

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K/A

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

For the fiscal year ended January 28, 2006

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: 0-8858

THE PENN TRAFFIC COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

25-0716800

(IRS Employer Identification No.)

1200 State Fair Blvd., Syracuse, New York 13221-4737

(Address of principal executive offices)

(315) 453-7284

(Telephone Number)

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, \$.01 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ___ NO X

Indicate by check mark if the registrant is not required to file reports pursuant to, Section 13 or 15 (d) of the Act. YES ___ NO X

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 X

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a smaller reporting company)	

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ___ NO X

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. YES ___ NO X

The aggregate market value of the registrant's voting stock held by nonaffiliates of the registrant was approximately \$0 as of July 30, 2005, the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, par value \$.01 per share: 8,297,697 shares outstanding as of August 9, 2007

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this Form 10-K, including, without limitation, statements included in Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are not statements of historical fact, are intended to be, and are hereby identified as, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, reflecting management's current analysis and expectations, based on what management believes to be reasonable assumptions. These forward-looking statements include statements relating to our anticipated financial performance and business prospects. Statements preceded by, followed by or that include words such as "believe," "anticipate," "estimate," "expect," "could," and other similar expressions are to be considered such forward-looking statements. Forward-looking statements may involve known and unknown risks, uncertainties and other factors, which may cause the actual results to differ materially from those projected, stated or implied, depending on such factors as: our ability to improve operating performance and effectuate business plans; our ability to operate pursuant to the terms of our credit facilities and to comply with the terms of our lending agreements or to amend or modify the terms of such agreements as may be needed from time to time; our ability to generate cash; our ability to attract and maintain adequate capital; our ability to refinance our indebtedness; increases in prevailing interest rates; our ability to obtain trade credit, and shipments and terms with vendors and service providers for current orders; our ability to maintain contracts that are critical to our operations; potential adverse developments with respect to our liquidity or results of operations; general economic and business conditions; competition, including increased capital investment and promotional activity by our competitors; availability, location and terms of sites for store development; the successful implementation of our capital expenditure program; labor relations; labor and employee benefit costs including increases in health care and pension costs and the level of contributions to our sponsored pension plans; the result of our pursuit of strategic alternatives; economic and competitive uncertainties; our ability to pursue strategic alternatives; economic and competitive uncertainties; changes in strategies; changes in generally accepted accounting principles; adverse changes in economic and political climates around the world, including terrorist activities and international hostilities; and the outcome of pending, or the commencement of any new, legal proceedings against, or governmental investigations of us, including the previously announced SEC and U.S. Attorney's Office investigations. We caution that the foregoing list of important factors is not exhaustive. Accordingly, there can be no assurance that we will meet future results, performance or achievements expressed or implied by such forward-looking statements, which are generally required to be publicly revised as circumstances change, and which we do not intend to update.

Explanation

The Penn Traffic Company (the "Company") is filing this amendment to Form 10-K for the fiscal year ended January 28, 2006, filed with the Securities and Exchange Commission on August 17, 2007 to reflect the results of a restatement and to report in Note 16 selected quarterly financial data as supplementary information to the basic financial statements. As a result of cancellation of debt in the Chapter 11 proceedings, the Company previously entirely eliminated all net operating loss carryforwards and reduced the tax basis of its long-lived assets effective January 29, 2006. During the year ended February 2, 2008, the Company corrected the amount of debt forgiveness in the Chapter 11 proceedings that reduced tax attributes which results in an increase aggregating \$66 million in the tax basis of its long-lived assets and net operating loss carryforwards. The correction resulted in an increase in deferred tax assets attributable to the net operating loss carryforwards, the recording of a related valuation allowance and a reduction in the deferred tax liability attributable to the increase in the tax basis of long-lived assets. The net effect of the above was a \$3.5 million reduction in the net deferred tax liability and a corresponding reduction in the carrying value of certain long-lived assets upon adoption of fresh-start reporting on April 16, 2005 and corresponding adjustments to income tax provision and depreciation expense for the period ended January 28, 2006 (see Note 4 to the consolidated financial statements).

We are amending the following to reflect the above.

PART II

Item 6. Selected Financial Data

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 8. Financial Statements and Supplementary Data

PART IV

Item 15. Exhibits and Financial Statement Schedules

Except as described above, no other changes have been made to our Annual Report on Form 10-K for the fiscal year ended January 28, 2006, as initially filed with the Securities and Exchange Commission on August 17, 2007 to reflect the result of a restatement.

PART II

ITEM 6. SELECTED FINANCIAL DATA

Consolidated Five-Year Financial Summary

Set forth below is our selected historical consolidated financial data for the five fiscal years ended January 28, 2006. As a result of the consummation of our plan of reorganization we adopted fresh-start reporting as of April 16, 2005. The accounting periods ended on or prior to April 16, 2005, have been designated "Predecessor Company" and the periods subsequent to April 16, 2005, have been designated "Successor Company."

In accordance with the implementation of fresh-start reporting, our assets, liabilities and stockholders' equity have been revalued as of April 16, 2005. In addition, as a result of the consummation of our plan of reorganization, the amount of our indebtedness has been substantially reduced. Accordingly, our financial statements for periods after April 16, 2005 are not comparable to our financial statements for periods ended on or prior to such date.

The selected historical consolidated financial data for the 41-week period ended January 28, 2006, are derived from our restated consolidated financial statements, which have been audited by Eisner LLP, independent accountants. The Predecessor Company's selected historical consolidated financial data for the 11-week period ended April 16, 2005, 52-week periods ended January 29, 2005, January 31, 2004, February 1, 2003 and February 2, 2002 are derived from our unaudited consolidated financial statements. In addition, the selected historical consolidated financial data for the Successor Company should be read in conjunction with our consolidated financial statements and related notes included elsewhere herein.

(In thousands of dollars, except per share data)	(Audited and Restated) Successor Company	(Unaudited) Predecessor Company				
	41 Weeks Ended January 28, 2006 (1)	11 Weeks Ended April 16, 2005	52 Weeks Ended January 29, 2005	52 Weeks Ended January 31, 2004	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002 (12)
	Revenues	\$ 1,015,893	\$ 265,260	\$ 1,285,148	\$ 1,307,977	\$ 1,348,437
Costs and Operating Expenses:						
Cost of sales (2)	754,995	195,533	955,609	973,393	999,880	1,018,605
Selling and administrative expenses (3)	256,023	71,414	312,826	325,388	319,118	305,987
Amortization of goodwill (5)	-	-	-	-	-	109,809
Asset impairment charge (4)	-	-	-	1,002	17,858	-
Goodwill impairment charge (5)	-	-	-	22,832	28,397	-
Operating Income (Loss)	4,875	(1,687)	16,713	(14,638)	(16,816)	(69,421)
Interest expense (6)	8,289	1,755	12,365	32,018	35,479	34,820
Gain on extinguishment of debt (7)		(182,831)				
Reorganization expense (8)	1,023	71,117	19,060	30,818	-	-
(Loss) Income from Continuing Operations, Before Income Taxes and Discontinued Operations	(4,437)	108,272	(14,712)	(77,474)	(52,295)	(104,241)
Provision (benefit) for income taxes (9)	261	(23,945)	251	755	(8,565)	2,429
(Loss) Income from Continuing Operations before Discontinued Operations	(4,698)	132,217	(14,963)	(78,229)	(43,730)	(106,670)
Loss (Income) from discontinued operations, net of tax (10)	-	3,133	8,994	84,163	4,337	(11,719)
Net (Loss) Income	<u>\$ (4,698)</u>	<u>\$ 129,084</u>	<u>\$ (23,957)</u>	<u>\$ (162,392)</u>	<u>\$ (48,067)</u>	<u>\$ (94,951)</u>
Net Loss Per Share (Basic and Diluted)	<u>\$ (0.55)</u>					

No dividends on common stock have been paid during the past five fiscal years. Per share data is not presented for the periods ended on or prior to April 16, 2005 due to a general lack of comparability as a result of the revised capital structure of the company.

Balance Sheet Data:

Total assets	\$ 325,391	\$ 414,579	\$ 394,225	\$ 454,417	\$ 739,974	\$ 809,032
Total debt (including capital leases)	51,252	67,473	156,201	164,555	356,925	328,116
Stockholders' equity (deficit)	118,799	0	(133,606)	(99,021)	61,739	136,858

Other Data:

EBITDA (11)	\$ 25,130	\$ 3,100	\$ 39,511	\$ 31,596	\$ 53,506	\$ 66,404
Depreciation and amortization	18,798	4,712	21,985	21,697	26,173	25,368
LIFO (benefit) provision	1,457	75	813	703	(2,106)	648
Capital expenditures	20,533	4,148	21,244	6,377	56,439	48,008
Cash interest expense	7,222	1,753	10,520	27,542	32,858	33,944

Notes

- (1) As a result of cancellation of debt in the Chapter 11 proceedings (see Note 2), the Company previously entirely eliminated all net operating loss carryforwards and reduced the tax basis of its long-lived assets effective January 29, 2006. During the year ended February 2, 2008, the Company corrected the amount of debt forgiveness in the Chapter 11 proceedings that reduced tax attributes which results in an increase aggregating \$66 million in the tax basis of its long-lived assets and net operating loss carryforwards.

The correction resulted in an increase in deferred tax assets attributable to the net operating loss carryforwards and the recording of a related valuation allowance and a reduction in the deferred tax liability attributable to the increase in the tax basis of long-lived assets. The net effect of the above was a \$3.5 million reduction in the net deferred tax liability and a corresponding reduction in the carrying value of certain long-lived assets upon adoption of fresh-start reporting on April 16, 2005. See Note 4 on the consolidated financial statements related to restatement.
- (2) During the fourth quarter of fiscal year 2003 we adopted Emerging Issues Task Force Issue No. 02-16 “Accounting by a Reseller for Cash Consideration Received from a Vendor”, or “EITF 02-16”. EITF 02-16 requires that vendor allowances, including slotting allowances, be categorized as a reduction of cost of sales unless they are a reimbursement of costs incurred to sell the vendor’s products, in which case, the cash consideration should be characterized as a reduction of that cost. EITF 02-16 also requires that rebates or refunds payable, only if the customer completes a specified cumulative level of purchases from the vendor, be recognized as a reduction of cost of sales based on a systematic and rational allocation over the purchase period. Adoption of this standard did not materially affect our net loss for fiscal year 2003.
- (3) During the fourth quarter of fiscal year 2003, we recorded a \$3.6 million reduction of selling and administrative expenses associated with an adjustment to reserves for group health and general liability insurance. The reserve balance for our sponsored group health insurance was reduced due to improved claims processing that decreased the claims incurred but not reported. Additionally, through fiscal year 2002, we have estimated the general liability insurance reserve for future claims based on our actual claim history, supplemented by industry benchmarks for comparable companies. During the period when we had insufficient actual claim history to provide the appropriate assurance in the result, we maintained the liability balance at the upper end of a reasonable range. Based on actual claim history, we recorded a reduction in the general liability insurance reserve.
- (4) We adopted Statement of Financial Accounting Standard No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets”, or “SFAS 144” during fiscal year 2003, which required us to perform a review of the recorded value of our long-lived assets whenever changes in circumstances indicate the carrying value of the asset may not be recoverable. During the fourth quarter of fiscal year 2003, we recorded a non-cash charge of \$17.9 million related to the write-down of 16 of our operating retail stores and three closed stores to estimated fair market value. In fiscal year 2004, we recorded a non-cash charge of \$1.0 million for 4 retail stores. The impairment charges under SFAS 144 resulted from lower estimated future cash flows that were due to a combination of factors, including the difficult economic environment and a more challenging competitive environment during fiscal year 2003 and fiscal year 2004. These factors reduced the profitability of our stores and caused us to conclude that the profitability of certain of our stores would not increase to a level that would enable the carrying value to be recovered.
- (5) We adopted Statement of Financial Accounting Standard No. 142 “Goodwill and Other Intangible Assets” or SFAS 142 in fiscal year 2003 and performed a transitional goodwill assessment, which resulted in no impairment. SFAS 142 provides that intangible assets with finite useful lives be amortized, and that goodwill and intangible assets with indefinite useful lives not to be amortized but tested at least annually for impairment. As of the adoption of SFAS 142, we no longer record amortization of goodwill in our Consolidated Statement of Operations. During the fourth quarter of fiscal years 2003 and 2004, we completed an annual impairment review, which was further necessitated by the change in the economic and competitive environment, and we recorded a \$28.4 million and a \$22.8 million, non-cash charge for the impairment of goodwill in these periods, respectively.
- (6) As a result of our Chapter 11 filing on May 30, 2003, no principal or interest payments were made on or after such date on our formerly outstanding senior and senior subordinated notes. Accordingly, no interest expense for these obligations has been accrued on or after such date. Had such interest been accrued, interest expense would have increased by \$7.4 million, \$11.0 million and \$2.3 million for fiscal years 2004, 2005 and the 11-week period ended April 16, 2005, respectively.
- (7) The gain on extinguishment of debt for the 11-week period ended April 16, 2005, consists of our extinguishment of the allowed claims of our unsecured creditors including trade claims, Cash Balance Pension Plan assumed by Pension Benefit Guaranty Corporation and the former senior notes in exchange primarily for shares of our common stock.

- (8) During the 41-week period ended January 28, 2006 reorganization expense consisted of \$1.0 million for professional fees and during the 11-week period ended April 16, 2005 reorganization expense primarily consisted of \$10.4 million of professional fees and \$60.0 million of losses included in other comprehensive loss related to the Cash Balance Pension Plan, which was recognized in income on termination of the plan, upon assumption by the PBGC. For fiscal year ended January 29, 2005 the reorganization expenses consisted of \$17.9 million for professional fees related to the bankruptcy filing, \$0.2 million loss on asset disposals and \$0.9 million related to severances paid in connection with the reorganization. For fiscal year 2004 the reorganization expenses were primarily for professional fees related to our plan of reorganization.
- (9) The tax benefit from continuing operations for the 11-week period ended April 16, 2005 is not recorded at statutory rates principally due to the gain on the extinguishment of debt not being included in taxable income and a \$24.0 million tax benefit related to losses from the Cash Balance Pension Plan, which benefit had previously been credited to other comprehensive loss. The tax provision for fiscal years 2004 and 2005 was not recorded at statutory rates due to the recording of a valuation allowance for all of the income tax benefits generated. A valuation allowance is required when it is more likely than not that the recorded value of a deferred tax asset will not be realized. The tax provision (benefit) for fiscal years 2002 and 2003 is not recorded at statutory rates due to differences between income calculations for financial reporting and tax reporting purposes that result primarily from nondeductible amortization of goodwill.
- (10) The (income) loss from discontinued operations reflects operating results and (gains) losses on disposals of Big Bear Stores and other stores, which were closed or sold during the fiscal years of 2004 and 2005 and the 11-week period ended April 16, 2005. The losses (gains) for these periods are \$33.6 million, (\$1.9) million and (\$0.3) million, respectively.
- (11) “EBITDA” is earnings from continuing operations before interest, taxes, depreciation, amortization, amortization of goodwill, asset impairment charge, goodwill impairment charge, and LIFO provision. EBITDA should not be interpreted as a measure of operating results, cash flow provided by operating activities or liquidity, or as an alternative to any generally accepted accounting principle measure of performance. We report EBITDA as it is an important measure utilized by management to monitor the operating performance of our business. We also believe that EBITDA assists investors and other interested parties in evaluating our capacity to service its debt. Our reported EBITDA may not be comparable to similarly titled measures used by other companies. Below is a table that sets forth the reconciliation of operating income (loss) to EBITDA.

(In thousands of dollars)	(Audited) Successor Company Restated	(Unaudited) Predecessor Company				
	41 Weeks Ended	11 Weeks Ended	52 Weeks Ended	52 Weeks Ended	52 Weeks Ended	52 Weeks Ended
	January 28, 2006	April 16, 2005	January 29, 2005	January 31, 2004	February 1, 2003	February 2, 2002
Operating Income (Loss)	\$ 4,875	\$ (1,687)	\$ 16,713	\$ (14,638)	\$ (16,816)	\$ (69,421)
Depreciation and amortization	18,798	4,712	21,985	21,697	26,173	25,368
Amortization of goodwill	-	-	-	-	-	109,809
Asset impairment charge	-	-	-	1,002	17,858	-
Goodwill impairment charge	-	-	-	22,832	28,397	-
LIFO provision (benefit)	<u>1,457</u>	<u>75</u>	<u>813</u>	<u>703</u>	<u>(2,106)</u>	<u>648</u>
EBITDA	<u>\$ 25,130</u>	<u>\$ 3,100</u>	<u>\$ 39,511</u>	<u>\$ 31,596</u>	<u>\$ 53,506</u>	<u>\$ 66,404</u>

- (12) Restated from amounts previously reported to reflect discontinued operations and a reduction of cost of sales to reflect a correction for the recording of certain promotional allowances.

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

Overview

As discussed in Note 2 to the accompanying Consolidated Financial Statements, we emerged from our Chapter 11 proceedings on April 13, 2005. For financial reporting purposes, we accounted for the consummation of our plan of reorganization as of the close of business on April 16, 2005. In accordance with the American Institute of Certified Public Accountant's Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" we have applied fresh-start reporting as of the close of business on April 16, 2005, which has resulted in significant changes to the valuation of certain of our assets and liabilities, and to its stockholders' equity. In connection with the adoption of fresh-start reporting, a new entity has been deemed to be created for financial reporting purposes. The periods ended on or prior to April 16, 2005 have been designated "Predecessor Company" and the periods subsequent to April 16, 2005 have been designated "Successor Company". For purposes of the discussion of the unaudited Results of Operations the 11-week period ended April 16, 2005 and the audited and restated 41-week period ended January 28, 2006 have been deemed noncomparable to prior years and no comparison was done for these periods and prior years.

Results of Operations

The following table sets forth certain Consolidated Statement of Operations components expressed as percentages of revenues for the 41-week period ended January 28, 2006 and the 11-week period ended April 16, 2005.

	Audited and Restated Successor Company 41-Weeks Ended January 28, 2006	Unaudited Predecessor Company 11-Weeks Ended April 16, 2005
Revenues	100.0%	100.0%
Gross profit (1)	25.7	26.3
Selling and administrative expenses	25.2	26.9
Operating income	0.5	(0.6)
Interest expense	0.8	0.7
Extinguishment of debt	0.0	(68.9)
Reorganization item	0.1	26.8
Income tax provision (benefit)	0.0	(9.0)
Discontinued operations	0.0	1.2
Net (loss) income	(0.5)	48.7

(1) Revenues less cost of sales.

Fiscal 2006 (the audited 41-week period ended January 28, 2006 and the unaudited 11-week period ended April 15, 2005)

Revenues

Revenues for the 41-week period ended January 28, 2006 and the 11-week period ended April 16, 2005 were \$1.0 billion and \$265.3 million, respectively.

Same store sales for the 41-week period ended January 28, 2006 was a decrease of 1.59% compared to the 41-week period ended January 29, 2005 and the same store sales for the 11-week period ended April 16, 2005 was a decrease of 0.53% compared to the 11-week period ended April 17, 2004.

Wholesale food distribution revenues were \$171.9 million for the 41-week period ended January 28, 2006 and \$28.7 million for the 11-week period ended April 16, 2005.

Gross Profit

Gross profit was \$260.9 million, or 25.7% of revenues for the 41-week period ended January 28, 2006 and \$69.7 million or 26.3% of revenues for the 11-week period ended April 16, 2005.

Selling and Administrative Expenses

Selling and administrative expenses for the 41-week period ended January 28, 2006 were \$256.0 million, or 25.2% of revenues and the selling and administrative expenses for the 11-week period ended April 16, 2005 were \$71.4 million, or 26.9% of revenues.

Depreciation and Amortization

Depreciation and amortization expense was \$18.8 million, or 1.9% of revenues for the 41-week period ended January 28, 2006 and \$4.7 million, or 1.8% of revenues for the 11-week period ended April 16, 2005. Depreciation and amortization expense increased in Fiscal 2006 primarily due to the shortening of asset life for our property, equipment and machinery, an increase in carrying value of favorable leases, the addition of two new intangible assets (Pharmacy Scripts and Software) with the implementation of fresh-start reporting. The increase in depreciation and amortization expense was partially offset by the recording of unfavorable leases associated with the implementation of fresh-start reporting.

Operating Income (Loss)

Operating income for the 41-week period ended January 28, 2006 was \$4.9 million, or 0.5% of revenues, and for the 11-week period ended April 16, 2005 operating loss was \$1.7 million, or 0.6% of revenues.

Interest Expense

Interest expense for the 41-week period ended January 28, 2006 was \$8.3 million, or 0.8% of revenues, and for the 11-week period ended April 16, 2005 interest expense was \$1.8 million, or 0.7% of revenues. At fresh-start we eliminated the interest rate swap. We obtained a more favorable interest rate under our credit facility and cancellation of our debtor-in-possession facility.

Reorganization Item

During the 41-week period ended January 28, 2006 we recorded reorganization item expense of \$1.0 million, or 0.1% of revenues, and for the 11-week period ended April 16, 2005 we recorded reorganization item expense of \$71.1 million, or 26.8% of revenues. These expenses were primarily due to PBGC assumption of our Cash Balance Plan and consulting fees paid to various bankruptcy professionals.

Income Tax Provision

Income tax provision for the 41-week period ended January 28, 2006 was \$0.3 million, or less than 0.1% of revenues, and the income tax benefit for the 11-week period ended April 16, 2005 was \$23.9 million, or 9.0% of revenues.

During Fiscal 2006 we provided for only minimal state taxes and capital/franchise tax and reset our deferred tax liability due to our emergence from bankruptcy.

Discontinued Operations

Loss from discontinued operations for the 11-week period ended April 16, 2005 was \$3.1 million. This loss was primarily attributable to our closure of unprofitable stores during this period.

Net (Loss) Income

Net loss for the 41-week period ended January 28, 2006 was \$4.7 million, or 0.5% of revenues, and net income for the 11-week period ended April 16, 2005 was \$129.1 million, or 48.7% of revenues. The change in the net income (loss) was primarily attributable to recognition of a gain from the extinguishment of debt of \$182.8 million in the 11-week period ended April 16, 2005.

Results of Operations (continued)

The following table sets forth certain Consolidated Statement of Operations components expressed as percentages of revenues for the fiscal year ended January 29, 2005, or “Fiscal 2005”, and the fiscal year ended January 31, 2004, or “Fiscal 2004”:

	Unaudited Predecessor Company	
	Fiscal 2005	Fiscal 2004
	<hr/>	<hr/>
Revenues	100.0%	100.0%
Gross profit (1)	25.6	25.6
Selling and administrative expenses	24.3	24.9
Asset impairment charge	0.0	0.1
Goodwill impairment charge	0.0	1.7
Operating income (loss)	1.3	(1.1)
Interest expense	1.0	2.4
Reorganization item	1.5	2.4
Income tax provision	0.0	0.1
Discontinued operations, net of tax	0.7	6.4
Net loss	(1.9)	(12.4)

(1) Revenues less cost of sales.

Fiscal 2005 Compared to Fiscal 2004 (based on unaudited results)

Revenues

Revenues for Fiscal 2005 were \$1.29 billion, a 1.7% decrease from \$1.31 billion in Fiscal 2004. The decrease in revenues for Fiscal 2005 is primarily attributable to a decrease in same store sales.

Same store sales for Fiscal 2005 decreased 1.64% from Fiscal 2004.

Wholesale food distribution revenues were \$213.2 million for Fiscal 2005, a decrease of 2.3% from \$218.3 million for Fiscal 2004. The decrease in wholesale food distribution revenues in Fiscal 2005 was primarily attributable to a reduction in the number of customers of our wholesale food distribution business.

Gross Profit

Gross profit was \$329.5 million, or 25.6% of revenues, for Fiscal 2005, compared to \$334.6 million, or 25.6% of revenues, for Fiscal 2004. The decrease in gross profit is primarily due to a decrease in revenues.

Selling and Administrative Expenses

Selling and administrative expenses for Fiscal 2005 were \$312.8 million, or 24.3% of revenues, compared to \$325.4 million, or 24.9% of revenues, for Fiscal 2004. The decrease in selling and administrative expenses were primarily due to a reduction in the administrative labor force stemming from the sale and closure of 99 stores in Fiscal 2004 and 7 stores in Fiscal 2005.

Depreciation and Amortization

Depreciation and amortization expense was \$22.0 million, or 1.7% of revenues, in Fiscal 2005 compared to \$21.7 million, or 1.7% of revenues, in Fiscal 2004.

Operating Income (Loss)

Operating income for Fiscal 2005 was \$16.7 million, or 1.3% of revenues, compared to an operating loss for Fiscal 2004 of \$14.6 million, or 1.1% of revenues for Fiscal 2004. The change from an operating loss for Fiscal 2004 to operating income for Fiscal 2005 was primarily due to a reduction in selling and administrative expenses and asset impairment and goodwill impairment charges recorded in Fiscal 2004.

Interest Expense

Interest expense for Fiscal 2005 decreased to \$12.4 million, or 1.0% of revenues, from \$32.0 million, or 2.4% of revenues, in Fiscal 2004. Interest expense for Fiscal 2005 decreased primarily due to the elimination of principal and interest payments on our senior notes, the cancellation of our hedging activities and reduced average balances outstanding on our debtor-in-possession facility in accordance with our cost reduction initiatives.

Reorganization Items

During Fiscal 2005 we recorded reorganization expenses of \$19.0 million compared to \$30.8 million recorded in Fiscal 2004. These expenses were attributable to various lawyers and consultants retained to proceed with the bankruptcy filing and to manage our operations during this process.

Discontinued Operations

Losses from discontinued operations were \$9.0 million for Fiscal 2005, compared to \$84.2 million in Fiscal 2004. The decrease is primarily attributable to the results of operations of the 99 stores sold or closed in Fiscal 2004 compared with the 7 stores closed or sold in Fiscal 2005 and a \$33.6 million loss on sales or closure of unprofitable stores during Fiscal 2004 compared to \$1.9 million gain on disposals of unprofitable stores during Fiscal 2005.

Income Tax Provision

Income tax provision was \$0.3 million, or 0.0% of revenues, for Fiscal 2005 compared to an income tax provision of \$0.8 million, or 0.1% of revenues for continuing operations, for Fiscal 2004.

The effective tax rate for Fiscal 2005 is not recorded at expected statutory rates primarily due to the recording of a valuation allowance of \$7.7 million principally related to tax benefit attributable to net operating loss generated during Fiscal 2005. A valuation allowance is required when it is more likely than not that the recorded value of a deferred tax asset will not be realized. The effective tax rate for Fiscal 2004 varies from the expected statutory rates due to the recording of a valuation allowance of \$20.6 million.

Net Loss

Net loss for Fiscal 2005 was \$24.0 million, or 1.9% of revenues, compared to a net loss of \$162.4 million, or 12.4% of revenues, for Fiscal 2004. The net loss decreased during Fiscal 2005 primarily due to the reduction of reorganization expenses, interest expense and impairment charges and reduced losses from discontinued operations.

Liquidity and Capital Resources

On April 16, 2005, upon emergence from Chapter 11 proceedings, we entered into a revolving credit and term loan facility with a group of financial institutions providing for a \$130.0 million revolving credit facility and a \$6.0 million term loan. Also on April 16, 2005, we entered into a supplemental real estate credit facility with another group of lenders, providing for term loan borrowings of up to \$28.0 million. Availability under both credit facilities is dependent on levels of accounts receivable, inventory and certain other assets. Interest rates on borrowings under the revolving credit facility vary depending upon the amount of availability. At January 28, 2006, outstanding borrowings under both facilities aggregated \$33.0 million and outstanding letters of credit under the revolving credit facility amounted to approximately \$53.0 million. At such date, availability in excess of outstanding borrowings and letters of credit was approximately \$54.0 million. Borrowings under the revolving credit and term loan facility are secured by substantially all of our assets, subject to first liens on certain properties by other lenders. Borrowings under the real estate facility are secured by a first lien on substantially all of our leasehold interests and a second lien on substantially all of our remaining assets. During fiscal year 2006, we had stand-by letters of credit of approximately \$53.5 million. Many of these stand-by letters of credit were required upon emergence from bankruptcy and as a result of our inability to file financial statements.

Provisions of both credit facilities, among other things, require the maintenance of certain financial covenants (when availability under the credit facilities is less than \$35.0 million for four consecutive days or less than \$30.0 million for any one day), and limit the amount of capital expenditures, our assumption of additional debt and our payment of dividends. At no time through January 28, 2006 have we been subject to compliance with these financial covenants. However, had such an event occurred, we would not have been in compliance with the financial covenants and would have been in default under the terms of the loan agreement at January 28, 2006. Pursuant to our plan of reorganization, we entered into a collateral trust agreement with the collateral trustee in connection with the secured trade lien program. The secured trade lien program is with certain of our vendors and allows us to maintain trade terms. This program has been extended until April 13, 2008.

On December 26, 2006 and on August 1, 2007, both the revolving credit and term loan facility and the supplemental real estate credit facility were amended to permit the disposal of assets in connection with the closing of certain stores.

We also have borrowings under mortgages secured by the related properties.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Contractual Obligations and Commitments

The table below presents our significant contractual obligations at January 28, 2006 (in thousands of dollars):

Commitment expires during the Fiscal Year Ending	Long-term Debt (1)	Capital Lease Obligations (2)(3)	Operating Leases (3)	Other Long-term Liabilities (4)	Total Contractual Cash Obligations
February 3, 2007	\$ 278	\$ 2,855	\$ 22,766	\$ 7,440	\$ 33,339
February 2, 2008	33,314	2,855	20,873	4,053	61,095
January 31, 2009	280	2,855	19,759	2,443	25,337
January 29, 2010	298	2,781	15,778	1,868	20,725
January 28, 2011	324	1,944	13,761	1,451	17,480
Thereafter	3,019	12,766	70,935	4,294	91,014

-
- (1) Balance for fiscal year ending February 2, 2008 includes repayment of \$33.0 million under the Revolving Credit Facility at January 28, 2006.
 - (2) Includes amounts classified as imputed interest.
 - (3) See Note 5 to the Consolidated Financial Statements.
 - (4) Other liabilities include workers compensation, general liability, asset retirement obligations, store closing costs and the PBGC settlement.

We have also made certain contractual commitments that extend beyond January 28, 2006 as shown below (in thousands of dollars):

	Stand-by Letters of Credit (1)	Surety Bonds (2)
Total amounts committed	\$ 53,483	\$ 7,495

-
- (1) Letters of credit are primarily associated with supporting workers' compensation obligations and are renewable annually.
 - (2) We are required to maintain surety bonds for varying periods of up to three years from the date of issuance.

Impact of New Accounting Pronouncements

During December 2004, the Financial Accounting Standards Board issued FASB Statement No. 123 (revised 2004), "Share-Based Payment," or "SFAS 123R", which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation". SFAS 123R supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. SFAS 123R is required to be adopted in the first annual reporting period beginning after June 15, 2005. Accordingly, we adopted SFAS 123R effective January 29, 2006.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109", or "FIN 48", effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in tax positions. FIN 48 requires financial statement recognition of the impact of a tax position when it is more likely than not, based on its technical merits, that the position will be sustained upon examination. We are currently evaluating the effect of adopting FIN 48.

In June 2006, the FASB ratified Emerging Issues Task Force Issue No. 06-3, "How Sales Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (that is, Gross Versus Net Presentation)", or "EITF 06-3", effective for periods beginning after December 15, 2006. EITF 06-3 allows taxes assessed by various governmental authorities that are directly imposed on revenue-producing transactions between a seller and a customer, such as sales and some excise taxes, to be presented on either a gross or net basis. If such taxes are significant, the accounting policy should be disclosed as well as the amount of taxes included in revenue if presented on a gross basis. We record sales net of applicable sales taxes. Therefore, the adoption of EITF 06-3 will have no effect on the presentation of our financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurement", or "SFAS 157", effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value according to generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. We are currently evaluating the effect of adopting SFAS 157.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132R", or "SFAS 158", effective for fiscal years ending after December 15, 2006 with early application encouraged. SFAS 158 requires financial statement recognition of the overfunded or underfunded status of a defined benefit postretirement plan or other postretirement plan as an asset or liability and recognition of changes in the funded status in comprehensive earnings in the year in which the changes occur. We elected early application and adopted SFAS 158 effective as of January 28, 2006. The adoption of the recognition provision of SFAS 158 increased stockholders equity by \$4.9 million reduced the defined benefit pension plan liability by \$8.3 million and reduced the deferred tax liability by \$3.4 million at January 28, 2006 (see Note 11 to the Consolidated Financial Statements).

Critical Accounting Policies

Critical accounting policies are those accounting policies that are very important to the portrayal of our financial condition which require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our significant accounting policies are summarized in Note 3 to the consolidated financial statements.

We believe the following accounting policies to be critical and could result in materially different amounts being reported under different conditions or using different assumptions:

Reserve for Store Closures

Reserves for closed stores are recorded in accordance with Statement of Financial Accounting Standard No. 146, "Accounting for Costs Associated with Exit and Disposal Activities," or "SFAS 146". We record a liability for the estimated future cash flows (including future lease commitments, net of estimated cost recoveries) and miscellaneous closing costs. Future cash flows are estimated based on our knowledge of the market in which the closed stores are located. The estimates of future cash flows are then discounted to the present based on our interest rate of our real estate facility term loan. These estimates of discounted future cash flows could be affected by changes in real estate markets, other economic conditions and the interest rate used in such calculations.

Impairment of Long-lived Assets

Annually or whenever changes in circumstance indicate that the carrying value of an asset may not be recoverable, we review our long-lived assets for impairment at the individual store level based on estimated future undiscounted cash flows attributable to such assets. This review is in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", or "SFAS 144".

In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, such assets are written down to their fair value. In estimating future cash flows, management considers historical performance and assesses the effect of projected changes in competition, maturation of new stores and store remodels, merchandising and marketing strategies and general market conditions. Fair values were determined either by management, based on management's knowledge of local real estate markets and the value of equipment utilized in the supermarket industry, or by an independent third party valuation firm. No assurance can be given that the actual future cash flows will be sufficient to recover the carrying value of long-lived assets. Any reductions in the carrying value resulting from the application of this policy are reflected in the Consolidated Statement of Operations as "Asset impairment charge".

Inventories

Our inventories are stated at the lower of cost or market. We follow the link-chain, dollar-value LIFO method when calculating our LIFO charge or credit. Vendor allowances, including early payment discounts, volume rebates, and funds for product placement and advertising, are generally recorded as a reduction of inventory cost based on average inventory turnover rates by product category.

We take physical counts of inventories throughout the year and record inventory shortages based on our physical counts. Where physical counts are not available we record an allowance for inventory shortages based on historical shrinkage percentages.

Intangible Assets

We have recorded intangible assets for favorable leases, pharmacy prescription files and computer software. We amortize our favorable leases over the remaining life of the lease including all favorable options. We amortize the pharmacy prescription files over five years and we amortize the computer software over five years. We consider these assets annually during our impairment testing.

Allowance for Doubtful Accounts

We evaluate the collectability of our accounts and notes receivable based on our analysis of past due accounts and historical loss trends. We record an allowance for doubtful accounts against the receivable based on the amount that we believe is reasonably collectable. It is possible that our estimation process could differ materially from the actual amounts collected.

Income Taxes

Income taxes are provided based on the liability method of accounting. Deferred income taxes are recorded to reflect the tax consequences in future years of net operating loss carryovers and temporary differences between the tax basis of assets and liabilities and their corresponding financial reporting amounts at year-end.

Self-Insurance Liability

We are primarily self-insured for workers' compensation and general liability. Self-insurance liabilities are primarily calculated based on claims filed and an estimate of claims incurred but not yet reported. Workers' compensation and general liability reserves are determined based on historical loss history, industry development factors and trends related to actual payments. We have limited our total exposure related to self-insured liability claims incurred by maintaining stop-loss coverage with third party insurers, as defined in the applicable insurance policies, for claims incurred in excess of established stop-loss levels and policy deductibles. Projection of losses concerning these liabilities is subject to a high degree of variability due to factors such as claim settlement patterns, litigation trends, legal interpretations and future levels of health care. Should a greater amount of claims occur compared to what was estimated or costs of health care increase beyond what was anticipated, reserves recorded may not be adequate and additional expense could be required in the consolidated financial statements.

Pension Accounting

We currently are sole sponsors of four tax-qualified defined benefit pension plans (the "Pension Plans"). In accordance with the provisions of SOP 90-1, upon emergence from bankruptcy, the Company recorded the underfunded status of each of the defined benefit plans as a liability on the balance sheet. As of January 28, 2006, the Company adopted the provisions of Financial Accounting Standard No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" and in accordance therewith reflected the underfunded status of the plans in its balance sheet at such date. Prospectively, the Company will adjust the liability to reflect the current funded status of the plan. Any gains or losses that arise during the period but are not recognized as components of net periodic benefit cost will be recognized as a component of other comprehensive income. The adoption of SFAS 158 resulted in the recognition of \$8.3 million of unrecognized actuarial gains which arose during the period ended January 28, 2006 and a corresponding reduction in the defined benefit pension plan liability at January 28, 2006. Such unrecognized gains, net of deferred taxes of \$3.4 million were credited to accumulated other comprehensive income in the amount of \$4.9 million. The adoption of SFAS 158 had no effect on the Company's consolidated statement of operations for the period ended January 28, 2006. See Note 11 to the Consolidated Financial Statements for further discussion on pensions.

Pension expense is calculated based upon a number of actuarial assumptions, including an expected long-term rate of return on the Pension Plans assets, a discount rate, and an assumed rate of compensation increase. After consultation with our actuaries, we determined these actuarial assumptions on our fiscal year end of each year to calculate liability information as of that date and pension expense for the following year. The discount rate assumption is determined based on the internal rate of return for Citigroup Pension Liability Index with maturities that are consistent with projected future plan cash flows. The assumed discount rate used to determine pension expense for the period ended January 28, 2006 was 5.48%. The assumed discount rate at January 28, 2006 of 5.68% will be used to determine pension expense for Fiscal 2007.

The assets of the plans consist of approximately 54% equity securities, 44% fixed income securities and 2% cash at January 28, 2006. The expected long-term rates of return on plan assets is based on historical and projected average rates of return for current and planned asset classes in the plan investment portfolio. At January 28, 2006 the expected long-term rate of return on plan assets to be used in the determination of pension expense for Fiscal 2007 was 7.5%. Based on an estimate of 50% bonds and 50% stock, the rate of return at January 28, 2006 was 10% and 5%, respectively.

Significant differences between our actual experience or significant changes in our assumptions, may materially affect the pension obligations and future expense. Additionally, changes in the fair value of plan assets at year end may materially affect our future pension expense. The fair value of plan assets can vary significantly from year to year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
The Penn Traffic Company
Syracuse, New York

We have audited the accompanying consolidated balance sheets of The Penn Traffic Company (the "Company") as of January 28, 2006 and April 16, 2005 (effective date of plan of reorganization for accounting purposes), and the related consolidated statements of operations, cash flows and stockholders' equity for the period from April 17, 2005 to January 28, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Penn Traffic Company as of January 28, 2006 and April 16, 2005, and the consolidated results of its operations and its cash flows for the period from April 17, 2005 to January 28, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, on May 30, 2003, the Company filed for voluntary bankruptcy protection and reorganization under Chapter 11 of the United States Bankruptcy Code. On April 13, 2005, the Company's amended plan of reorganization became effective and the Company emerged from bankruptcy and, effective April 16, 2005, adopted fresh-start reporting which results in a new reporting entity and a new basis of accounting.

As discussed in Note 4 to the consolidated financial statements, the 2006 and 2005 financial statements have been restated to correct a misstatement.

The selected quarterly financial data required by item 302(a) of Regulation S-K, which had previously been omitted, is included in Note 16 to the consolidated financial statements.

/s/ Eisner LLP

New York, New York
June 29, 2007, except as to the effects of the restatement discussed in Note 4, as to which the date is
April 11, 2008

The Penn Traffic Company
Consolidated Balance Sheets
As of January 28, 2006 and April 16, 2005
(In thousands, except share and per share data)

	January 28, 2006	April 16, 2005
	(Restated - Note 4)	(Restated - Note 4) (Note 3)
ASSETS		
Current Assets:		
Cash	\$ 12,432	\$ 29,304
Accounts and notes receivable (less allowance for doubtful accounts of \$3,174 and \$3,243, respectively)	36,970	40,416
Inventories (Note 3)	113,467	116,518
Prepaid expenses and other current assets	<u>6,157</u>	<u>11,433</u>
	<u>169,026</u>	<u>197,671</u>
Capital Leases:		
Capital leases	12,023	12,023
Less: Accumulated amortization	<u>(1,026)</u>	<u>-</u>
	<u>10,997</u>	<u>12,023</u>
Fixed Assets:		
Land	11,588	11,584
Buildings	13,621	13,238
Equipment and furniture	83,378	68,937
Vehicles	6,749	5,419
Leasehold improvements	<u>5,062</u>	<u>721</u>
	120,398	99,899
Less: Accumulated depreciation	<u>(15,999)</u>	<u>-</u>
	<u>104,399</u>	<u>99,899</u>
Other Assets:		
Intangible assets (Note 6)	33,025	39,612
Deferred tax asset	2,609	3,524
Other assets	<u>5,335</u>	<u>6,845</u>
	<u>40,969</u>	<u>49,981</u>
Total Assets	<u>\$ 325,391</u>	<u>\$ 359,574</u>

The accompanying notes are an integral part of these statements.

The Penn Traffic Company
Consolidated Balance Sheets
As of January 28, 2006 and April 16, 2005
(In thousands, except share and per share data)

	January 28, 2006	April 16, 2005
	(Restated - Note 4)	(Restated - Note 4) (Note 3)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of obligations under capital leases (Note 5)	\$ 1,310	\$ 1,200
Current maturities of long-term debt (Note 7)	278	254
Accounts payable	36,695	35,075
Other current liabilities (Note 8)	46,294	58,576
Accrued interest expense	557	554
Deferred income taxes (Note 10)	13,302	14,016
Liabilities subject to compromise (Note 9)	<u>2,871</u>	<u>8,497</u>
	<u>101,307</u>	<u>118,172</u>
Non-current Liabilities:		
Obligations under capital leases (Note 5)	12,429	13,425
Long-term debt (Note 7)	37,235	37,967
Defined benefit pension plan liability (Note 11)	27,600	39,959
Other non-current liabilities (Note 8)	<u>28,021</u>	<u>31,473</u>
	<u>105,285</u>	<u>122,824</u>
Total Liabilities	<u>206,592</u>	<u>240,996</u>
Commitments and Contingencies (Notes 5, 7 and 12)		
Stockholders' Equity:		
Preferred stock - authorized 1,000,000 shares, \$.01 par value; none issued	-	-
Common stock - authorized 15,000,000 shares, \$.01 par value; issued and to be issued 8,498,752 shares at both dates	85	85
Capital in excess of par value	118,493	118,493
Deficit	(4,698)	-
Accumulated other comprehensive income	<u>4,919</u>	<u>-</u>
Total stockholders' equity	<u>118,799</u>	<u>118,578</u>
Total Liabilities and Stockholders' Equity	<u>\$ 325,391</u>	<u>\$ 359,574</u>

The accompanying notes are an integral part of these statements.

The Penn Traffic Company
Consolidated Statement of Operations
For the Period from April 17, 2005 to January 28, 2006
(In thousands, except share and per share data)

	<u>Restated</u> (Note 4)
Revenues	\$ 1,015,893
Cost and Operating Expenses:	
Cost of sales	754,995
Selling and administrative expenses	<u>256,023</u>
Operating Income	4,875
Interest expense	8,289
Reorganization expenses	<u>1,023</u>
Loss Before Income Taxes	(4,437)
Income tax expense (Notes 3 and 10)	<u>261</u>
Net Loss	<u>\$ (4,698)</u>
Shares outstanding and to be issued	8,498,752
Net Loss Per Share (Basic and Diluted) (Note 3)	<u>\$ (0.55)</u>

The Penn Traffic Company
Consolidated Statement of Cash Flows
For the Period from April 17, 2005 to January 28, 2006
(In thousands)

	<u>Restated</u> (Note 4)
Operating Activities:	
Net (loss)	\$ (4,698)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	18,798
Amortization of deferred financing cost	1,066
(Gain) on sale of fixed assets	(605)
Net change in operating assets and liabilities:	
Accounts and notes receivable, net	3,446
Prepaid expenses and other current assets	5,276
Inventories	3,051
Liabilities subject to compromise	(5,626)
Accounts payable and other current liabilities	(10,659)
Other assets	444
Defined benefit pension plan	(4,044)
Other non-current liabilities	<u>(1,799)</u>
Net Cash Provided by Operating Activities	<u>4,650</u>
Investing Activities:	
Capital expenditures	(20,533)
Proceeds from sale of fixed assets	<u>605</u>
Net Cash Used in Investing Activities	<u>(19,928)</u>
Financing Activities:	
Payments of mortgages	(208)
Net repayments under revolving credit facility	(500)
Reduction in capital lease obligations	<u>(886)</u>
Net Cash Used In Financing Activities	<u>(1,594)</u>
Net decrease in cash	(16,872)
Cash at the beginning of period	<u>29,304</u>
Cash at end of period	<u>\$ 12,432</u>

The Penn Traffic Company
Consolidated Statement of Stockholders' Equity
For the Period from April 17, 2005 to January 28, 2006
(In thousands)

	<u>Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Deficit</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Stockholders' Equity</u>
Common stock to be issued in connection with plan of reorganization	\$ 85	\$118,493	\$ -	\$ -	\$ 118,578
Net loss for the 41-week period ended January 28, 2006	-	-	(4,698)	-	(4,698)
Unrecognized actuarial gain of pension plans, net of deferred taxes of \$3,396	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,919</u>	<u>4,919</u>
Balance at January 28, 2006	<u>\$ 85</u>	<u>\$118,493</u>	<u>\$(4,698)</u>	<u>\$ 4,919</u>	<u>\$ 118,799</u>
Restated (Note 4)					

Note 1 – Description of Business

The Penn Traffic Company and its subsidiaries (the “Company”) are engaged in the retail food business and the wholesale food distribution business. As of January 28, 2006, the Company operated 110 supermarkets under the “P&C”, “Quality” and “Bi-Lo” banners in upstate New York, Pennsylvania, Vermont and New Hampshire, and supplied 79 independent supermarkets and 41 other independent wholesale accounts. The Company services these owned and independent supermarkets and independent wholesale accounts through five distribution centers and a bakery.

Note 2 – Voluntary Bankruptcy Filing and Reorganization

On May 30, 2003, The Penn Traffic Company and all of its subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The filing was made in response to pending defaults under the Company’s then-existing loan agreements and a lack of liquidity to continue operations. Under Chapter 11, the Company continued to operate its businesses as debtor-in-possession under court protection from its creditors and claimants, while using the Chapter 11 process to substantially reduce its debt obligations and implement a plan of reorganization.

On February 2, 2005, the Company filed the First Amended Joint Plan of Reorganization (the “Plan”) with the bankruptcy court. The Plan was confirmed on March 17, 2005 and became effective on April 13, 2005 (the “Effective Date”).

Pursuant to the terms of the Plan, the following transactions occurred on or around the Effective Date:

1. The Company entered into new credit agreements providing for borrowings of up to \$164 million (see Note 7). Proceeds from these new credit agreements provided funds sufficient to repay a debtor-in-possession credit facility and all administrative and priority claims to the extent provided for in the Plan.
2. The Company sold and leased back its five owned distribution facilities for a sales price of approximately \$37 million.
3. All shares of common stock and all stock options and warrants outstanding prior to the confirmation of the Plan were cancelled and the holders of such equity securities received no distributions under the Plan.
4. The reorganized Company was authorized to issue new shares of common stock to unsecured creditors, which included holders of \$100 million of senior notes, a claim by the Pension Benefit Guaranty Corporation or the “PBGC” of \$60 million (see Note 11) and trade claims, all of whom were eligible to receive pro rata distributions of new shares of common stock and the right to share in potential proceeds from certain causes of action.

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements include the accounts of The Penn Traffic Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year

The Company’s fiscal year ends on the Saturday closest to January 31. Fiscal year 2006 is the 41-week period from April 17, 2005, the commencement of Fresh-Start Reporting (see below), to January 28, 2006.

Basis of Presentation

The accompanying consolidated financial statements as of April 16, 2005 and January 28, 2006, and for the fiscal period from April 17, 2005 to January 28, 2006, have been prepared in accordance with the provisions of Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") issued by the American Institute of Certified Public Accountants. Pursuant to the provisions of SOP 90-7, upon emergence from Chapter 11 proceedings, the Company adopted fresh-start reporting which resulted in a new reporting entity and a new basis of accounting.

Although April 13, 2005 was the effective date of the Plan, the Company chose April 16, 2005 as the effective date for accounting purposes to adopt fresh-start reporting because of the proximity of that date to the end of an accounting period. Applying fresh-start reporting as of April 16, 2005 rather than the actual effective date of April 13, 2005 did not have a material effect on the financial condition or results of operations of the Company.

The reorganization value of the Company upon emergence from the Chapter 11 proceedings was approximately \$195 million. The reorganization value represents the debt and equity value of the Company as of the effective date. Such value, which was determined with the assistance of the Company's financial advisors, was based upon various valuation methods, including discounted cash flow methodologies and analysis of comparable companies. The equity value of the Company upon reorganization amounting to approximately \$118 million, was determined after taking into account approximately \$77 million of debt, consisting of long-term debt, obligations under capital leases and defined benefit pension plan liabilities, net of related deferred taxes. In accordance with fresh-start reporting, all assets and liabilities were recorded at their respective fair values. The fair values of the Company's long-lived assets were determined, in part, using information provided by third-party appraisers. The excess of the aggregate fair value of the Company's tangible and identifiable intangible assets less non-interest bearing liabilities over the total reorganization value of approximately \$28.2 million has been recorded as a pro rata reduction of non-current assets.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Revenue Recognition

Revenue from the sale of products to retail customers is recognized at the time of sale. Discounts provided to customers through company sponsored loyalty programs are recognized as a reduction in sales as products are sold. Discounts provided through vendor coupons are not recognized as a reduction in sales to the extent the Company is reimbursed by the vendor. Pharmacy sales are recorded when prescriptions are picked up by the customer. Sales taxes are not recorded as a component of sales. Revenue from gift certificates is recognized upon redemption of the gift certificates for products.

Revenue from the sale of products to wholesale customers is recognized at the time of shipment.

Cost of Sales

Cost of sales includes the cost of product and related warehousing and freight costs. Vendor allowances are recorded as a reduction of cost of sales when the related product is sold in accordance with the provisions of Emerging Issues Task Force Issue 02-16. "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor". Vendor allowances, including early payment discounts, volume rebates, and funds for product placement and advertising, are generally recorded as a reduction of inventory cost based on average inventory turnover rates by product category.

Vendor allowances recognized as a reduction of cost of sales for the period ended January 28, 2006 aggregated \$43.8 million.

Advertising

Advertising costs are expensed as incurred and included in selling and administrative expenses. Advertising expense for the period ended January 28, 2006 aggregated \$11.1 million.

Accounts and Notes Receivable

Accounts and notes receivable consist primarily of amounts due from wholesale customers, debit and credit card sales, third party insurance pharmacy sales and vendor allowances. The Company establishes an allowance for doubtful accounts based on an analysis of past due accounts and historical loss trends.

Fair Value of Financial Instruments

The carrying value of cash, accounts receivable, trade accounts payable and accrued expenses approximate their fair values due to the relatively short maturities of the instruments. For other debt, carrying value approximates fair value because their interest rates approximate market rates.

Inventories

Inventories, consisting primarily of grocery and pharmacy products, are stated at the lower of cost or market. Cost is determined using the last-in, first-out method ("LIFO") using the estimated fair value of inventory on April 16, 2005 upon adoption of fresh-start reporting to determine LIFO cost for financial reporting purposes. If cost had been determined using the first-in, first-out method ("FIFO"), inventories would have been \$1.5 million higher than reported at January 28, 2006.

The Company takes physical counts of inventories throughout the year and records inventory shortage adjustments based on the physical counts. Throughout the year the Company is accruing for inventory shortages based on historical trends and averages in the proper periods. Where physical counts are not taken at the year end, the Company establishes an allowance for inventory shortages based on historical shrinkage percentages.

Fixed Assets and Capital Leases

Major renewals and betterments are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or, for leasehold improvements, the shorter of the estimated useful lives of the assets or the lease term (which includes renewal periods that are reasonably assured).

Estimated useful lives are as follows:

Buildings	39 years
Capitalized leases	5 to 32 years
Equipment and furniture	3 to 10 years
Leasehold improvements	10 to 32 years
Vehicles	3 to 8 years

Fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized when future undiscounted cash flows expected to result from the use of the asset and its eventual disposal are less than the carrying amount.

Intangible Assets

Identifiable intangible assets consist primarily of favorable leases and pharmacy prescription files (both established upon adoption of fresh-start reporting). Favorable operating leases represent the present value of the difference by which market value rent exceeds contract rent and are amortized on a straight-line basis over the remaining lease term, including renewal options ranging from 2 to 32 years. Pharmacy prescription files are amortized on a straight-line basis over 5 years. Computer software is amortized over 5 years.

Identifiable intangibles are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized when future undiscounted cash flows expected to result from the use of the asset and its eventual disposal are less than the carrying amount.

Unfavorable Leases

Unfavorable operating leases (established upon adoption of fresh-start reporting) are reported in other non-current liabilities and represent the present value of the difference by which contract rent exceeds market value rent and are amortized on a straight-line basis over the remaining lease term, excluding renewal options, ranging from 2 to 13 years.

Income Taxes

Income taxes are provided based on the liability method of accounting. Deferred income taxes are recorded to reflect the tax consequences in future years of net operating loss carryovers and temporary differences between the tax basis of assets and liabilities and their corresponding financial reporting amounts at each year-end.

Self-Insurance Liability

The Company self-insures certain insurable risks related to workers' compensation and general product liability claims. The Company accrues estimated losses for unpaid claims, including incurred but not reported losses, with the assistance of an external actuary and by factoring in pending claims and historical loss experience. The Company also maintains self-insured health benefits plans, which provide medical and dental benefits to employees electing coverage under the plans. The Company accrues estimated losses for unpaid claims, including incurred but not reported claims, based on historical experience and other assumptions. Commercial policies are obtained to provide for coverage of certain risk exposure above the self-insured retention limits. The estimated liability associated with settling unpaid claims is included in other current liabilities if expected to be settled within one year, or otherwise is included in other non-current liabilities.

Store Pre-Opening Costs

Store pre-opening costs are expensed as incurred.

Store Closing Costs

For operating leases related to closed stores, the Company records the fair value of the liability at the cease-use date, determined based on the discounted value of the remaining lease rentals, reduced by estimated sublease rentals that could be reasonably obtained for the property. Any one-time termination benefits are recognized at the time the benefits are communicated to the employees. Other related costs are recognized in the period when the liability is incurred.

Per Share Data

Basic and diluted net loss per share is based on the number of common shares issued and estimated to be issued pursuant to the Plan. Common shares issued and estimated to be issued in settlement of claims filed in the Company's Chapter 11 proceeding are treated as outstanding as of the effective date of the Plan. At January 28, 2006, 201,055 common shares are estimated to be issued in connection with the settlement of remaining claims (see Note 9).

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123R") which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation." SFAS 123R supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. SFAS 123R is required to be adopted in the first annual reporting period beginning after June 15, 2005. Accordingly, the Company will adopt SFAS 123R effective January 29, 2006.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48") effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in tax positions. FIN 48 requires financial statement recognition of the impact of a tax position when it is more likely than not, based on its technical merits, that the position will be sustained upon examination. The Company is currently evaluating the effect of adopting FIN 48.

In June 2006, the FASB ratified Emerging Issues Task Force Issue No. 06-3, "How Sales Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (that is, Gross Versus Net Presentation)" ("EITF 06-3") effective for periods beginning after December 15, 2006. EITF 06-3 allows taxes assessed by various governmental authorities that are directly imposed on revenue-producing transactions between a seller and a customer, such as sales and some excise taxes, to be presented on either a gross or net basis. If such taxes are significant, the accounting policy should be disclosed as well as the amount of taxes included in revenue if presented on a gross basis. The Company records sales net of applicable sales taxes. Therefore, the adoption of EITF 06-3 will have no effect on the presentation of the Company's financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurement" ("SFAS 157") effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. The Company is currently evaluating the effect of adopting SFAS 157.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132R" ("SFAS 158") effective for fiscal years ending after December 15, 2006 with early application encouraged. SFAS 158 requires financial statement recognition of the overfunded or underfunded status of a defined benefit postretirement plan or other postretirement plan as an asset or liability and recognition of changes in the funded status in comprehensive earnings in the year in which the changes occur. The Company elected early application and adopted SFAS 158 effective as of January 28, 2006. The adoption of the recognition provision of SFAS 158 increased stockholders equity by \$4.9 million, reduced the defined benefit pension plan liability by \$8.3 million and reduced the deferred tax liability by \$3.4 million at January 28, 2006 (see Note 11).

Note 4 – Restatement

As a result of cancellation of debt in the Chapter 11 proceedings (see Note 2), the Company previously entirely eliminated all net operating loss carryforwards and reduced the tax basis of its long-lived assets effective January 29, 2006. The Company has corrected the amount of debt forgiveness in the Chapter 11 proceedings that reduced tax attributes which results in an increase aggregating \$66 million in the tax basis of its long-lived assets and net operating loss carryforwards.

The correction resulted in an increase in deferred tax assets attributable to the net operating loss carryforwards, the recording of a related valuation allowance and a reduction in the deferred tax liability attributable to the increase in the tax basis of long-lived assets. The net effect of the above was a \$3.5 million reduction in the net deferred tax liability and a corresponding reduction in the carrying value of certain long-lived assets upon adoption of fresh-start reporting on April 16, 2005. As a result, net loss for the period from April 17, 2005 to January 28, 2006 and for the year ended February 3, 2007 was restated as follows:

	Period Ended January 28, 2006
Net loss as previously reported	\$ (3,811)
Reduction in depreciation of long-lived assets	277
Reduction in income tax benefit	<u>(1,164)</u>
Net loss as restated	<u>\$ (4,698)</u>
Net loss per share (basic and diluted):	
As previously reported	\$ (0.45)
Restated	<u>(0.10)</u>
As restated	<u>\$ (0.55)</u>

The balance sheet at January 28, 2006 has been restated as follows:

	As previously reported	As restated	Change Increase / (decrease)
Intangible assets, net	\$ 36,220	\$ 33,025	\$ (3,195)
Fixed assets, net	107,629	104,399	(3,230)
Deferred income taxes:			
Other assets	-	2,609	2,609
Current liabilities	7,900	13,302	5,402
Non-current liabilities	<u>8,331</u>	<u>-</u>	<u>(8,331)</u>
	<u>16,231</u>	<u>10,693</u>	<u>5,538</u>
Stockholders' equity	\$ 119,686	\$ 118,799	\$ (887)

The balance sheet at April 16, 2005 has been restated as follows:

	<u>As previously reported</u>	<u>As restated</u>	<u>Change Increase / (decrease)</u>
Fixed assets, net	\$ 103,406	\$ 99,899	\$ (3,507)
Deferred income taxes:			
Other assets	-	3,524	3,524
Current liabilities	344	14,016	13,672
Non-current liabilities	13,655	-	(13,655)
	<u>\$ 13,999</u>	<u>\$ 10,492</u>	<u>\$ 3,507</u>

Note 5 – Leases

The Company leases store facilities for the operation of its retail food business and distribution facilities for its wholesale food distribution business. In accordance with the provision of FASB Statement No. 13, "Accounting for Leases," certain of the leases meet the criteria to be recorded as capital leases. The remaining leases are recorded as operating leases. Most of the lease agreements provide for renewal options and require that the Company pay real estate taxes and other related expenses. Certain of the lease agreements also provide for contingent rent payments based on a percentage of sales.

The following is a summary of future minimum rent payments for operating leases and for capital leases as of January 28, 2006 (in thousands):

<u>Fiscal Year Ending</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
February 3, 2007	\$ 22,766	\$ 2,855
February 2, 2008	20,873	2,855
January 31, 2009	19,759	2,855
January 30, 2010	15,778	2,781
January 29, 2011	13,761	1,944
Thereafter	<u>70,935</u>	<u>12,766</u>
Total minimum lease payments	<u>\$ 163,872</u>	26,056
Less: Amount representing interest		<u>12,317</u>
Present value of net minimum lease payments		13,739
Less: Current portion		<u>1,310</u>
Long-term obligations under capital leases		<u>\$ 12,429</u>

Future minimum rent payments have not been reduced by minimum sublease rent income of \$8.3 million due in the future under non-cancelable subleases.

Rent expense under operating leases for the period ended January 28, 2006 was \$10.7 million as follows (in thousands):

Minimum rent	\$ 13,115
Contingent rent	201
Less: sublease rent	<u>(2,625)</u>
Net rent expense	<u>\$ 10,691</u>

Note 7 – Debt

Debt consists of the following at January 28, 2006 and April 16, 2005 (in thousands):

	<u>January 28, 2006</u>	<u>April 16, 2005</u>
Revolving credit facility, interest (6.60% at January 28, 2006) at prime plus .50% to 1.25% or LIBOR plus 2.00% to 2.75%, maturing April 13, 2008	\$ 17,000	\$ 17,500
Term loan facility, interest (12.25% at January 28, 2006) at prime plus 5.00%, maturing April 13, 2008	6,000	6,000
Supplemental real estate credit facility, interest (12.75% at January 28, 2006) at prime plus 5.50%, maturing April 13, 2008	10,000	10,000
Mortgages payable, interest at 6.125% to 12%, maturing at various dates through May 1, 2021	<u>4,513</u>	<u>4,721</u>
Total debt	37,513	38,221
Less: Current portion of long-term debt	<u>278</u>	<u>254</u>
Total long-term debt	<u>\$ 37,235</u>	<u>\$ 37,967</u>

Maturities of debt over the next five years are as follows (in thousands):

Fiscal Year Ending:	
February 3, 2007	\$ 278
February 2, 2008	33,314
January 31, 2009	280
January 30, 2010	298
January 29, 2011	324
Thereafter	<u>3,019</u>
	<u>\$ 37,513</u>

On April 16, 2005, upon emergence from Chapter 11 proceedings, the Company entered into a revolving credit and term loan facility with a group of financial institutions providing for a \$130 million revolving credit facility and a \$6 million term loan. Also on April 16, 2005, the Company entered into a supplemental real estate credit facility with another group of lenders, providing for borrowings of up to \$28 million. Availability under both credit facilities is dependent on levels of accounts receivable, inventory and certain other assets. Interest rates on borrowings under the revolving credit facility vary depending upon the amount of availability. At January 28, 2006, outstanding borrowings under both facilities aggregated \$33 million and outstanding letters of credit under the revolving credit facility amounted to approximately \$53 million. At such date, availability in excess of outstanding borrowings and letters of credit was approximately \$54 million. Borrowings under the revolving credit and term loan facility are secured by substantially all the assets of the Company, subject to first liens on certain property by other lenders. Borrowings under the real estate facility are secured by a first lien on substantially all leasehold interests of the Company, and a second lien on realty owned by the Company.

Provisions of both credit facilities, among other things, require the maintenance of certain financial covenants (when availability under the credit facilities is less than \$35 million for four consecutive days or less than \$30 million for any one day), and limit the amount of capital expenditures, the assumption of additional debt and the payment of dividends. At no time through January 28, 2006 has we have been subject to compliance with these financial covenants because the amount available for borrowing has not dropped to those levels. However, had such an event occurred, we would not have been in compliance with the financial covenants and would have been in default under the terms of the loan agreement at January 28, 2006.

On December 26, 2006, both the revolving credit and term loan facility and the supplemental real estate credit facility were amended to permit the disposal of assets in connection with the closing of five stores.

The Company also has borrowings under mortgages secured by the related properties.

Note 8 – Other Current and Other Non-Current Liabilities

Other current and non-current liabilities as of January 28, 2006 and April 16, 2005 consist of the following (in thousands):

	<u>January 28, 2006</u>	<u>April 16, 2005</u>
Other Current Liabilities:		
Payroll and related payroll taxes	\$ 5,565	\$ 9,130
Workers compensation	9,980	8,828
Vacation and other compensated absences	12,329	12,765
Reorganization costs	250	7,527
Employee benefits	5,310	5,467
State lottery	2,345	2,109
Utilities	2,195	1,636
Professional fees	1,680	2,532
Other accrued liabilities	<u>6,640</u>	<u>8,582</u>
Total	<u>\$ 46,294</u>	<u>\$ 58,576</u>
Other Non-Current Liabilities:		
Workers compensation	\$ 16,172	\$ 17,444
Unfavorable leases	5,767	7,420
General liability insurance	1,294	1,657
Asset retirement obligations	928	862
Step rent liability	705	-
PBGC settlement	2,500	3,214
Store closing costs	<u>655</u>	<u>876</u>
Total	<u>\$ 28,021</u>	<u>\$ 31,473</u>

Note 9 – Liabilities Subject to Compromise

In connection with the Chapter 11 proceeding, there are two pending matters involving claims for the payment of money or the transfer of property. In one matter, the Ohio Bureau of Workers' Compensation ("OBWC") has filed priority and administrative claims aggregating \$13.4 million for pre-petition unpaid workers' compensation premiums and for reserves to pay future claims arising from existing injuries. The OBWC has also filed claims aggregating \$1.8 million for alleged non-payment of post-petition premiums and for reserves to pay future claims arising from existing injuries. The Company disputes the amounts of the claims, and is attempting to negotiate a settlement.

In another matter, a claimant has filed a priority claim allegedly arising under an agreement for a sale-leaseback transaction seeking either damages of \$2.2 million or specific performance of the agreement. The Company disputes the merits of the claim and is defending against it.

During the period ended January 28, 2006, the Company paid \$5.6 million in settlement of disputed claims. The Company has established liabilities for the estimated cash payments required to settle the remaining claims outstanding in the Chapter 11 proceedings. Estimated shares of common stock to be issued in settlement of claims have been accounted for as stockholders' equity.

Note 10 – Income Taxes

The components of income tax expense for the period ended January 28, 2006 are as follows (in thousands):

	Restated Period Ended January 28, 2006 <u>(see Note 4)</u>
Current tax provision	
Federal	\$ -
State	<u>261</u>
Total income tax expense	<u>\$ 261</u>

The following is reconciliation between the federal income tax benefit computed at the statutory federal income tax rate and actual income tax expense (in thousands):

Federal income tax benefit at statutory rate (35%)	\$ (1,553)
State income taxes, net of federal income tax effect	170
Non-deductible expenses	602
Valuation allowance	<u>1,042</u>
Total income tax expense	<u>\$ 261</u>

The significant components of deferred income tax assets and liabilities at January 28, 2006 and April 16, 2005 are as follows (in thousands):

	Restated January 28, 2006	Restated April 16, 2005
Current deferred income tax assets / (liabilities)		
Reserves and accruals	\$ 11,295	\$ 10,914
Valuation allowance	(5,402)	(5,159)
Current deferred tax assets	5,893	5,755
Inventories	<u>(19,195)</u>	<u>(19,771)</u>
Net deferred income tax assets (liabilities)	<u>(13,302)</u>	<u>(14,016)</u>
Non-current deferred income tax assets / (liabilities)		
Reserves and accruals	7,781	8,513
Pensions	11,274	16,323
Goodwill (1)	5,695	6,896
Capital lease obligations	5,612	5,974
Net operating loss carryforward	17,760	11,905
Valuation allowance	<u>(24,320)</u>	<u>(20,363)</u>
Non-current deferred tax assets	<u>23,802</u>	<u>29,248</u>
Beneficial leases and other intangible assets	(11,122)	(13,150)
Fixed assets	(5,579)	(7,663)
Capital leases	<u>(4,492)</u>	<u>(4,911)</u>
Non-current deferred tax liabilities	<u>(21,193)</u>	<u>(25,724)</u>
Net non-current deferred tax assets	<u>2,609</u>	<u>3,524</u>
Net deferred income tax (liabilities)	<u>\$ (10,693)</u>	<u>\$ (10,492)</u>

(1) Represents tax basis of deductible goodwill arising from acquisitions consummated in prior years.

At January 28, 2006, the Company had a net operating loss carryforward for federal and state income tax purposes of approximately \$43.4 million available to offset future taxable income from 2009 through 2026.

A valuation allowance of \$29.7 million was established at January 28, 2006 to offset the net operating loss carryforward and other deferred tax assets to the extent it is more likely than not, based upon available evidence, that the recorded value will not be realized. Realization is dependent on the existence of sufficient taxable income within the carryforward period, including future reversals of certain taxable temporary difference. In providing the valuation allowance, no reversal of the taxable temporary difference arising from a portion of LIFO inventory was considered to occur during such period as the period in which such reversal may occur is not presently determinable. During the period ended January 28, 2006, the valuation allowance increased by \$4.2 million.

To the extent net operating loss carryforwards or deductible temporary difference arising prior to the Company's emergence from Chapter 11 proceedings for which a valuation allowance has been provided are realized, the resulting benefits will be allocated first to reduce intangible assets until they are totally eliminated and thereafter reported as an increase to additional paid-in capital. As of January 28, 2006, approximately \$23.0 million of the valuation allowance relates to pre-reorganization net operating loss carryforwards and deductible temporary differences after reduction of \$3.0 million which has reduced intangible assets.

Note 11 – Retirement Plans

The Company has four noncontributory defined benefit pension plans covering certain union personnel. The Company's policy is to fund pension benefits to the extent contributions are deductible for tax purposes and in compliance with federal laws and regulations. For the Company's plans, normal retirement age is either 62 or 65, but provisions are made for earlier retirement. Benefits are determined either on average annual compensation and years of service, or as a pre-determined amount for each year of service. Full vesting occurs upon completion of five years of service. Assets of the Company's pension plans primarily consist of investments in publicly traded equity and debt securities.

In accordance with the provisions of SOP 90-1, upon emergence from bankruptcy, the Company recorded the underfunded status of each of the defined benefit plans as a liability on the balance sheet. As of January 28, 2006, the Company adopted the provisions of Financial Accounting Standard No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" and in accordance therewith reflected the underfunded status of the plans in its balance sheet at such date. Prospectively, the Company will adjust the liability to reflect the current funded status of the plan. Any gains or losses that arise during the period but are not recognized as components of net periodic benefit cost will be recognized as a component of other comprehensive income. The adoption of SFAS 158 resulted in the recognition of \$8.3 million of unrecognized actuarial gains which arose during the period ended January 28, 2006 and a corresponding reduction in the defined benefit pension plan liability at January 28, 2006. Such unrecognized gains, net of deferred taxes of \$3.4 million were credited to accumulated other comprehensive income in the amount of \$4.9 million. The adoption of SFAS 158 had no effect on the Company's consolidated statement of operations for the period ended January 28, 2006.

At April 16, 2005, the aggregate projected benefit obligation of the four defined benefit plans was \$108.8 million and the aggregate fair value of plan assets was \$68.8 million. The unfunded obligation of \$39.9 million was recorded as a liability on the balance sheet. The following weighted- average assumptions were used to determine the projected benefit obligation as of April 16, 2005 – discount rate 5.48% and salary increases 3.00%.

Information as to the Company's four defined benefit pension plans as of January 28, 2006, which is the measurement date of the plans, and for the period then ended is as follows (in thousands):

	<u>January 28, 2006</u>
Change in benefit obligation	
Benefit obligation at beginning of period	\$ (108,766)
Service cost	(1,468)
Interest cost	(4,356)
Actuarial gain	2,836
Benefits paid	<u>4,154</u>
Benefit obligation at end of period	(107,600)
Change in plan assets	
Fair value of plan assets at beginning of period	68,824
Actual return on plan assets	9,459
Employer contributions	5,872
Benefits paid	<u>(4,155)</u>
Fair value of plan assets at end of period	80,000
Underfunded status	<u>\$ (27,600)</u>

	<u>Period Ended January 28, 2006</u>
Components of net periodic pension cost	
Service cost	\$ 1,468
Interest cost	4,356
Expected return on plan assets	(3,979)
Amount of recognized gains and losses	<u>-</u>
Net periodic pension cost	<u>\$ 1,845</u>

The weighted-average assumptions used to determine the benefit obligation as of January 28, 2006 are as follows:

Discount rate	5.68%
Rate of compensation increase	3.00%

The weighted-average assumptions used to determine the net benefit cost for the period ended January 28, 2006 are as follows:

Discount rate	5.48%
Expected return on plan assets	7.50%
Rate of compensation increase	3.00%

Plan assets by major category as of January 28, 2006 are as follows:

	Target Range	Actual Allocation
Equity securities	50% to 60%	54%
Debt securities	40% to 50%	44%
Cash	0% to 10%	2%

The Company considers the actual asset categories of the invested assets and the historical rates of return of those categories as the basis for establishing the expected long-term rate of return (7.5% at January 28, 2006) on plan assets.

For the year ended January 28, 2006, the Company contributed \$5.9 million to the four defined benefit pension plans and for the year ended February 3, 2007, contributed \$4.3 million to these plans.

The amount of benefits expected to be paid over each of the next six years and in the aggregate for the following five-year period are as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2007	\$ 5,002
2008	5,092
2009	5,080
2010	5,205
2011	5,434
2012	5,735
2013-2017	61,124

On May 20, 2004, a distress termination application was filed with the PBGC to terminate a cash balance pension plan sponsored by the Company. The PBGC filed various claims in bankruptcy court for payment of unfunded benefit liabilities. On February 4, 2005, the parties entered into a global settlement whereby the Company settled the PBGC claims by agreeing to pay the PBGC \$0.155 million upon emergence from bankruptcy and \$3.5 million over a two year period commencing six months after the emergence from bankruptcy. Further, the PBGC was permitted to retain a \$60 million unsecured claim in the bankruptcy proceeding which was settled through the issuance of common shares pursuant to the Plan.

The Company maintains a 401(k) savings plan for eligible employees. The plan provides for matching contributions by the Company for all employees not covered by other union pension plans. The Company's contributions aggregated \$1.4 million for the period ended January 28, 2006.

The Company also participates in seventeen multiemployer collective bargaining agreements that provide for employer contributions to fund union-sponsored pension and other benefits. The Company's contributions aggregated \$3.9 million for the period ended January 28, 2006. While the Company has not indicated an intention to withdraw from any multiemployer plan, such withdrawal could result in an obligation to the plans for a portion of unfunded benefit obligations of the particular plans. The Company's aggregate withdrawal liability at January 28, 2006 is approximately \$70 million.

Note 12 – Commitments and Contingencies

The United States Attorney for the Northern District of New York and the Securities and Exchange Commission have been conducting investigations relating to the Company's promotional allowance practices and policies. Such investigations began prior to the Company's emergence from bankruptcy in April 2005. The Company has been cooperating with these investigations and has produced documents and made Company employees available for interviews as requested. The Company understands that these investigations are ongoing.

On June 1, 2006, the Company announced that the Audit Committee of the Board of Directors had completed its internal investigation of the Company's promotional allowance practices. The Audit Committee hired independent counsel to perform the investigation. The Audit Committee found that the Company had engaged in certain improper practices principally relating to the premature recognition of promotional allowances and that these practices had largely ceased by the time of the Company's Chapter 11 filing in May 2003. On February 3, 2006, the Company announced that the employment of the Company's Chief Marketing Officer and the Company's Vice President, Non-Perishables Marketing had been terminated following an interim report to the Audit Committee on the findings of the investigation.

In connection with these matters, the Company could be subject to damage claims, fines or penalties. At present, the Company is unable to estimate the likelihood of an unfavorable outcome or the amount of any damage claims, fines or penalties in the event of an unfavorable outcome and, accordingly, no liability has been recorded for this contingency.

The Company enters into various purchase commitments in the ordinary course of business. In the opinion of management, no losses are expected to result from these purchase commitments (see Item 11. - "Executive Compensation – Stock Options").

Note 13 – Stock Award Plan

On December 15, 2006, the Company established the 2006 Omnibus Award Plan (the “Award Plan”). Pursuant to the provisions of the Award Plan, the Company can grant stock options, restricted stock, phantom stock and stock appreciation rights. The amount of shares of common stock that can be granted are limited to 902,268 in the aggregate.

On December 15, 2006, the Company granted an aggregate of 150,000 shares of phantom stock to two officers of the Company. The awards provide for a payment in cash on the settlement date of May 1, 2009, or earlier in certain circumstances, of the difference between the value of the Company’s common stock on the grant date and the settlement date. In accordance with FASB Statement No. 123R, “Accounting for Share Based Payment,” the awards will be accounted for as compensation expense and a corresponding liability over the period to settlement date based on changes in the value of the Company’s common stock.

On May 14, 2007, the Company granted an aggregate of 22,685 shares of phantom stock to five non-officer directors. The awards provide for a payment in cash on the settlement date, which is the earlier of when the individual ceases to be a member of the Company’s Board of Directors or upon the occurrence of a change in control, as defined, of the value of an equivalent number of shares of common stock. The award was fully vested upon the grant date, and the Company will record a compensation charge with a corresponding liability for the fair value of the awards at date of grant. The liability will be adjusted based on changes in value of the Company’s common stock, with a corresponding adjustment to compensation expense, at each period to settlement date.

Note 14 – Segment Information

The Company operates in two segments – the retail food business and the wholesale food distribution business. The retail food business consists of 110 supermarkets which the Company operates. The wholesale food distribution business supplies 79 independent supermarkets and 41 other independent wholesale accounts with food and related products. The Company has allocated warehouse and transportation costs based on each segment's percentage of total shipments. In fiscal year 2007, we had a change in our allocation policy for warehouse and distribution. The calculation was modified to include order size and distance from the warehouse. Although this change will not have an effect on our consolidated results of operations, it may have a material effect on our segment reporting.

The Company's senior management utilizes more than one measurement to evaluate segment performance and allocate resources. However, the dominant measures utilized are revenues and operating income before depreciation and amortization and unallocated overhead expenses.

The accounting policies of the reportable segments are the same as those described in Note 3 except that the Company accounts for inventory on a FIFO basis at the segment level compared to LIFO basis at the consolidated level. The table below presents information with respect to operating segments as well as reconciliations to consolidated information (in thousands).

Period Ended January 28, 2006

	Retail Food	Wholesale Food Distribution	Reconciling Items	Total
Revenues	\$ 824,340	\$ 171,907	\$ 19,646 ⁽¹⁾	\$ 1,015,893
Cost of sales	(579,288)	(158,656)	(13,715) ⁽²⁾	(751,659) ⁽⁴⁾
Selling and administrative expense	(207,260)	(6,438)	(26,863) ⁽³⁾	(240,561) ⁽⁴⁾
Operating income before depreciation and amortization	37,792	6,813	(20,932)	23,673
Depreciation and amortization	(16,291)	(1,337)	(1,170)	(18,798)
Operating income (loss)	21,501	5,476	(22,102)	4,875
Interest expense				(8,289)
Reorganization costs				(1,023)
Consolidated loss before income taxes				<u>\$ (4,437)</u>
Total assets as of January 28, 2006	<u>\$ 286,414</u> ⁽⁵⁾	<u>\$ 23,744</u> ⁽⁵⁾	<u>\$ 15,233</u> ⁽⁶⁾	<u>\$ 325,391</u>
Capital expenditures for the period ended January 28, 2006	\$ 16,649	\$ -	\$ 3,884	\$ 20,533

- (1) Consists principally of approximately \$12.2 million for bakery sales principally to customers other than those of the retail and wholesale segments and approximately \$5.1 million for trucking revenues.
- (2) Consists principally of approximately \$10.8 million for bakery sales and approximately \$1.5 million increase in cost of sales to reconcile segment inventories on FIFO to consolidated inventories on LIFO.
- (3) Consists principally of approximately \$22.3 million of payroll, benefits, and payroll taxes associated with the administrative staff, approximately \$2.5 million of contract hauling costs associated with trucking revenue, and approximately \$2.2 million of legal costs associated with the internal and SEC investigation relating to the Company's practices regarding promotional discounts and allowances.
- (4) Excludes depreciation and amortization of \$3.3 million for cost of sales and \$15.5 million for selling and administrative expenses.
- (5) The warehouse and transportation assets have been allocated using the same methodology as that which was used for the warehouse and transportation costs.
- (6) Consists principally of fixed assets and inventory of the bakery operation and general corporate assets.

Note 15 – Allowance for Doubtful Accounts

An analysis of the changes to the allowance for doubtful accounts for the period from April 17, 2005 to January 28, 2006 was as follows (in thousands):

Balance at beginning of period	\$ 3,243
Additions charged to costs and expenses	2,540
Accounts written off, net of recoveries	<u>(2,609)</u>
Balance at the end of period	<u>\$ 3,174</u>

Note 16 – Quarterly Financial Data (Unaudited)

The following table presents our quarterly results of operations:

<u>Description</u>	For the period from April 17, 2005 through January 28, 2006			
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>
	2-Week Period April 30, 2005	13-Weeks Ended July 30, 2005	13-Weeks Ended October 29, 2005	13-Weeks Ended January 28, 2006
	(In thousands of dollars, except per share data)			
Revenues	\$ 46,065	\$ 331,329	\$ 315,373	\$ 323,126
Gross profit	10,111	83,966	82,551	84,270
Net (loss) income	(1,119)	(5,193)	(2,635)	4,249
Per common share data (Basic and Diluted):				
Net (loss) income	\$ (0.13)	\$ (0.61)	\$ (0.31)	\$ 0.50
Weighted average common shares issued or to be issued:				
Basic and diluted:	8,498,752	8,498,572	8,498,752	8,498,752

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Our consolidated financial statements filed as part of this report appear beginning on page 20.

Exhibits:

The following are filed as Exhibits to this Report:

<u>Exhibit No.</u>	<u>Description</u>
2.1	First Amended Joint Plan of Reorganization of The Penn Traffic Company and its Affiliated Debtors and Debtors-in-Possession, dated February 4, 2005 (incorporated by reference to Exhibit 2.1 to Form 8-K filed on March 24, 2005).
2.2	Notice of Technical Modifications to the First Amended Joint Plan of Reorganization of The Penn Traffic Company and its Affiliated Debtors and Debtors in Possession under Chapter 11 of the Bankruptcy Code dated February 4, 2005 (incorporated by reference to Exhibit 2.3 to the Form 8-K filed on March 24, 2005).
3.1	Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Form 8-A12G/A filed on April 13, 2005).
3.2	Amended and Restated By-Laws of Penn Traffic (incorporated by reference to Exhibit 2 to Form 8-A12G/A filed on June 29, 1999).
10.1	Global Settlement Agreement and Mutual Release, dated as of February 4, 2005, by and between The Pension Benefit Guaranty Corporation, the Official Committee of Unsecured Creditors and The Penn Traffic Company and its affiliated debtors (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on February 11, 2005).
10.2	Form of Change in Control Protection Agreement (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on April 18, 2006).
10.3	Credit Agreement, among The Penn Traffic Company, Penny Curtiss Baking Company, Inc. and Big M Supermarkets, Inc., as borrowers; the other credit parties signatory thereto; General Electric Capital Corporation; JP Morgan Chase Bank, N.A.; The CIT Group/Business Credit; GECC Capital Markets Group, Inc.; and the other lenders signatory thereto from time to time (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on September 12, 2006).
10.4	Supplemental Loan Credit Agreement, dated as of April 13, 2005, among The Penn Traffic Company, Penny Curtiss Baking Company, Inc. and Big M Supermarkets, Inc., as borrowers; the other credit parties signatory thereto; Kimco Capital Corp.; and the other lenders signatory thereto from time to time (incorporated by reference to Exhibit 99.2 to the Form 8-K filed on September 12, 2006).
10.5	Amendment, dated December 28, 2006, to the Credit Agreement, among The Penn Traffic Company, Penny Curtiss Baking Company, Inc. and Big M Supermarkets, Inc., as borrowers; the other credit parties signatory thereto; General Electric Capital Corporation; JP Morgan Chase Bank, N.A.; The CIT Group/Business Credit; GECC Capital Markets Group, Inc.; and the other lenders signatory thereto from time to time. (Previously filed)

Exhibits (continued):

Exhibits No.

- 10.6 Amendment, dated December 28, 2006, to the Supplemental Loan Credit Agreement, dated as of April 13, 2005, among The Penn Traffic Company, Penny Curtiss Baking Company, Inc. and Big M Supermarkets, Inc., as borrowers; the other credit parties signatory thereto; Kimco Capital Corp.; and the other lenders signatory thereto from time to time. (Previously filed)
- 10.7 Consulting Agreement, dated as of June 29, 2006, between The Penn Traffic Company and Robert J. Kelly (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on June 30, 2006).
- 10.8 Offer Letter, dated as of October 2, 2006, between The Penn Traffic Company and Robert Panasuk (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on October 6, 2006).
- 10.9 Offer Letter, dated as of December 12, 2006, between The Penn Traffic Company and Robert Panasuk (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on December 18, 2006).
- 10.10 Description of Material Terms of Compensation of Randy P. Martin (incorporated by reference to the Form 8-K filed on March 15, 2005).
- 10.11 Severance Agreement between The Penn Traffic Company and Randy P. Martin (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on February 1, 2007).
- 10.12 Offer Letter, dated May 2, 2007, between The Penn Traffic Company and Tod A. Nestor (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on May 9, 2007).
- 10.13 The Penn Traffic Company 2006 Omnibus Award Plan (incorporated by reference to Exhibit 99.4 to the Form 8-K filed on December 18, 2006).
- 10.14 Form of The Penn Traffic Company Phantom Stock Award Agreement (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on May 18, 2007).
- 10.15 Second Amendment, dated as of August 1, 2007, to the Credit Agreement, among The Penn Traffic Company, Penny Curtiss Baking Company, Inc. and Big M Supermarkets, Inc., as borrowers; the other credit parties signatory thereto; General Electric Capital Corporation; JP Morgan Chase Bank, N.A.; The CIT Group/Business Credit; GECC Capital Markets Group, Inc.; and the other lenders signatory thereto from time to time (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on August 13, 2007).
- 10.16 Second Amendment, dated as of August 1, 2007, to the Supplemental Loan Credit Agreement, dated as of April 13, 2005, among The Penn Traffic Company, Penny Curtiss Baking Company, Inc. and Big M Supermarkets, Inc., as borrowers; the other credit parties signatory thereto; Kimco Capital Corp.; and the other lenders signatory thereto from time to time (incorporated by reference to Exhibit 99.2 to the Form 8-K filed on August 13, 2007).
- 16.1 Letter from Deloitte & Touche LLP to the Securities and Exchange Commission dated September 12, 2006 (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on September 12, 2006).
- 21.1 Subsidiaries of The Penn Traffic Company. (Previously filed)

Exhibits (continued):

Exhibits No.

- | | |
|------|--|
| 31.1 | Certification of CEO pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended. |
| 31.2 | Certification of CFO pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended. |
| 32.1 | Certification of CEO pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code. |
| 32.2 | Certification of CFO pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code. |

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 as of the 8th day of May 2008.

THE PENN TRAFFIC COMPANY

By:	<u>/s/ Gregory J. Young</u>
Name:	Gregory J. Young
Title:	Chief Executive Officer and President

CERTIFICATION

I, Gregory Young, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of The Penn Traffic Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

May 8, 2008
Date

By: /s/ Gregory J. Young
Gregory J. Young
President and Chief Executive Officer

CERTIFICATION

I, Tod A. Nestor, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of The Penn Traffic Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

May 8, 2008
Date

By: /s/ Tod A. Nestor
Tod A. Nestor
Senior Vice President and Chief Financial
Officer

THE PENN TRAFFIC COMPANY

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The Penn Traffic Company (the "Company") on Form 10-K/A for the fiscal year ending January 28, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory J. Young, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gregory J. Young
Gregory J. Young
President and Chief Executive Officer

May 8, 2008

THE PENN TRAFFIC COMPANY

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The Penn Traffic Company (the "Company") on Form 10-K/A for the fiscal year ending January 28, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tod A. Nestor, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tod A. Nestor
Tod A. Nestor
Senior Vice President and Chief Financial Officer

May 8, 2008