

SYMS CORP  
Form 10-Q  
October 04, 2005

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

**FORM 10-Q**

**(Mark One)**

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

for the quarterly period ended **August 27, 2005**

OR

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

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number 1-8546**

**SYMS CORP**

(Exact Name of Registrant as Specified in Its Charter)

**NEW JERSEY**

(State or Other Jurisdiction of  
Incorporation or Organization)

**22-2465228**

(I.R.S. Employer Identification No.)

**Syms Way, Secaucus, New Jersey**

(Address of Principal Executive Offices)

**07094**

(Zip Code)

**(201) 902-9600**

(Registrant's Telephone Number, Including Area Code)

**Not applicable**

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

At September 28, 2005, the latest practicable date, there were 14,987,966 shares outstanding of Common Stock, par value \$0.05 per share.

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**SYMS CORP AND SUBSIDIARIES**


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## Condensed Consolidated Balance Sheets

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(In thousands except per share amounts)

	August 27, 2005	February 26, 2005	August 28, 2004
	(Unaudited)	(NOTE)	(Unaudited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 16,345	\$ 31,669	\$ 18,338
Receivables	4,113	3,475	6,665
Merchandise inventories	76,239	66,124	80,153
Deferred income taxes	6,382	6,382	3,627
Assets held for sale	8,009	6,878	2,376
Prepaid expenses and other current assets	3,795	5,502	3,055
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	114,883	120,030	114,214
	<hr/>	<hr/>	<hr/>
PROPERTY AND EQUIPMENT - Net	106,636	110,614	120,831
DEFERRED INCOME TAXES	7,213	7,212	11,094
OTHER ASSETS	16,741	15,952	14,867
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 245,473	\$ 253,808	\$ 261,006
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 26,537	\$ 16,114	\$ 28,676
Accrued expenses	6,148	7,535	6,232
Accrued insurance	492	570	840
Obligations to customers	3,233	3,383	3,540
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	36,410	27,602	39,288
	<hr/>	<hr/>	<hr/>
OTHER LONG TERM LIABILITIES	1,563	1,610	1,838
	<hr/>	<hr/>	<hr/>
<b>COMMITMENTS AND CONTINGENCIES</b>			

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SHAREHOLDERS' EQUITY

Preferred stock, par value \$100 per share. Authorized 1,000 shares; none outstanding	-	-	-
Common stock, par value \$0.05 per share. Authorized 30,000 shares; 14,991 shares outstanding (net of 3,250 treasury shares) on August 27, 2005; 15,087 shares outstanding as of February 26, 2005 (net of 3,055 treasury shares) and 15,177 shares outstanding (net of 2,895 treasury shares) on August 28, 2004	768	763	759
Additional paid-in capital	16,149	15,496	14,794
Treasury stock	(28,591)	(26,013)	(24,118)
Retained earnings	219,174	234,350	228,445
	<u>207,500</u>	<u>224,596</u>	<u>219,880</u>
TOTAL SHAREHOLDERS' EQUITY			
	<u>\$ 245,473</u>	<u>\$ 253,808</u>	<u>\$ 261,006</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			

NOTE: The balance sheet at February 26, 2005 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See Notes to Condensed Consolidated Financial Statements

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## Condensed Consolidated Statements of Operations

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(In thousands, except per share amounts)

	<u>13 Weeks Ended</u>		<u>26 Weeks Ended</u>	
	<u>August 27,</u>	<u>August 28,</u>	<u>August 27,</u>	<u>August 28,</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(Unaudited)		(Unaudited)	
Net sales	\$ 61,457	\$ 61,254	\$ 128,889	\$ 129,575
Cost of goods sold	37,472	37,985	76,062	78,150
Gross profit	23,985	23,269	52,827	51,425
Expenses:				
Selling, general and administrative	18,460	19,306	36,735	37,959
Advertising	914	898	3,749	3,642
Occupancy	4,567	4,611	8,608	8,830
Depreciation and amortization	2,202	2,416	4,417	5,025
Loss on sale of building	-	1,271	-	1,271
Loss from operations	(2,158)	(5,233)	(682)	(5,302)
Other income	(15)	(7)	(25)	(29)
Interest income	(170)	(76)	(414)	(130)
Loss before income taxes	(1,973)	(5,150)	(243)	(5,143)
Provision benefit for income taxes	(770)	(1,418)	(95)	(1,415)
Net loss	\$ (1,203)	\$ (3,732)	\$ (148)	\$ (3,728)
Net loss per share-basic	\$ (0.08)	\$ (0.25)	\$ (0.01)	\$ (0.25)
Weighted average shares outstanding-basic	14,961	15,124	14,990	15,124
Net loss per share-diluted	\$ (0.08)	\$ (0.25)	\$ (0.01)	\$ (0.25)
Weighted average shares outstanding- diluted	14,961	15,124	14,990	15,124

See Notes to Condensed Consolidated Financial Statements



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**SYMS CORP AND SUBSIDIARIES**


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## Condensed Consolidated Statements of Cash Flows

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(In thousands)

	<b><u>26 Weeks Ended</u></b>	
	<b>August 27, <u>2005</u></b>	<b>August 28, <u>2004</u></b>
	<b>(Unaudited)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (148)	\$ (3,728)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
activities:		
Depreciation and amortization	4,417	5,025
Deferred income tax	(1)	-
Loss on sale of building	-	1,271
Loss on disposal of assets	(7)	126
(Increase) decrease in operating assets:		
Receivables	(638)	(2,861)
Merchandise inventories	(10,115)	(10,927)
Prepaid expenses and other current assets	1,707	955
Other assets	(797)	(894)
Increase (decrease) of operating liabilities:		
Accounts payable	10,423	12,522
Accrued expenses	(1,465)	(1,906)
Obligations to customers	(150)	(30)
Other long term liabilities	(47)	(24)
	<u>3,179</u>	<u>(471)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditures for property and equipment	(1,562)	(1,466)
Proceeds from sale of assets	7	96
	<u>(1,555)</u>	<u>(1,370)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of dividends	(15,028)	-
Exercise of options	658	560
Stock repurchase	(2,578)	(126)
	<u>(16,948)</u>	<u>434</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,324)</b>	<b>(1,407)</b>



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CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	31,669	19,745
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 16,345	\$ 18,338
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 72	-
Income taxes paid (net of refunds)	\$ 33	\$ (1,579)

See Notes to Condensed Consolidated Financial Statements

## **Notes to Condensed Consolidated Financial Statements 13 and 26 Weeks Ended August 27, 2005 and August 28, 2004**

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### **(Unaudited)**

#### **Note 1 - The Company**

Syms Corp (the "Company") operates a chain of 37 "off-price" retail clothing stores located throughout the United States in Northeastern and Middle Atlantic regions and in the Midwest, Southeast and Southwest. Each Syms store offers a broad range of first quality, in season merchandise bearing nationally recognized designer or brand-name labels for men, women and children.

#### **Note 2 - Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the 13-week and 26-week periods ended August 27, 2005 are not necessarily indicative of the results that may be expected for the entire fiscal year ending February 25, 2006. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended February 26, 2005.

#### **Note 3 - Accounting Period**

The Company's fiscal year ends the Saturday nearest to the end of February. The fiscal year ending February 25, 2006 will be comprised of 52 weeks. The fiscal year ended February 26, 2005 was comprised of 52 weeks.

#### **Note 4 - Merchandise Inventories**

Merchandise inventories are stated at the lower of cost (first in, first out) or market, as determined by the retail inventory method.

#### **Note 5 - Bank Credit Facilities**

The Company has a revolving credit agreement with a bank for a line of credit not to exceed \$30,000,000 through May 1, 2008. The agreement contains financial covenants, with respect to consolidated tangible net worth, as defined as working capital and maximum capital requirements, including dividends (defined to include cash repurchases of capital stock), as well as other financial ratios. The Company is in compliance with all covenants as of August 27, 2005. Except for funds provided from this revolving credit agreement, the Company has satisfied its operating and capital expenditure requirements, including those for the operations and expansion of stores, from internally generated funds. As of August 27, 2005, February 26, 2005 and August 28, 2004, there were no outstanding borrowings under this agreement. At August 27, 2005, February 26, 2005 and August 28, 2004, the Company had \$2,194,063, \$744,517 and \$1,676,000 respectively, in outstanding letters of credit under this agreement.

In addition, the Company has a separate \$10,000,000 credit facility with another bank available for the issuance of letters of credit for the purchase of foreign merchandise. This agreement may be canceled at any time by either party. The Company is not currently using this facility.



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**Note 6 - Net Income/(Loss) Per Share**

In accordance with SFAS 128, basic net income/(loss) per share has been computed based upon the weighted average common shares outstanding. Diluted net income/(loss) per share gives effect to outstanding stock options.

Net income/(loss) per share has been computed as follows:

	<b>13 Weeks Ended</b>		<b>26 Weeks Ended</b>	
	<b><u>August 27, 2005</u></b>	<b><u>August 28, 2004</u></b>	<b><u>August 27, 2005</u></b>	<b><u>August 28, 2004</u></b>
<b>Basic net loss per share:</b>				
Net loss	\$ (1,203)	\$ (3,732)	\$ (148)	\$ (3,728)
Average shares outstanding	14,961	15,124	14,990	15,124
Basic net loss per share	\$ (0.08)	\$ (0.25)	\$ (0.01)	\$ (0.25)
<b>Diluted net loss per share:</b>				
Net loss	\$ (1,203)	\$ (3,732)	\$ (148)	\$ (3,728)
Average shares outstanding	14,961	15,124	14,990	15,124
Stock options	-	-	-	-
Total average equivalent shares	14,961	15,124	14,990	15,124
Diluted net loss per share	\$ (0.08)	\$ (0.25)	\$ (0.01)	\$ (0.25)

In periods with losses, options were excluded from the computation of diluted net income per share because the effect would be anti-dilutive.

Options to purchase 760,287 and 781,850 shares of common stock at prices ranging from \$5.21 to \$15.01 per share were outstanding as of August 27, 2005 and August 28, 2004, respectively, but were not included in the computation of diluted net income per share because they would have been antidilutive.

**Note 7 □ Recent Accounting Pronouncements**

In December 2004, the FASB issued SFAS 123R, "Share-Based Payment." This statement is a revision of SFAS 123, "Accounting for Stock-Based Compensation" and supercedes APB 25, "Accounting for Stock Issued to Employees," and is effective as of the beginning of the first annual reporting period that begins after June 15, 2005. SFAS 123R establishes standards on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement requires measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period. SFAS 123R also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The adoption of this statement is

not expected to have a material effect on our financial position or results of operations. We intend to implement this statement in our first quarter of 2006.

In December 2004, the FASB issued SFAS 151, "Inventory Costs," which is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. This statement amends ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). SFAS 151 requires that these items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal". In addition, allocation of fixed production overheads to the costs of conversion must be based on the normal capacity of the production facilities. The adoption of this statement is not expected to have a material effect on our financial position or results of operations.

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In November 2004, the FASB issued Emerging Issues Task Force ("EITF") 03-13, "Applying the Conditions in Paragraph 42 of SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations." This guidance is applied to a component of an enterprise that is either disposed of or classified as "held for sale" in fiscal periods after December 15, 2004. The application of this guidance was adopted in December 2004, as permitted, and had no material effect on our financial position or results of operations.

**Note 8 □ Accounting for Stock-Based Compensation**

The Company complies with Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123). This statement defines a fair value based method whereby compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. Under SFAS No. 123, companies are encouraged, but are not required, to adopt the fair value method of accounting for employee stock-based transactions. The Company accounts for such transactions under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, but discloses pro forma net loss as if the Company had applied the SFAS No. 123 method of accounting.

Pro forma information, assuming the Company had accounted for its employee stock options granted under the fair value method prescribed by SFAS No. 123, as amended by FASB Statement No. 148, *Accounting for Stock Based Compensation □ Transition and Disclosure, an Amendment of FASB Statement No. 123,* is presented below. The fair value of each option grant is estimated on the date of each grant using the Black-Scholes option-pricing model. The Company granted 97,500 stock options in the 26-weeks ended August 27, 2005, and there were no stock options granted in the 26-weeks ended August 28, 2004.

	<b><u>13 Weeks Ended</u></b>		<b><u>26 Weeks Ended</u></b>	
	<b><u>8/27/05</u></b>	<b><u>8/28/04</u></b>	<b><u>8/27/05</u></b>	<b><u>8/28/04</u></b>
Net (loss):	(\$ 1,203)	(\$ 3,732)	(\$ 148)	(\$ 3,728)
Total stock-based employee compensation expense determined under fair value based method for all awards.	\$ 773	\$ -	\$ 773	\$ -
Pro forma net (loss)	<b><u>(\$ 1,976)</u></b>	<b><u>(\$ 3,732)</u></b>	<b><u>(\$ 921)</u></b>	<b><u>(\$ 3,728)</u></b>
Earnings (loss) per share:				
Basic, as reported	(\$ 0.08)	(\$ .25)	(\$ 0.01)	(\$ .25)
Basic, pro forma	(\$ 0.13)	(\$ .25)	(\$ 0.06)	(\$ .25)
Diluted, as reported	(\$ 0.08)	(\$ .25)	(\$ 0.01)	(\$ .25)
Diluted, pro forma	(\$ 0.13)	(\$ .25)	(\$ 0.06)	(\$ .25)

This pro forma information may not be representative of the amounts expected in future years as the fair value method of accounting prescribed by SFAS No. 123 has not been applied to options granted prior to fiscal 1996.



## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Special Note Regarding Forward-Looking Statements**

The Quarterly Report (including but not limited to factors discussed below, in the "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as those discussed elsewhere in this Quarterly Report on Form 10-Q) includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934) and information relating to the Company that are based on the beliefs of the management of the Company as well as assumptions made by and information currently available to the management of the Company. When used in this Quarterly Report, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," and similar expressions, as they relate to the Company or the management of the Company, identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events, the outcome of which is subject to certain risks, including among others general economic and market conditions, decreased consumer demand for the Company's products, possible disruptions in the Company's computer or telephone systems, possible work stoppages, or increases in labor costs, effects of competition, possible disruptions or delays in the opening of new stores or inability to obtain suitable sites for new stores, higher than anticipated store closings or relocation costs, higher interest rates, unanticipated increases in merchandise or occupancy costs and other factors which may be outside the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere described in this Quarterly Report and other reports filed with the Securities and Exchange Commission.

### **Critical Accounting Policies and Estimate**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in the financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the consolidated financial statements.

The Company believes application of accounting policies, and the estimates inherently required by the policies, are reasonable. These accounting policies and estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, the Company has found the application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

The Company's accounting policies are more fully described in Note 1 to the Consolidated Financial Statements, located in the Annual Report on Form 10-K for the fiscal year ended February 26, 2005. The Company has identified certain critical accounting policies that are described below.

**Merchandise Inventory** - Inventories are valued at lower of cost or market using the retail first-in, first-out ("FIFO") inventory method. Under the retail inventory method ("RIM"), the valuation of inventories at cost and the resulting gross margins are calculated by applying a calculated cost to retail ratio to the retail value of inventories. RIM is an averaging method that has been widely used in the retail industry due to its practicality. Additionally, it is recognized that the use of RIM will result in valuing inventories at the lower of cost or market if markdowns are currently taken as a reduction of the retail value of inventories. Inherent in the RIM calculation are certain significant management judgments and estimates including, among others, merchandise markon,



markups, and markdowns, which significantly impact the ending inventory valuation at cost as well as resulting gross margins. Management believes that the Company's RIM and application of FIFO provides an inventory valuation which reasonably approximates cost using a first-in,

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first-out assumption and results in a carrying value at the lower of cost or market. If actual market conditions are less favorable than those projected by management, additional markdowns may be required.

**Long-Lived Assets** - In evaluation of the fair value and future benefits of long-lived assets, the Company performs analyses of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the Company reduces the carrying value to its fair value, which is generally calculated using discounted cash flows. Various factors including future sales growth and profit margins are included in this analysis. To the extent these future projections or our strategies change, the conclusion regarding impairment may differ from the Company's current estimates.

**Deferred Tax Valuation Allowance** - The Company records a valuation allowance to reduce its deferred tax assets to the amount that is not likely to be realized. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. If the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of the Company's net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

**Self-Insurance Accruals** - The Company had been self-insured for workers' compensation liability claims. The Company is responsible for the payment of claims from prior years. In estimating the obligation associated with incurred losses, the Company utilizes loss development factors. These development factors utilize historical data to project incurred losses. Loss estimates are adjusted based upon actual claims settlements and reported claims.

## Results of Operations

### *13 Weeks and 26 Weeks Ended August 27, 2005 Compared to 13 and 26 Weeks Ended August 28, 2004*

Net sales for the 13 weeks ended August 27, 2005 were \$61,457,000, an increase of \$203,000 (0.3%) as compared to net sales of \$61,254,000 for the 13 weeks ended August 28, 2004. For the 26 weeks ended August 27, 2005, net sales decreased \$686,000 (0.5%) to \$128,889,000 as compared to net sales of \$129,575,000 for the 26 weeks ended August 28, 2004. Comparable store sales increased 3.2% for the 13 weeks ended August 27, 2005 and 3.5% for the 26 weeks ended August 27, 2005, as compared to the comparable periods in the prior fiscal year. In our comparable store computation, we only include stores that have been opened for a period of at least 12 months and stores that were open during both fiscal years. We did not have any relocated stores or expansion in square footage in the 26 weeks ended August 27, 2005. The decline in sales for the 26 week period ending August 27, 2005 compared to a year ago is largely attributable to the closing of three stores located in Charlotte, NC, Baltimore, MD and Lawrenceville, NJ.

Gross profit for the 13 weeks ended August 27, 2005 was \$23,985,000 (39.0% as a percentage of net sales), an increase of \$716,000 as compared to \$23,269,000 (38.0% as a percentage of net sales) for the 13 weeks ended August 28, 2004. Gross profit for the 26 weeks ended August 27, 2005 was \$52,827,000 (41.0% as a percentage of net sales), an increase of \$1,402,000 as compared to \$51,425,000 (39.7% as a percentage of net sales) for the 26 weeks ended August 28, 2004. The Company's gross profit may not be comparable to those of other entities, since other entities may include all of the costs related to their distribution network in cost of goods sold and others, like the Company, exclude a portion of those costs from gross profit and, instead, include them in other line items; such as selling and administrative expenses and occupancy costs. The increase in gross profit in the 13 and 26 week periods is primarily due to fewer markdowns on merchandise sold as compared to the same periods in the prior fiscal year.

Selling, general and administrative expense decreased \$846,000 to \$18,460,000 (30.0% as a percentage of net sales) for the 13 weeks ended August 27, 2005 as compared to \$19,306,000 (31.5% as a percentage of net sales) for the 13 weeks ended August 28, 2004. Selling, general and administrative expense decreased



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\$1,224,000 to \$36,735,000 (28.5% as a percentage of net sales) for the 26 weeks ended August 27, 2005 as compared to \$37,959,000 (29.3% as a percentage of net sales) for the 26 weeks ended August 28, 2004. The closing of three stores located in Charlotte, NC, Baltimore, MD, and Lawrenceville, NJ and reduced expenditures in existing stores contributed to the reduction in selling, general and administrative expenses in the 13 and 26 week period ended August 27, 2005.

Advertising expense for the 13 weeks ended August 27, 2005 was \$914,000 (1.5% as a percentage of net sales) as compared to \$898,000 (1.5% as a percentage of net sales) for the 13 week period ended August 28, 2004. Advertising expense for the 26 weeks ended August 27, 2005 was \$3,749,000 (2.9% as a percentage of net sales) as compared to \$3,642,000 (2.8% as a percentage of net sales) in the 26 weeks ended August 28, 2004.

Occupancy costs were \$4,567,000 (7.4% as a percentage of net sales) for the 13 weeks ended August 27, 2005 as compared to \$4,611,000 (7.5% as a percentage of net sales) for the 13 weeks ended August 28, 2004. Occupancy costs were \$8,608,000 (6.7% as a percentage of net sales) for the 26 weeks ended August 27, 2005 compared to \$8,830,000 (6.8% as a percentage of net sales) for the 26 week period ended August 28, 2004. The closing of three stores located in Charlotte, NC, Baltimore, MD and Lawrenceville, NJ accounts for the reduction in occupancy costs which was partially offset by occupancy cost increases in the existing stores during the 13 and 26 week periods ended August 27, 2005.

Depreciation and amortization expense was \$2,202,000 (3.6% as a percentage of net sales) for the 13 weeks ended August 27, 2005 as compared to \$2,416,000 (3.6% as a percentage of net sales) for the 13 weeks ended August 28, 2004. Depreciation and amortization expense for the 26 weeks ended August 27, 2005 was \$4,417,000 (3.4% as a percentage of net sales) as compared to \$5,025,000 (3.9% as a percentage of net sales) for the 26 weeks ended August 28, 2004. This decline in depreciation expense resulted from certain computer software becoming fully depreciated in fiscal 2004 and the closing of three stores located in Charlotte, NC, Baltimore, MD and Lawrenceville, NJ.

The results for the 13 and 26 weeks ended August 28, 2004 reflect a \$1,271,000 charge resulting from the exercise by the Company of its option to purchase the Lawrenceville store and the simultaneous sale of the Lawrenceville store. This store was closed on October 16, 2004. This action was taken by the Company as part of its continuing efforts to improve profitability.

The loss before income taxes for the 13 weeks ended August 27, 2005 was \$1,973,000, a decrease of \$3,177,000 as compared to a loss of \$5,150,000 for the 13 weeks ended August 28, 2004. The loss before income taxes for the 26 weeks ended August 27, 2005 was \$243,000 as compared to a loss before income taxes of \$5,143,000 for the 26 weeks ended August 28, 2004. The reduction in loss before income taxes for the 13 and 26 week periods ended August 27, 2005 as compared to the previous fiscal year resulted largely from lower expenses, improved gross profit margins and the Lawrenceville store charge in the second quarter of 2004.

For the 26 week period ended August 27, 2005, the effective income tax rate was 39.0% as compared to 27.5% for the comparable period a year ago. Included in the 13 and 26 weeks ended August 28, 2004 was a tax refund from the State of Maryland for approximately \$1,400,000.

**Liquidity and Capital Resources**

Working capital as of August 27, 2005 was \$78,473,000, an increase of \$3,547,000 as compared to \$74,926,000 as of August 28, 2004. The ratio of current assets to current liabilities was 3.16 to 1 as of August 27, 2005 as compared to 2.91 to 1 as of August 28, 2004.

Net cash provided by operating activities totaled \$3,179,000 for the 26 weeks ended August 27, 2005, as compared to (\$471,000) for the 26 weeks ended August 28, 2004.

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**SYMS CORP AND SUBSIDIARIES**

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Net cash used in investing activities was \$1,555,000 for the 26 weeks ended August 27, 2005, as compared to \$1,370,000 for the 26 weeks ended August 28, 2004. Expenditures for property and equipment were \$1,562,000 and \$1,466,000 for the 26 weeks ended August 27, 2005 and August 28, 2004, respectively.

Net cash used in financing activities was \$16,948,000 for the 26 weeks ended August 27, 2005, as compared to net cash provided by financing activities of \$434,000 for the 26 weeks ended August 28, 2004. On May 12, 2005, the Company paid a one-time cash dividend to its shareholders of record amounting to \$15,028,000.

The Company has a revolving credit agreement with a bank for a line of credit not to exceed \$30,000,000 through May 1, 2008. The agreement contains financial covenants, with respect to consolidated tangible net worth, as defined as working capital and maximum capital requirements, including dividends (defined to include cash repurchases of capital stock), as well as other financial ratios. The Company is in compliance with all covenants as of August 27, 2005. Except for funds provided from this revolving credit agreement, the Company has satisfied its operating and capital expenditure requirements, including those for the operations and expansion of stores, from internally generated funds. As of August 27, 2005, February 26, 2005 and August 28, 2004, there were no outstanding borrowings under this agreement. At August 27, 2005, February 26, 2005 and August 28, 2004, the Company had \$2,194,063, \$744,517 and \$1,676,000 respectively, in outstanding letters of credit under this agreement.

In addition, the Company has a separate \$10,000,000 credit facility with another bank available for the issuance of letters of credit for the purchase of foreign merchandise. This agreement may be canceled at any time by either party. The Company is not currently using this facility.

The Company has planned capital expenditures of approximately \$5,000,000 for the fiscal year ending February 25, 2006. Through the 26 week period ended August 27, 2005, the Company has incurred \$1,562,000 of capital expenditures.

On April 22, 2004, the Company's Board of Directors approved the repurchase of the Company through June 7, 2006 of up to an additional 3,100,000 shares of common stock at prevailing market prices. All shares repurchased will be held as treasury stock. During the 26 weeks ended August 27, 2005, the Company purchased 194,900 shares which represented 1.3% of its outstanding shares at a total cost of \$2,578,000.

Management believes that existing cash, internally generated funds, trade credit and funds available from the revolving credit agreement will be sufficient for working capital and capital expenditure requirements for the fiscal year ending February 25, 2006.

### **Impact of Inflation and Changing Prices**

Although the Company cannot accurately determine the precise effect of inflation on its operations, it does not believe inflation has had a material effect on sales or results of operations.

### **Recent Accounting Pronouncements**

See Note 7 of the Consolidated Financial Statements for a full description of the Recent Accounting Pronouncements including the respective dates of adoption and the effects on Results of Operation and Financial Condition.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company's operations are not currently subject to material market risks for interest rates, foreign currency rates or other market price risks.



## Item 4. Controls and Procedures

### (a) Evaluation of Disclosure Controls and Procedures

Based on the evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report, each of Marcy Syms, the Chief Executive Officer of the Company, and Antone F. Moreira, the Chief Financial Officer of the Company, has concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported, within the time period specified by the Securities and Exchange Commission's rules and forms. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

### (b) Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II. Other Information

Item 1. LEGAL PROCEEDINGS - None

Item 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS -

### Issuer Purchases of Equity Securities

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)</b>
May 29, 2005 - June 2, 2005	28,900	13.44	28,900	2,745,500
June 3, 2005 - July 2, 2005	0	0	0	0
July 3, 2005 - August 27, 2005	0	0	0	0
<b>Total</b>	<b>28,900</b>	<b>13.44</b>	<b>28,900</b>	<b>2,745,500</b>

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(1) On April 22, 2004, the Company's Board of Directors approved the repurchase of up to an additional 3,100,000 shares of common stock at prevailing market prices through June 7, 2006. All shares repurchased will be held as treasury stock.



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**SYMS CORP AND SUBSIDIARIES**


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Item 3. DEFAULTS UPON SENIOR SECURITIES - None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the annual meeting of shareholders held on July 14, 2005, the Company's shareholders holding a majority of the shares of the Common Stock outstanding as of the close of business on June 10, 2005, voted to approve each of the three proposals included in the Company's proxy statement as follows:

To elect six directors to hold office for one year or until their respective successors are duly elected and qualified.

	<u>FOR</u>	<u>WITHHELD</u>
Sy Syms	12,304,558	1,742,275
Marcy Syms	12,304,558	1,742,275
Antone F. Moreira	10,840,779	3,206,054
Harvey A. Weinberg	12,660,520	1,386,313
Wilbur L. Ross, Jr.	12,660,520	1,386,313
Amber A. Brookman	12,660,020	1,385,813

To ratify the appointment of BDO Seidman, LLP as independent registered public accounting firm for the Company for the fiscal year ending February 25, 2006:

For:	14,010,679
Against:	35,830
Abstain:	324

To approve the 2005 Stock Option Plan:

For:	9,152,970
Against:	2,809,982
Abstain:	4,449

Item 5. OTHER INFORMATION - None

Item 6. EXHIBITS

(a) Exhibits filed with this Form 10-Q

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- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - 32.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities and Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
  - 32.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities and Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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**SYMS CORP AND SUBSIDIARIES**

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**SIGNATURES**

Pursuant to the requirements 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.

**SYMS CORP**

**Date: October 4, 2005**

**By** /s/ Marcy Syms

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MARCY SYMS  
CHIEF EXECUTIVE OFFICER

**Date: October 4, 2005**

**By** /s/ Antone F. Moreira

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ANTONE F. MOREIRA  
VICE PRESIDENT, CHIEF FINANCIAL  
OFFICER  
(Principal Financial and Accounting  
Officer)