after June 15, 2003. The Company has not entered into or modified any financial instruments after May 31, 2003. The adoption of this Statement has had no impact on the Company's financial position or results of operations.

### B. INVENTORIES:

The following is a summary of inventories at September 30 (in thousands):

	2003	2002
	-----	-----
Merchandise.....	\$15,953	\$17,688
Gasoline.....	4,214	3,091
	-----	-----
	\$20,167	\$20,779
	=====	=====

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### C. PROPERTY AND EQUIPMENT HELD FOR SALE:

Property and equipment held for sale is carried at the lower of cost or net realizable value and are classified as current assets because the Company expects them to be sold within the next fiscal year. The properties are the assets of the stores classified as discontinued operations, undeveloped land, rental properties, store equipment and closed convenience stores. In accordance with the Company's plan to pursue a divestiture strategy, the Company plans to sell or sublet assets of 130 stores. At September 30, 2003, the Company had 128 remaining stores classified as discontinued operations on its balance sheet with a net book value of \$41.0 million.

### D. PROPERTY, EQUIPMENT AND IMPROVEMENTS -- AT COST (IN THOUSANDS):

	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	ESTIMATED LIFE IN YEARS
	-----	-----	-----	-----
SEPTEMBER 30, 2003:				
Land.....	\$ 13,304	\$ 0	\$13,304	
Buildings.....	41,495	15,099	26,396	29-35
Machinery and equipment.....	26,131	18,131	8,000	3-10
Machinery and equipment.....	4,154	2,554	1,600	11-20
Capitalized property and equipment leases.....	296	185	111	5-20
Leasehold improvements.....	7,100	5,438	1,662	1-10
Leasehold improvements.....	404	394	10	11-20
	-----	-----	-----	
	\$ 92,884	\$41,801	\$51,083	
	=====	=====	=====	
SEPTEMBER 30, 2002:				
Land.....	\$ 22,629	\$ 0	\$22,629	
Buildings.....	74,610	22,247	52,363	29-35

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Machinery and equipment.....	45,184	28,040	17,144	3-10
Machinery and equipment.....	6,902	4,117	2,785	11-20
Capitalized property and equipment leases.....	1,141	742	399	5-25
Leasehold improvements.....	11,352	8,661	2,691	1-10
Leasehold improvements.....	433	407	26	11-20
	-----	-----	-----	
	\$162,251	\$64,214	\$98,037	
	=====	=====	=====	

Depreciation expense (including the amortization of capitalized property and equipment leases) in fiscal years 2003, 2002 and 2001 was \$6,880,700, \$7,795,300 and \$7,677,100, respectively, of which \$2,438,300, \$3,302,900 and \$3,024,100 in fiscal years 2003, 2002 and 2001, respectively, related to stores included in discontinued operations and was reclassified accordingly.

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## E. INTANGIBLE AND OTHER ASSETS:

Intangible and other assets consist of the following (in thousands):

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	USEFUL LIVES
	-----	-----	-----	-----
SEPTEMBER 30, 2003:				
Goodwill.....	\$ 0	\$ 0	\$ 0	
Lease acquisition cost.....	298	249	49	12-25
Noncompete agreements.....	250	171	79	5
Other intangibles.....	272	15	257	15-16
	-----	-----	-----	
Total intangibles.....	820	435	385	
Other assets.....	1,123	0	1,123	
	-----	-----	-----	
	\$ 1,943	\$ 435	\$1,508	
	=====	=====	=====	
SEPTEMBER 30, 2002:				
Goodwill.....	\$ 8,874	\$3,017	\$5,857	13-40
Lease acquisition cost.....	315	251	64	12-25
Noncompete agreements.....	250	121	129	5
Other intangibles.....	197	12	185	15-16
	-----	-----	-----	
Total intangibles.....	9,636	3,401	6,235	
Other assets.....	1,100	0	1,100	
	-----	-----	-----	
	\$10,736	\$3,401	\$7,335	
	=====	=====	=====	

Goodwill represented the excess of cost over the fair value of net assets acquired in business combinations. The Company completed an impairment analysis during the second fiscal quarter of fiscal year 2003 in connection with the adoption of SFAS No. 142, resulting in a write-off of goodwill in the amount of \$5.8 million. Lease acquisition costs are the bargain element of acquired leases and are being amortized on a straight-line basis over the related lease terms. Amortization expense was \$67,400 (2003), \$461,800 (2002) and \$462,600 (2001) of which \$27,600 (2003), \$195,500 (2002) and \$199,000 (2001) related to stores included in discontinued operations and was reclassified accordingly.

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Amortization expense for the next five years is as follows (in thousands):

September 30,	
2004.....	\$290
2005.....	70
2006.....	9
2007.....	6
2008.....	4
Thereafter.....	6
	----
	\$385
	=====

The Company's adoption of SFAS No. 142 eliminates the requirement to amortize goodwill beginning in the first quarter of fiscal 2003 (see Footnote A -- "Summary of Significant Accounting Policies -- Recent Accounting Pronouncements"). Goodwill amortization in fiscal years 2002 and 2001 was \$388,600, or \$0.05 per share, and \$388,600, or \$0.06 per share, respectively. The following table

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### E. INTANGIBLE AND OTHER ASSETS (CONTINUED):

adjusts net earnings (loss) and net earnings (loss) per share for the adoption of SFAS No. 142 (in thousands, except per share data):

	FISCAL YEAR ENDED SEPTEMBER 30,		
	2003	2002	2001
	-----	-----	-----
Reported net (loss) earnings.....	\$ (8,279)	\$ (1,317)	\$ 451
Add back:			
Goodwill amortization.....	0	389	389
	-----	-----	-----
Adjusted net (loss) earnings.....	\$ (8,279)	\$ (928)	\$ 840
	=====	=====	=====
Net (loss) earnings per share.....	\$ (1.16)	\$ (0.19)	\$0.06
	=====	=====	=====
Adjusted net (loss) earnings per share.....	\$ (1.16)	\$ (0.14)	\$0.12
	=====	=====	=====

### F. REVOLVING CREDIT AGREEMENT:

On April 20, 2000, the Company executed a 3-year secured \$10.0 million revolving loan agreement (the "Agreement") with \$3.5 million available for letters of credit. Provisions of the Agreement require the maintenance of certain covenants relating to minimum tangible net worth, interest and fixed-charge coverage ratios, as measured on a quarterly basis. In addition, the Agreement places limitations on capital expenditures, additional debt and payment of dividends. During fiscal years 2001 and 2002, the Agreement was amended to increase the total credit line, extend the maturity date, revise covenants relating to fixed charge coverage ratios, and provide for additional borrowing on a seasonal

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basis. At September 30, 2003, the total credit line available for borrowings was \$15.0 million, with \$3.5 million available for letters of credit and \$4.0 million available for the prepayment of debt in connection with the sale of stores (as discussed below and in Footnote G). Effective April 1, 2003, the Company amended the Agreement to extend the maturity date to December 31, 2004, extend the \$2.0 million seasonal borrowing increase to April 30, 2004, and revise certain financial covenants. The Company was in compliance with these covenants as of September 30, 2003. Borrowings of \$5.7 million and letters of credit of \$3.5 million were outstanding under the Agreement at September 30, 2003. This facility bears interest at the Company's option based on a rate of either prime plus 1.0% or LIBOR plus 3.0%. The blended interest rate at September 30, 2003 was 4.27%. The Agreement is collateralized by substantially all of the Company's inventories, receivables, other personal property and selected real properties. At September 30, 2003, the net book value of these selected real properties that are pledged as collateral was \$2.4 million. As discussed more fully in Footnote G, in connection with the negotiation of Master Property Disposition Agreements relating to certain of the Company's term loans, as of September 30, 2003, the Company entered into an agreement with its revolving credit lender to provide a \$4.0 million sub-limit under the revolving credit agreement. This sub-limit may be utilized under certain conditions to pay off term debt associated with stores that are sold. These agreements create a subordinated interest in the several cross-escrow accounts created pursuant to the Master Property Disposition Agreements and continue the lien on working capital assets and certain real property assets created by the original revolving credit agreement. At September 30, 2003, \$5.8 million (including the \$2.0 million seasonal borrowing increase that expires on April 30, 2004) was available under the Agreement for general working capital purposes and prepayment of debt.

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### G. LONG-TERM DEBT:

	SEPTEMBER 30, -----	
	2003	2002
	-----	-----
	(IN THOUSANDS)	
Mortgage Loan. Principal and interest will be paid in 180 remaining monthly installments. At September 30, 2003, the coupon rate was 9.08% and the effective interest rate was 9.77%, net of unamortized fees of \$1,054,786 (\$1,204,119 in 2002).....	\$29,949	\$31,568
Mortgage Loan. Principal and interest will be paid in 200 remaining monthly installments. The loan bears interest at LIBOR plus 3.75%. At September 30, 2003, the coupon rate was 4.86% and the effective interest rate was 5.54%, net of unamortized fees of \$322,559 (\$364,952 in 2002).....	19,702	20,423
Mortgage Loan. Principal and interest will be paid in 201 remaining monthly installments. At September 30, 2003, the coupon rate was 10.39% and the effective interest rate was 10.71%, net of unamortized fees of \$104,665 (\$114,683 in 2002).....	6,366	6,502
Mortgage Loans. Principal and interest are paid in monthly installments. The loans expire in 2009, 2010, 2020 and 2021. Interest ranges from the prime rate to LIBOR plus 3.75%. At September 30, 2003, the blended coupon rate was 5.86% and the effective interest rate was 6.48%, net of		

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unamortized fees of \$137,563 (\$144,626 in 2002).....	6,909	7,202
Revolving Credit Agreement. Interest is paid monthly. The interest rate at September 30, 2003 was 4.27%. (See Footnote F).....	5,705	5,867
Equipment Loans. Principal and interest will be paid in monthly installments. The loans expire in 2010 and 2011 and bear interest at LIBOR plus 3.75%. At September 30, 2003, the blended coupon rate was 4.86% and the effective interest rate was 5.65%, net of unamortized fees of \$91,716 (\$135,213 in 2002).....	7,616	8,506
Equipment Loan. Principal and interest will be paid in 80 remaining monthly installments. The loan expires in 2010. At September 30, 2003, the coupon rate was 10.73% and the effective interest rate was 11.16%, net of unamortized fees of \$9,450 (\$13,776 in 2002).....	750	923
	-----	-----
	76,997	80,991
Less current maturities.....	42,639	9,079
	-----	-----
	\$34,358	\$71,912
	=====	=====

The mortgage loans are collateralized by \$65,531,000 of property, at net book value, of which \$25,721,600 relates to stores classified as discontinued operations. The equipment loans are collateralized by \$4,345,100 of equipment, at net book value, of which \$2,362,000 relates to stores classified as discontinued operations.

The Company has classified \$34.4 million as current maturities relating to its divestiture plan. However, \$33.5 million becomes due only when sales of store locations classified as discontinued operations are consummated and the remaining \$0.9 million are regularly scheduled payments.

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### G. LONG-TERM DEBT (CONTINUED):

Aggregate maturities of long-term debt (net of loan fee amortization) during the next five years are as follows (in thousands):

September 30,	
2004.....	\$42,639
2005.....	1,836
2006.....	1,972
2007.....	2,113
2008.....	2,270
Thereafter.....	26,167
	-----
	\$76,997
	=====

In April and September 2000, the Company, through special purpose consolidated entities with GE Capital Franchise Finance Corporation, (formerly Franchise Finance Corporation of America), ("FFCA") completed 20-year mortgage loans totaling \$32.5 million and 10-year equipment loans totaling \$11.0 million to finance the purchase of assets from Orloski Service Station, Inc. ("OSSSI"). In fiscal year 2001, the Company completed a 20-year mortgage loan totaling \$3.5

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million and a 10-year equipment loan to finance the construction of one additional store location with FFCA.

As of September 30, 2003, the Company entered into several Master Property Disposition Agreements that amended, through October 31, 2004, certain terms of the various loan agreements originated with and now serviced by FFCA. Under these agreements the lenders will permit the disposition and release of their security interest on certain real property and equipment assets that are part of the Company's strategic disposition program. In addition, the lenders will accept reduced prepayment penalties or yield maintenance payments, and forbear from enforcing any property fixed charge ratio covenants, corporate fixed charge ratio covenants, or net worth covenants for the duration of the agreements. The agreements also establish several cross-escrow accounts, create liens against these accounts, and continue the liens on certain real property and equipment assets that were part of the original loan. Simultaneously, the Company entered into an agreement with its revolving credit lender to provide a \$4.0 million sub-limit under its existing revolving credit agreement. (See Footnote F)

### H. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts of cash and short-term debt approximates fair value. The Company estimates the fair value of its long-term, fixed-rate debt generally using discounted cash flow analysis based on the Company's current borrowing rates for debt with similar maturities. The Company estimates the fair value of its long-term, variable-rate debt based on carrying rates offered for similar security, terms and maturity.

Fair value of capital lease obligations is estimated based on current rates offered to the Company for similar debt.

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### H. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED):

The estimated fair values of the Company's financial instrument liabilities are as follows (in thousands):

	SEPTEMBER 30, 2003		SEPTEMBER 30, 2002	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Long-term debt:				
Current maturities.....	\$42,639	\$42,639	\$ 9,079	\$ 9,079
Long-term debt.....	\$34,358	\$36,937	\$71,912	\$74,002
Obligations under capital leases:				
Current maturities.....	\$ 122	\$ 122	\$ 113	\$ 113
Long-term debt.....	\$ 92	\$ 101	\$ 214	\$ 228

### I. DEFERRED REVENUE AND OTHER LIABILITIES:

The Company generally records revenues when products are sold or services rendered. In certain instances, the Company receives advance payments for purchase commitments or other services and records revenue from such payments in accordance with the terms of the related contractual arrangements.

Deferred revenue and other liabilities includes the following (in thousands):

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	SEPTEMBER 30,	
	2003	2002
Deferred revenue.....	\$4,011	\$5,170
Other non-current liabilities.....	90	65
	-----	-----
	\$4,101	\$5,235
	=====	=====

## J. DISCONTINUED OPERATIONS:

During fiscal year 2003, the Company announced plans to divest 130 stores and reclassified the assets relating to these stores as discontinued operations in accordance with the adoption of SFAS 144 and reclassified the related debt of \$34.4 million as current maturities. At September 30, 2003, the Company had 128 remaining stores classified as property held for sale on its balance sheet with a net book value of \$41.0 million. The income and expense relating to these stores is reported as discontinued operations for all periods presented in the accompanying financial statements and are reported separately from the results of continuing operations. In addition, the Company recognized a \$66,000 loss from the sale of five stores and one non-operating location during fiscal year 2003 and a \$654,000 loss relating to the future disposal of certain locations. The Company cannot be certain that sales of assets will occur at the time or for the values that the Company estimates. The Company intends continue to operate these stores pending successful negotiation of their sale or sub-lease.

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## J. DISCONTINUED OPERATIONS (CONTINUED):

The following is a summary of the operating results and net loss of discontinued operations (in thousands, except per share data):

	FISCAL YEAR ENDED SEPTEMBER 30,		
	2003	2002	2001
Revenues.....	\$162,487	\$149,884	\$146,993
Loss from discontinued operations.....	\$ (2,311)	\$ (2,703)	\$ (892)
Loss on disposal of discontinued operations.....	(720)	0	0
Income tax benefit.....	(88)	(1,141)	(354)
	-----	-----	-----
Net loss from discontinued operations.....	\$ (2,943)	\$ (1,562)	\$ (538)
	=====	=====	=====
Loss per share from discontinued operations.....	\$ (0.41)	\$ (0.22)	\$ (0.08)
	=====	=====	=====

## K. COMMITMENTS AND CONTINGENCIES:



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- (1) Leases -- The Company leases its corporate headquarters, 124 of its store locations and certain equipment. Future minimum lease payments under capital leases and noncancellable operating leases with initial or remaining terms in excess of one year at September 30, 2003 are shown below. Some of the leases provide for additional rentals when sales exceed a specified amount and contain variable renewal options and escalation clauses. Rental income in connection with the leases of certain properties is also provided. Such rental income was \$819,600 (2003), \$849,900 (2002) and \$876,300 (2001) of which \$198,900 (2003), \$212,800 (2002) and \$214,500 (2001) related to stores included in discontinued operations and was reclassified accordingly (in thousands):

	CAPITAL LEASES	OPERATING LEASES	RENTAL INCOME
	-----	-----	-----
2004.....	\$ 140	\$ 6,012	\$ 751
2005.....	31	4,757	612
2006.....	31	3,506	440
2007.....	31	3,331	372
2008.....	21	2,274	303
Thereafter.....	0	5,967	226
	-----	-----	-----
Total future minimum lease payments.....	254	\$25,847	\$2,704
		=====	=====
Less amount representing interest.....	(40)		
	-----		
Present value of future payments.....	214		
Less current maturities.....	(122)		
	-----		
	\$ 92		
	=====		

Rental expense under operating leases was as follows (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	-----	-----	-----
	2003	2002	2001
	-----	-----	-----
Minimum rentals.....	\$7,298	\$7,099	\$5,287
Contingent rentals.....	103	92	39
	-----	-----	-----
	\$7,401	\$7,191	\$5,326
	=====	=====	=====

The table above includes rental expense for stores classified as discontinued operations of \$1,208,300 (2003), \$1,211,100 (2002) and \$1,140,700 (2001) and was reclassified accordingly.

### K. COMMITMENTS AND CONTINGENCIES (CONTINUED):

- (2) Change of Control Agreements -- The Company has change of control agreements

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with its four executive officers pursuant to which each executive officer will receive remuneration of 2.99 times his base compensation if his employment is terminated due to a change of control as defined in the agreements. Remuneration which might be payable under these agreements has not been accrued in the consolidated financial statements as a change of control has not occurred.

- (3) Gasoline Supply Agreements -- Pursuant to agreements with four gasoline suppliers, with terms of 6-15 years, the Company receives from the suppliers partial funding of the cost of the above-ground gasoline equipment and rebates for the purchase of gasoline. As of September 30, 2003, the total funding subject to these arrangements is \$7,115,900. If the Company terminates these agreements before the expiration of the contract terms, part of this funding, in addition to the funding previously made to OSSI, must be repaid to the suppliers. The expiration dates range from 2006 to 2013.
- (4) Litigation -- The Company is involved in litigation and other legal matters which have arisen in the normal course of business. Although the ultimate results of these matters are not currently determinable, management does not expect that they will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

### L. CHANGES IN SECURITIES:

During fiscal year 2003, the Uni-Marts, Inc. Retirement Savings and Incentive Plan purchased 33,319 shares of the Company's treasury stock for \$175,816 to fund its 401(k) retirement plan, resulting in a decrease of additional paid-in capital of \$133,460. Also during fiscal year 2003, the Company issued 31,000 shares of common stock to its non-employee directors, as part of their annual retainer, issued 500 shares of its common stock upon exercise of a stock option, and issued 1,524 shares of common stock to the Company's employee stock purchase plan. The issuance of these shares resulted in an increase of \$39,417 to additional paid-in capital. The net effect of these transactions in fiscal year 2003 was a decrease to additional paid-in capital of \$94,043.

	SHARES	AMOUNT	ADDITIONAL PAID IN CAPITAL
	-----	-----	-----
FISCAL YEAR 2003:			
Sale of treasury stock.....	(33,319)	\$ (175,816)	\$ (133,460)
Shares issued to directors.....	31,000	39,990	36,890
Employee stock purchase plan.....	1,524	2,042	1,890
Exercise of stock options.....	500	687	637
	-----	-----	-----
	(295)	\$ (133,097)	\$ (94,043)
	=====	=====	=====
FISCAL YEAR 2002:			
Sale of treasury stock.....	(31,846)	\$ (168,487)	\$ (98,704)
Shares issued to directors.....	15,680	39,984	38,416
Employee stock purchase plan.....	6,763	15,059	14,382
Exercise of stock options.....	10,333	16,500	15,467
	-----	-----	-----
	930	\$ (96,944)	\$ (30,439)
	=====	=====	=====

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## M. INCOME TAXES:

The provision for income taxes includes the following (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	2003	2002	2001
Current tax expense (credit):			
Federal.....	\$ 0	\$ 0	\$ 0
State.....	4	6	2
	-----	-----	-----
	4	6	2
	-----	-----	-----
Deferred tax expense (credit):			
Federal.....	(720)	(632)	388
State.....	324	(336)	(93)
	-----	-----	-----
	(396)	(968)	295
	-----	-----	-----
	\$ (392)	\$ (962)	\$ 297
	=====	=====	=====

Deferred tax liabilities (assets) are comprised of the following at September 30 (in thousands):

	2003	2002	2001
	-----	-----	-----
Depreciation.....	\$ 6,265	\$ 7,174	\$ 7,361
	-----	-----	-----
Gross deferred tax liabilities.....	6,265	7,174	7,361
	-----	-----	-----
Insurance reserves.....	(1,246)	(1,132)	(1,100)
Intangible assets.....	(990)	0	0
Capital leases.....	50	7	60
Deferred compensation.....	0	0	(33)
Deferred income.....	(651)	(1,119)	(1,078)
Net operating loss carryforward.....	(4,324)	(4,249)	(3,440)
Other.....	(349)	(332)	(450)
	-----	-----	-----
Gross deferred tax assets.....	(7,510)	(6,825)	(6,041)
Less valuation allowance.....	1,245	48	45
	-----	-----	-----
Net deferred tax assets.....	(6,265)	(6,777)	(5,996)
	-----	-----	-----
	\$ 0	\$ 397	\$ 1,365
	=====	=====	=====

The financial statements include noncurrent deferred tax liabilities of \$0 (2003) and \$1,796,900 (2002) and current deferred tax assets of \$0 (2003) and \$1,400,300 (2002) which are included in prepaid and current deferred taxes.

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The valuation allowances as of September 30, 2003, 2002 and 2001, were \$1,245,000, \$48,000 and \$45,000, respectively, and principally apply to NOL and tax credit carryforwards. The Company believes that it is more likely than not that those carryforwards will not be realized.

As of September 30, 2003, the Company had available state and federal net operating loss carryforwards of \$11,233,300 which expire in fiscal years 2018 through 2023.

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### M. INCOME TAXES (CONTINUED):

A reconciliation of the provision for income taxes to an amount determined by application of the statutory federal income tax rate follows (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	2003	2002	2001
Statutory rate.....	\$ (2,948)	\$ (775)	\$ 254
Increase (decrease) resulting from:			
Valuation allowance.....	1,245	0	0
Goodwill.....	1,087	67	66
State taxes (net).....	216	(218)	(60)
Tax credits.....	0	(38)	45
Other (net).....	8	2	(8)
Tax (benefit) provision.....	\$ (392)	\$ (962)	\$ 297

### N. RELATED PARTY TRANSACTIONS:

During fiscal year 1997, the Company granted a loan of \$800,000 to an officer of the Company. In January 1999, the interest rate on the loan was changed to the brokerage call rate plus 0.5% (4.0% at September 30, 2002). The loan required payments of \$60,000 plus interest on November 1, 1999, 2000, 2001, 2002, 2003 and a final payment of \$300,000 on November 1, 2004. The loan was collateralized by 303,397 shares of the Company's Common Stock. The balance of the loan was repaid in full during the third quarter of fiscal year 2003.

Certain directors and officers of the Company are also directors, officers or controlling shareholders of other entities from which the Company leases its corporate headquarters and various store and other locations under agreements classified as operating leases. In addition, the Company leases store locations from entities controlled by, or from persons related to, certain directors and officers of the Company. The following is a summary of significant transactions with these entities:

- (1) The Company leases its corporate headquarters and various store and other locations under agreements classified as operating leases. Aggregate rentals in connection with all such leases were \$1,491,000 (2003), \$1,255,500 (2002), and \$698,800 (2001).
- (2) The Company charges an affiliate for general and administrative services provided. Such charges amounted to \$11,200 (2003), \$11,200

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(2002), and \$11,200 (2001).

During fiscal years 2003, 2002 and 2001, the Company made payments of \$0, \$79,300 and \$79,200, respectively, to a director of the Company for consulting fees and reimbursement of expenses.

### O. RETIREMENT SAVINGS AND INCENTIVE PLAN:

The Company has a contributory retirement savings plan covering all employees meeting minimum age and service requirements. The Company will match one-half of employee contributions up to 3% of the employee's compensation. The Company's contributions are invested in the Company's Common Stock. The Board of Directors may elect to make additional contributions to be allocated among all eligible employees in accordance with provisions of the plan. The retirement savings plan expense, which is funded currently, was \$87,500 (2003), \$98,400 (2002) and \$108,300 (2001).

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### P. DEFERRED COMPENSATION PLAN:

The Company had a nonqualified deferred compensation plan which was terminated in January 2002 and the assets distributed to the beneficiaries. The deferred compensation plan permitted key executives to elect annually (via individual contracts) to defer a portion of their compensation until their retirement, death or disability. The Company made a 50% matching contribution not exceeding \$5,000 annually per executive. The deferred compensation expense was \$0, \$13,200, and \$16,200 for the years ended September 30, 2003, 2002 and 2001, respectively.

### Q. EQUITY COMPENSATION PLANS:

The Company has an Equity Compensation Plan, pursuant to which no additional stock options may be granted, and a 1996 Equity Compensation Plan, which became effective November 1, 1996. The Company has reserved 38,250 shares of common stock which can be issued upon exercise of outstanding stock options in accordance with the terms of the Equity Compensation Plan and 1,633,637 shares of common stock which can be issued upon exercise of outstanding options or options that may be granted in the future in accordance with the terms of the 1996 Equity Compensation Plan.

Both the Equity Compensation Plan and the 1996 Equity Compensation Plan are collectively discussed as the "Plans" below.

A committee of the Board of Directors has authority to administer the Plans, and the committee may grant qualified and nonqualified incentive stock options to employees of the Company, including officers, whether or not they are directors. The Plans also provide that all nonemployee directors will receive annual nonqualified stock option grants for 2,000 shares of common stock plus 500 shares for each full year the director has served as a member of the board, up to a maximum of 4,000 shares per grant, on the date of each annual meeting. These options generally have a vesting period of one year. In addition, newly appointed or elected nonemployee directors receive an initial grant for 5,000 shares. Nonemployee directors will also receive grants of stock equal in value to and in lieu of two-thirds of the retainer due to such director. The Company granted options to purchase 31,500, 30,000 and 32,500 shares of common stock to nonemployee directors under the Plans during fiscal years 2003, 2002, and 2001, respectively. The Company also issued 31,000, 15,680 and 19,850 shares of common stock to nonemployee directors during fiscal years 2003, 2002 and 2001, respectively, as part of their annual retainer.

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The exercise price of all options granted under the Plans may not be less than the fair market value of the common stock on the date of grant, and the maximum allowable term of each option is ten years. For qualified stock options granted to any person who holds more than 10% of the voting power of the outstanding stock, the exercise price may not be less than 110% of the fair market value, and the maximum allowable term is five years. Options granted under the Plans generally have vesting periods of up to three years.

Information regarding outstanding options is presented below. All options outstanding are exercisable according to their vesting schedule.

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### Q. EQUITY COMPENSATION PLANS (CONTINUED):

Outstanding Options for Shares of Common Stock (in thousands, except per share data) are as follows:

	OUTSTANDING OPTIONS	EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	WEIGHTED REMAIN CONTRAC LIF
Balance, September 30, 2000.....	728	\$1.13 to \$8.50	\$4.36	
Granted.....	258	\$1.81 to \$2.42	\$2.21	
Canceled.....	(41)	\$2.00 to \$7.70	\$4.33	
	-----			
Balance, September 30, 2001.....	945	\$1.13 to \$8.50	\$2.81	
Granted.....	494	\$1.40 to \$2.55	\$1.72	
Exercised.....	(10)	\$1.38 to \$2.00	\$1.60	
Canceled.....	(209)	\$1.38 to \$7.00	\$3.70	
	-----			
Balance, September 30, 2002.....	1,220	\$1.13 to \$8.50		
Granted.....	32	\$1.29	\$1.29	
Exercised.....	(1)	\$1.38	\$1.38	
Canceled.....	(90)	\$1.29 to \$7.00	\$2.54	
	-----			
Balance, September 30, 2003.....	1,161			
	=====			
	1,093	\$1.13 to \$3.75	\$1.94	7.1 ye
	40	\$3.76 to \$6.13	\$5.37	2.2 ye
	28	\$6.14 to \$8.50	\$6.90	2.5 ye
	-----			
	1,161	\$1.13 to \$8.50	\$2.18	6.8 ye
	=====			
Exercisable at September 30, 2003.....	850	\$1.13 to \$8.50	\$2.34	
	=====			
Balance of Shares Reserved for Grant at September 30, 2003.....	511			
	=====			

The weighted average fair value of the stock options granted during fiscal years 2003, 2002 and 2001 were \$0.91, \$1.21 and \$1.84, respectively. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the years ended September 30, (dollars in

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thousands):

	2003 -----	2002 -----	2001 -----
Risk-free interest rate.....	3.9%	3.6%	4.6%
Expected volatility.....	62.8%	62.3%	86.0%
Expected life in years.....	9.0	9.0	9.0
Contractual life in years.....	10.0	10.0	10.0
Fair value of options granted.....	\$ 29	\$ 599	\$ 475

## R. EMPLOYEE STOCK PURCHASE PLAN:

In February 1999, the Company's stockholders approved a stock purchase plan. Under the stock purchase plan, eligible employees may purchase common stock in quarterly offering periods through payroll deductions of up to 25% of compensation. The price per share is 90% of the average market price throughout the quarter but not less than 90% of the lower of the market price at the beginning or end of the market period. The stock purchase plan provides for purchases by employees of up to an aggregate of 500,000 shares. Effective January 1, 2003 the employee stock purchase plan was frozen and the shares held by the plan were distributed to the participants. During fiscal years 2003, 2002 and 2001, employees purchased 1,524, 6,763, and 7,110 shares, respectively, pursuant to the stock purchase plan.

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## SUPPLEMENTARY FINANCIAL INFORMATION SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED): (IN THOUSANDS, EXCEPT PER SHARE DATA)

	1ST QUARTER -----	2ND QUARTER -----	3RD QUARTER -----	4TH QUARTER -----	FISCAL YEAR -----
YEAR ENDED SEPTEMBER 30, 2003					
Revenues from continuing operations.....	\$71,566	\$67,709	\$75,305	\$81,412	\$295,992
Gross profits from continuing operations....	\$14,584	\$13,131	\$14,066	\$14,444	\$ 56,225
Earnings (loss) from continuing operations.....	\$ 244	\$ (653)	\$ 251	\$ 369	\$ 211
(Loss) earnings on discontinued operations.....	(667)	(1,622)	(1,178)	524	(2,943)
Cumulative effect of change in accounting principle.....	(5,547)	0	0	0	(5,547)
Net (loss) earnings.....	=====	=====	=====	=====	=====
	\$ (5,970)	\$ (2,275)	\$ (927)	\$ 893	\$ (8,279)
Earnings (loss) per share from continuing operations.....	\$ 0.03	\$ (0.08)	\$ 0.03	\$ 0.05	\$ 0.03
(Loss) earnings per share on discontinued operations.....	(0.09)	(0.23)	(0.16)	0.07	(0.41)
Loss per share from change in accounting principle.....	(0.78)	0.00	0.00	0.00	(0.78)
Net (loss) earnings per share.....	=====	=====	=====	=====	=====
	\$ (0.84)	\$ (0.31)	\$ (0.13)	\$ 0.12	\$ (1.16)

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YEAR ENDED SEPTEMBER 30, 2002

Revenues from continuing operations.....	\$63,699	\$57,353	\$68,903	\$72,025	\$261,980
Gross profits from continuing operations....	\$14,916	\$13,166	\$14,460	\$14,138	\$ 56,680
Earnings (loss) from continuing operations.....	\$ 457	\$ (501)	\$ 199	\$ 90	\$ 245
(Loss) earnings on discontinued operations.....	(347)	(638)	(344)	(233)	(1,562)
Cumulative effect of change in accounting principle.....	0	0	0	0	0
	-----	-----	-----	-----	-----
Net (loss) earnings.....	\$ 110	\$ (1,139)	\$ (145)	\$ (143)	\$ (1,317)
	=====	=====	=====	=====	=====
Earnings (loss) per share from continuing operations.....	\$ 0.07	\$ (0.07)	\$ 0.03	\$ 0.00	\$ 0.03
(Loss) earnings per share on discontinued operations.....	(0.05)	(0.09)	(0.05)	(0.03)	(0.22)
Loss per share from change in accounting principle.....	0.00	0.00	0.00	0.00	0.00
	-----	-----	-----	-----	-----
Net (loss) earnings per share.....	\$ 0.02	\$ (0.16)	\$ (0.02)	\$ (0.03)	\$ (0.19)
	=====	=====	=====	=====	=====

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

### ITEM 9A. CONTROLS AND PROCEDURES.

CEO and CFO Certifications. Appearing as Exhibits 31.1 and Exhibit 31.2 of this Annual Report are two certifications, one by each of our Chief Executive Officer and our Chief Financial Officer (the "Section 302 Certifications"). This Item 9A of our Annual Report contains information concerning the evaluation of the Company's disclosure controls and procedures and matters regarding our internal controls that are referred to in the Section 302 Certifications. This information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics referred to in the Section 302 Certifications.

Evaluation of Our Disclosure Controls and Procedures. The Securities and Exchange Commission (the "SEC") requires that as of the end of the period covered by this Annual Report, the CEO and

the CFO must evaluate the effectiveness of the design and operation of our disclosure controls and procedures and report on the effectiveness of the design and operation of our disclosure controls and procedures.

"Disclosure controls and procedures" mean the controls and other procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (the "Exchange Act"), such as this Annual Report, is recorded, processed, summarized and reported within the time periods specified in the rules and forms promulgated by the Securities and Exchange Commission (the "SEC"). Disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.



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Evaluation of Our Internal Control Over Financial Reporting. The SEC also requires that the CEO and CFO certify certain matters regarding our internal control over financial reporting.

"Internal control over financial reporting" means the process designed by, or under the supervision of, our CEO and CFO, and implemented by management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Among the matters our CEO and CFO must certify in the Section 302 Certifications are whether all "significant deficiencies" or "material weakness" in the design or operation of our internal control over financial reporting that are likely to adversely affect our ability to record, process, summarize and report financial information have been disclosed to our auditors and the Audit Committee of our Board of Directors. "Significant deficiencies" has the same meaning as the term "reportable conditions" in auditing literature. Both terms represent deficiencies in the design or operation of internal control over financial reporting that could adversely affect a company's ability to record, process, summarize and report financial data consistent with the assertions of management in a company's financial statements. A "material weakness" is defined in the auditing literature as a particularly serious reportable condition where the design or operation of one or more internal control over financial reporting components does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur in amounts that would be material in relation to the financial statements and not be detected within a timely period by employees in the normal course of performing their assigned functions. A "material weakness" constitutes a greater deficiency than a "significant deficiency, but an aggregation of significant deficiencies may constitute a material weakness in a company's internal control over financial reporting.

Limitations on the Effectiveness of Controls. The Company's management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, as opposed to absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and

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the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within an entity have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in

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achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CEO/CFO Conclusions about the Effectiveness of the Disclosure Controls and Procedures. As required by Rule 13a-15(b), the Company's management, including our CEO and CFO, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that, subject to the limitations noted above, our disclosure controls and procedures are effective to provide reasonable assurance that the disclosure controls and procedures will meet their objectives.

Changes in Internal control over financial reporting. As required by Rule 13a-15(d), the Company's management, including the CEO and CFO conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the period covered by this report.

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The Company has adopted a code of ethics (as that term is defined in Item 406 of Regulation S-K) (the "Code of Ethics") that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, and other employees of the Company. A copy of the Code of Ethics is filed as an exhibit to this Annual Report.

In accordance with Instruction G(3), the balance of information called for by ITEMS 10, 11, 12, 13 AND 14 are incorporated by reference from the Registrant's Definitive Proxy Statement pursuant to Regulation 14A, to be filed with the Commission not later than 120 days after September 30, 2003, the end of the fiscal year covered by this report.

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### PART IV

#### ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND REPORTS ON FORM 8-K.

##### (A) FINANCIAL STATEMENTS AND SCHEDULE

The Financial Statements listed below are filed as part of this Annual Report on Form 10-K.

##### (1) FINANCIAL STATEMENTS

	PAGE(S)
	-----
Report of Deloitte & Touche LLP, Independent Auditors.....	25
Consolidated Balance Sheets -- September 30, 2003 and 2002.....	26

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Consolidated Statements of Operations for the years ended September 30, 2003, 2002 and 2001.....	27
Consolidated Statements of Stockholders' Equity for the years ended September 30, 2003, 2002 and 2001.....	28
Consolidated Statements of Cash Flows for the years ended September 30, 2003, 2002 and 2001.....	29
Notes to Consolidated Financial Statements.....	30-46
Supplementary Financial Information -- Selected Quarterly Financial Data (Unaudited).....	47

### (2) FINANCIAL STATEMENT SCHEDULE

The following financial statement schedule should be read in conjunction with the audited consolidated financial statements and notes thereto included in this report. Schedules not included below have been omitted because they are not applicable or required or because the required information is not material or is included in the audited consolidated financial statements or notes thereto.

The following schedule for the years ended September 30, 2003, 2002 and 2001 is included in this report:

	PAGE
	----
Schedule II -- Valuation and Qualifying Accounts.....	55

### (B) REPORTS ON FORM 8-K

The Company filed a report on Form 8-K with the Securities and Exchange Commission on July 31, 2003, announcing its financial results for the fiscal 2003 third quarter, ended July 3, 2003.

### (C) EXHIBITS

- 3.1 Amended and Restated Certificate of Incorporation of the Company (Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended April 4, 2002, File No. 0-15164, and incorporated herein by reference thereto).
- 3.2 Amended and Restated By-Laws of the Company (Filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended April 4, 2002, File No. 0-15164, and incorporated herein by reference thereto).
- 4.1 Form of the Company's Common Stock Certificate (Filed as Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the period ended April 1, 1993, File No. 1-11556, and incorporated herein by reference thereto).

- 4.2 Rights Agreement (Filed as Exhibit 4(ii) to the Company's Registration Statement on Form 8-A/A, filed February 14, 2002, File No. 1-11556, and incorporated herein by reference thereto).

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- 10.1 Uni-Marts, Inc. Amended and Restated Equity Compensation Plan (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1995 and incorporated herein by reference thereto).
- 10.2 Amendment 1998-1 to the Uni-Marts, Inc. Equity Compensation Plan (Filed as Exhibit 10.10 to the Annual Report of Uni-Marts, Inc. on Form 10-K for the year ended September 30, 1998 and incorporated herein by reference thereto).
- 10.3 Uni-Marts, Inc. Deferred Compensation Plan (Filed as Exhibit 10.8 to the Annual Report of Uni-Marts, Inc. on Form 10-K for the year ended September 30, 1990, File No. 0-15164, and incorporated herein by reference thereto).
- 10.4 Uni-Marts, Inc. 1996 Equity Compensation Plan (Filed as Exhibit A to the Company's Definitive Proxy Statement for the February 22, 1996 Annual Meeting of Stockholders and incorporated herein by reference thereto).
- 10.5 Amendment 2001-1 to the Uni-Marts, Inc. 1996 Equity Compensation Plan (Filed as Appendix A to the Company's Definitive Proxy Statement for the February 21, 2002 Annual Meeting of Stockholders and incorporated herein by reference thereto).
- 10.6 Form of Indemnification Agreement between Uni-Marts, Inc. and each of its Directors (Filed as Exhibit A to the Company's Definitive Proxy Statement for the February 25, 1988 Annual Meeting of Stockholders, File No. 0-15164, and incorporated herein by reference thereto).
- 10.7 Composite copy of Change of Control Agreement between Uni-Marts, Inc. and its executive officers dated March 13, 2002. The Senior Vice President, Operations is also a party to a Change of Control Agreement with the Company dated March 13, 2002 which is substantially identical to the agreement between the Company and each of its executive officers. (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended April 4, 2002 and incorporated herein by reference thereto).
- 10.8 Composite copy of Change of Control Agreement between the Company and its Senior Vice President, Facilities Development and its Senior Vice President, Budgeting and Planning dated May 28, 2002 (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 4, 2002 and incorporated herein by reference thereto).
- 10.9 Amended and Restated Note between Henry D. Sahakian and Uni-Marts, Inc. dated January 25, 1999 (Filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the period ended April 1, 1999 and incorporated herein by reference thereto).
- 10.10 Loan Agreement between FFCA Acquisition Corporation and Uni-Marts, Inc. dated June 30, 1998 (Filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 1998 and incorporated herein by reference thereto).
- 10.11 Loan Agreement between FFCA Acquisition Corporation and Uni Realty of Wilkes Barre, L.P. dated April 21, 2000 (Filed as Exhibit 20.1 to the Company's Form 8-K filed on May 8, 2000 and incorporated herein by reference thereto).
- 10.12 Loan Agreement between FFCA Funding Corporation and Uni Realty of Luzerne, L.P. dated April 21, 2000 (Filed as Exhibit 20.2 to the Company's Form 8-K filed on May 8, 2000 and incorporated herein by reference thereto).

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- 10.13 Equipment Loan Agreement between FFCA Acquisition Corporation and Uni-Marts, Inc. dated April 21, 2000 (Filed as Exhibit 20.3 to the Company's Form 8-K filed on May 8, 2000 and incorporated herein by reference thereto).
- 10.14 Equipment Loan Agreement between FFCA Funding Corporation and Uni-Marts, Inc. dated April 21, 2000 (Filed as Exhibit 20.4 to the Company's Form 8-K filed on May 8, 2000 and incorporated herein by reference thereto).
- 10.15 Revolving Credit Loan Agreement between Provident Bank and Uni-Marts, Inc. dated April 20, 2000 (Filed as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2000 and incorporated herein by reference thereto).
- 10.16 Amendment to the Revolving Credit Loan Agreement between Provident Bank and Uni-Marts, Inc. dated January 16, 2001 (Filed as Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the period ended April 5, 2001 and incorporated herein by reference thereto).
- 10.17 Amendment to the Revolving Credit Loan Agreement between Provident Bank and Uni-Marts, Inc. dated March 31, 2001 (Filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the period ended April 5, 2001 and incorporated herein by reference thereto).
- 10.18 Third Amendment to the Revolving Credit Loan Agreement between Provident Bank and Uni-Marts, Inc. dated December 21, 2001 (Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended January 3, 2002 and incorporated herein by reference thereto).
- 10.19 Fourth Amendment to the Revolving Credit Loan Agreement between Provident Bank and Uni-Marts, Inc. dated September 30, 2002. (Filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for the period ended September 30, 2002 and incorporated herein by reference thereto).
- 10.20 Fifth Amendment to Loan Agreement between Provident Bank and Uni-Marts, Inc. effective as of April 1, 2003 (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended April 3, 2003 and incorporated herein by reference thereto).
- 10.21 Shortfall Loan Agreement between Provident Bank and Uni-Marts, Inc. dated as of September 30, 2003.
- 10.22 Master Property Disposition Agreement effective as of September 30, 2003 by and among Washington Mutual Bank, FA, Uni-Marts, Inc., and Uni Realty of Luzerne, L.P.
- 10.23 Master Property Disposition Agreement effective as of September 30, 2003 by and between LaSalle Bank National Association as Indenture Trustee pursuant to that certain Indenture dated as of April 1, 1999, and Uni-Marts, Inc.
- 10.24 Master Property Disposition Agreement effective as of September 30, 2003 by and among LaSalle Bank National Association as Indenture Trustee pursuant to that certain Indenture dated as of November 1, 2000, Uni-Marts, Inc., and Uni Realty of Wilkes-Barre, L.P.
- 10.25 Amended and Restated Transaction Success Bonus Plan dated October 11, 2002. (Filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the period ended September 30, 2002 and incorporated herein by reference thereto).
- 11 Statement regarding computation of per share earnings (loss).
- 14 Code of Ethics.

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21 Subsidiaries of the registrant.

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23 Consent of Deloitte & Touche LLP.  
31.1 Certification of the Chairman and Chief Executive Officer  
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  
31.2 Certification of the Chief Financial Officer pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002.  
32.1 Certification of the Chairman and Chief Executive Officer  
pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  
32.2 Certification of the Chief Financial Officer pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002.  
99.1 Report on Form 11-K.

### (D) SCHEDULE

The schedule listed in Item 15(A) (2) is filed as part of this Annual Report on Form 10-K.

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### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNI-MARTS, INC.  
(Registrant)

By: /s/ HENRY D. SAHAKIAN

-----  
Henry D. Sahakian  
Chairman of the Board  
(Principal Executive Officer)

By: /s/ N. GREGORY PETRICK

-----  
N. Gregory Petrick  
Executive Vice President and  
Chief Financial Officer  
(Principal Accounting Officer)  
(Principal Financial Officer)

Dated: December 22, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

SIGNATURE  
-----

TITLE  
-----

DATE  
-----

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/s/ HENRY D. SAHAKIAN ----- Henry D. Sahakian	Chairman of the Board	December 22
/s/ HERBERT C. GRAVES ----- Herbert C. Graves	Director	December 22
/s/ STEPHEN B. KRUMHOLZ ----- Stephen B. Krumholz	Director	December 22
/s/ JACK G. NAJARIAN ----- Jack G. Najarian	Director	December 22
/s/ FRANK R. ORLOSKI, SR. ----- Frank R. Orloski, Sr.	Director	December 22
/s/ ANTHONY S. REGENSBURG ----- Anthony S. Regensburg	Director	December 22
/s/ DANIEL D. SAHAKIAN ----- Daniel D. Sahakian	Director	December 22
/s/ GEROLD C. SHEA ----- Gerold C. Shea	Director	December 22

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## UNI-MARTS, INC. AND SUBSIDIARIES SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C ADDITIONS		COLUMN D
DESCRIPTION -----	BALANCE AT BEGINNING OF PERIOD -----	CHARGED TO COSTS AND EXPENSES -----	CHARGED TO OTHER ACCOUNTS -- DESCRIBE -----	DEDUCTIONS -- DESCRIBE (1) -----
YEAR ENDED SEPTEMBER 30, 2003:				
Allowance for doubtful accounts.....	\$ 46 =====	\$69 ===	\$0 ==	\$ (15) =====
YEAR ENDED SEPTEMBER 30, 2002:				
Allowance for doubtful accounts.....	\$145 =====	\$26 ===	\$0 ==	\$ (125) =====
YEAR ENDED SEPTEMBER 30, 2001:				
Allowance for doubtful accounts.....	\$155 =====	\$26 ===	\$0 ==	\$ (36) =====

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(1) Specific account or note receivable written off to allowance.

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## UNI-MARTS, INC. AND SUBSIDIARIES EXHIBIT INDEX

NUMBER	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation of the Company (Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended April 4, 2002, File No. 0-15164, and incorporated herein by reference thereto).
3.2	Amended and Restated By-Laws of the Company (Filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended April 4, 2002, File No. 0-15164, and incorporated herein by reference thereto).
4.1	Form of the Company's Common Stock Certificate (Filed as Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the period ended April 1, 1993, File No. 1-11556, and incorporated herein by reference thereto).
4.2	Rights Agreement (Filed as Exhibit 4(ii) to the Company's Registration Statement on Form 8-A/A, filed February 14, 2002, File No. 1-11556, and incorporated herein by reference thereto).
10.1	Uni-Marts, Inc. Amended and Restated Equity Compensation Plan (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1995 and incorporated herein by reference thereto).
10.2	Amendment 1998-1 to the Uni-Marts, Inc. Equity Compensation Plan (Filed as Exhibit 10.10 to the Annual Report of Uni-Marts, Inc. on Form 10-K for the year ended September 30, 1998 and incorporated herein by reference thereto).
10.3	Uni-Marts, Inc. Deferred Compensation Plan (Filed as Exhibit 10.8 to the Annual Report of Uni-Marts, Inc. on Form 10-K for the year ended September 30, 1990, File No. 0-15164, and incorporated herein by reference thereto).
10.4	Uni-Marts, Inc. 1996 Equity Compensation Plan (Filed as Exhibit A to the Company's Definitive Proxy Statement for the February 22, 1996 Annual Meeting of Stockholders and incorporated herein by reference thereto).
10.5	Amendment 2001-1 to the Uni-Marts, Inc. 1996 Equity Compensation Plan (Filed as Appendix A to the Company's Definitive Proxy Statement for the February 21, 2002 Annual Meeting of Stockholders and incorporated herein by reference thereto).
10.6	Form of Indemnification Agreement between Uni-Marts, Inc. and each of its Directors (Filed as Exhibit A to the Company's Definitive Proxy Statement for the February 25, 1988 Annual Meeting of Stockholders, File No. 0-15164, and incorporated herein by reference thereto).
10.7	Composite copy of Change of Control Agreement between Uni-Marts, Inc. and its executive officers dated March 13, 2002. The Senior Vice President, Operations is also a party to a Change of Control Agreement with the Company dated March 13, 2002 which is substantially identical to the



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agreement between the Company and each of its executive officers. (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended April 4, 2002 and incorporated herein by reference thereto).

- 10.8 Composite copy of Change of Control Agreement between the Company and its Senior Vice President, Facilities Development and its Senior Vice President, Budgeting and Planning dated May 28, 2002 (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 4, 2002 and incorporated herein by reference thereto).

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NUMBER -----	DESCRIPTION -----
10.9	Amended and Restated Note between Henry D. Sahakian and Uni-Marts, Inc. dated January 25, 1999 (Filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the period ended April 1, 1999 and incorporated herein by reference thereto).
10.10	Loan Agreement between FFCA Acquisition Corporation and Uni-Marts, Inc. dated June 30, 1998 (Filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 1998 and incorporated herein by reference thereto).
10.11	Loan Agreement between FFCA Acquisition Corporation and Uni Realty of Wilkes Barre, L.P. dated April 21, 2000 (Filed as Exhibit 20.1 to the Company's Form 8-K filed on May 8, 2000 and incorporated herein by reference thereto).
10.12	Loan Agreement between FFCA Funding Corporation and Uni Realty of Luzerne, L.P. dated April 21, 2000 (Filed as Exhibit 20.2 to the Company's Form 8-K filed on May 8, 2000 and incorporated herein by reference thereto).
10.13	Equipment Loan Agreement between FFCA Acquisition Corporation and Uni-Marts, Inc. dated April 21, 2000 (Filed as Exhibit 20.3 to the Company's Form 8-K filed on May 8, 2000 and incorporated herein by reference thereto).
10.14	Equipment Loan Agreement between FFCA Funding Corporation and Uni-Marts, Inc. dated April 21, 2000 (Filed as Exhibit 20.4 to the Company's Form 8-K filed on May 8, 2000 and incorporated herein by reference thereto).
10.15	Revolving Credit Loan Agreement between Provident Bank and Uni-Marts, Inc. dated April 20, 2000 (Filed as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2000 and incorporated herein by reference thereto).
10.16	Amendment to the Revolving Credit Loan Agreement between Provident Bank and Uni-Marts, Inc. dated January 16, 2001 (Filed as Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the period ended April 5, 2001 and incorporated herein by reference thereto).
10.17	Amendment to the Revolving Credit Loan Agreement between Provident Bank and Uni-Marts, Inc. dated March 31, 2001 (Filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the period ended April 5, 2001 and incorporated herein by reference thereto).
10.18	Third Amendment to the Revolving Credit Loan Agreement

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- between Provident Bank and Uni-Marts, Inc. dated December 21, 2001 (Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended January 3, 2002 and incorporated herein by reference thereto).
- 10.19 Fourth Amendment to the Revolving Credit Loan Agreement between Provident Bank and Uni-Marts, Inc. dated September 30, 2002. (Filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for the period ended September 30, 2002 and incorporated herein by reference thereto).
- 10.20 Fifth Amendment to Loan Agreement between Provident Bank and Uni-Marts, Inc. effective as of April 1, 2003 (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended April 3, 2003 and incorporated herein by reference thereto).
- 10.21 Shortfall Loan Agreement between Provident Bank and Uni-Marts, Inc. dated as of September 30, 2003.

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NUMBER -----	DESCRIPTION -----
10.22	Master Property Disposition Agreement effective as of September 30, 2003 by and among Washington Mutual Bank, FA, Uni-Marts, Inc., and Uni Realty of Luzerne, L.P.
10.23	Master Property Disposition Agreement effective as of September 30, 2003 by and between LaSalle Bank National Association as Indenture Trustee pursuant to that certain Indenture dated as of April 1, 1999, and Uni-Marts, Inc.
10.24	Master Property Disposition Agreement effective as of September 30, 2003 by and among LaSalle Bank National Association as Indenture Trustee pursuant to that certain Indenture dated as of November 1, 2000, Uni-Marts, Inc., and Uni Realty of Wilkes-Barre, L.P.
10.25	Amended and Restated Transaction Success Bonus Plan dated October 11, 2002. (Filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the period ended September 30, 2002 and incorporated herein by reference thereto).
11	Statement regarding computation of per share earnings (loss).
14	Code of Ethics.
21	Subsidiaries of the registrant.
23	Consent of Deloitte & Touche LLP.
31.1	Certification of the Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chairman and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Report on Form 11-K.

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