

SYMS CORP  
Form 10-Q  
July 02, 2007

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 **June 2, 2007**

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)

**No. 22-2465228**  
(I.R.S. Employer Identification No.)

**Syms Way, Secaucus, New Jersey**  
(Address of Principal Executive Offices)

**07094**  
(Zip Code)

Registrant's telephone number, including area code **(201) 902-9600**

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

(Check One):

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

At June 29, 2007, the latest practicable date, there were 14,700,579 shares outstanding of Common Stock, par value \$0.05 per share.

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## SYMS CORP AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(In thousands)

	June 2, 2007 (Unaudited)	March 3, 2007 (NOTE)	May 27, 2006 (Unaudited)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 33,157	\$ 27,912	\$ 56,400
Receivables	2,401	1,726	3,100
Merchandise inventories	68,807	63,809	71,300
Deferred income taxes	3,092	3,092	6,300
Assets held for sale	5,478	1,780	-
Prepaid expenses and other current assets	3,733	5,054	4,200
<b>TOTAL CURRENT ASSETS</b>	<b>116,668</b>	<b>103,373</b>	<b>141,500</b>
PROPERTY AND EQUIPMENT - Net	99,631	104,323	106,600
DEFERRED INCOME TAXES	12,557	12,557	5,500
OTHER ASSETS	19,687	19,306	18,500
<b>TOTAL ASSETS</b>	<b>\$ 248,543</b>	<b>\$ 239,559</b>	<b>\$ 272,200</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 32,357	\$ 21,678	\$ 37,400
Accrued expenses	7,210	6,120	18,900
Accrued payroll	915	4,021	1,700
Accrued insurance	148	165	200
Obligations to customers	3,965	3,958	3,600
<b>TOTAL CURRENT LIABILITIES</b>	<b>44,595</b>	<b>35,942</b>	<b>62,000</b>
OTHER LONG TERM LIABILITIES	1,455	1,548	1,400
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
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; 14,701 shares outstanding (net of 3,968 in treasury shares) on June 2, 2007, 14,701 shares outstanding as of March 3, 2007 (net of 3,968 treasury shares) and 14,519 shares outstanding (net of 3,746 treasury shares) on May 27, 2006	789	789	700
Additional paid-in capital	19,264	19,264	16,600
Treasury stock	(41,383)	(41,383)	(37,100)
Retained earnings	223,823	223,399	228,400
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>202,493</b>	<b>202,069</b>	<b>208,700</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 248,543</b>	<b>\$ 239,559</b>	<b>\$ 272,200</b>

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NOTE: The balance sheet at March 3, 2007 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

## Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

	<b><u>13 Weeks Ended</u></b>	
	<b>June 2,</b>	<b>May 27,</b>
	<b><u>2007</u></b>	<b><u>2006</u></b>
	(Unaudited)	
Net sales	\$ 67,147	\$ 66,193
Cost of goods sold	38,857	38,482
Gross profit	28,290	27,711
<b>Expenses:</b>		
Selling, general and administrative	18,336	18,690
Advertising	2,814	3,051
Occupancy	4,196	4,456
Depreciation and amortization	1,979	2,216
Other income	(15)	(160)
Income (loss) from operations	980	(542)
Gain on sale of real estate	-	(10,424)
Interest income	(360)	(444)
Income before income taxes	1,340	10,326
Provision for income taxes	666	4,588
Net income	\$ 674	\$ 5,738
Net income per share-basic	\$ 0.05	\$ 0.38
Weighted average shares outstanding-basic	14,701	14,925
Net income per share-diluted	\$ 0.05	\$ 0.38
Weighted average shares outstanding- diluted	14,832	15,293

See Notes to Condensed Consolidated Financial Statements

## Condensed Consolidated Statements of Cash Flows

(In thousands)

	<u>13 Weeks Ended</u>	
	<u>June 2,</u> <u>2007</u>	<u>May 27,</u> <u>2006</u>
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 674	\$ 5,738
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,979	2,216
Gain on sale of fixed assets	10	(10,432)
(Increase) decrease in operating assets:		
Receivables	(675)	(548)
Merchandising inventories	(4,998)	(13,915)
Prepaid expenses and other current assets	1,321	1,770
Other assets	(386)	(531)
Increase (decrease) in operating liabilities:		
Accounts payable	10,679	22,538
Accrued expenses	(2,726)	8,502
Income taxes	450	4,511
Other long term liabilities	(93)	(24)
Net cash provided by operating activities	6,235	19,825
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of fixed assets	17	16,254
Expenditures for property and equipment	(1,007)	(2,146)
Net cash provided by (used in) investing activities	(990)	14,108
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Exercise of options/Issuance of stock	-	25
Purchase of treasury shares	-	(7,533)
Net cash (used in) financing activities	-	(7,508)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,245</b>	<b>26,425</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>27,912</b>	<b>30,007</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 33,157</b>	<b>\$ 56,432</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 52	\$ 53
Income taxes paid (refunds received)	\$ 216	\$ 77

See Notes to Condensed Consolidated Financial Statements





## Notes to Condensed Consolidated Financial Statements 13 Weeks Ended June 2, 2007 and May 27, 2006

### (Unaudited)

#### Note 1 - The Company

Syms Corp (the "Company") operates a chain of 34 "off-price" retail clothing stores located throughout the United States in the 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 period ended June 2, 2007 are not necessarily indicative of the results that may be expected for the entire fiscal year ending March 1, 2008. 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 March 3, 2007. Certain amounts from prior periods have been reclassified to conform to the current periods presentation.

#### Note 3 - Accounting Period

The Company's fiscal year ends the Saturday nearest to the end of February. The fiscal year ended March 3, 2007 was comprised of 53 weeks. The fiscal year ending March 1, 2008 will be 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, working capital and maximum capital expenditures, 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 June 2, 2007. 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 June 2, 2007, March 3, 2007 and May 27, 2006, there were no borrowings under the revolving credit agreement. At June 2, 2007 and May 27, 2006, the Company had \$1,373,214 and \$1,366,955, respectively, in outstanding letters of credit under the Revolving Credit Agreement. The outstanding letters of credit as of June 2, 2007, March 3, 2007 and May 27, 2006 are part of the unsecured \$30,000,000 line of credit.

## SYMS CORP AND SUBSIDIARIES

**Note 6 - Net Income Profit Per Share**

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

Net income per share has been computed as follows:

**13 Weeks Ended**  
**June 2,                      May 27,**  
**2007                              2006**  
**(in thousands except**  
**for**  
**per share data)**

Basic net income per share:

Net income	\$     674	\$   5,738
Average shares outstanding	14,701	14,925
Basic net income per share	\$     0.05	\$     0.38

Diluted net income per share:

Net income	\$     674	\$   5,738
Average shares outstanding	14,701	14,925
Stock options	131	368
Total average equivalent shares	14,832	15,293
Diluted net income per share	\$     0.05	\$     0.38

**Note 7 □ Recent Accounting Pronouncements**

In June 2006, the FASB issued Interpretation No. 48 (□FIN 48□), Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109. The objective of this interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for the fiscal years beginning after December 15, 2006. This did not have a material impact on the results of operations or financial position of the Company (See Note 9).

In September 2006, the FASB issued SFAS No. 157, □Fair Value Measurements,□ which establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS No. 157 is not expected to have a material impact on the results of operations or the financial position of the Company.

In February 2007, the FASB issued FAS No. 159, □The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115,□ which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 is not expected to have a material impact on our results of operations or our financial position.



**SYMS CORP AND SUBSIDIARIES****Note 8 □ Share Based Compensation**

The Company's Amended and Restated Stock Option and Appreciation Plan allows for the granting of incentive stock options, as defined in Section 422A of the Internal Revenue Code of 1986 (as amended), non-qualified stock options or stock appreciation rights. The plan requires that incentive stock options be granted at an exercise price not less than the fair market value of the Common Stock on the date the option is granted. The exercise price of the option for holders of more than 10% of the voting rights of the Company must be not less than 110% of the fair market value of the Common Stock on the date of grant. Non-qualified options and stock appreciation rights may be granted at any exercise price. The Company has reserved 1,500,000 shares of common stock for issuance thereunder. The Company is no longer issuing options under its Amended and Restated Incentive Stock Option and Appreciation Plan.

No option or stock appreciation rights may be granted under the Amended and Restated Incentive Stock Option Plan after July 28, 2013. The maximum exercise period for any option or stock appreciation right under the plan is ten years from the date the option is granted (five years for any optionee who holds more than 10% of the voting rights of the Company).

The Company's 2005 Stock Option Plan (the "2005 Plan") permits the grant of options, share appreciation rights, restricted shares, restricted share units, performance units, performance shares, cash-based awards and other share-based awards. Key employees, non-employee directors, and third party service providers of the Company who are selected by a committee designated by the Board of Directors of the Company are eligible to participate in the 2005 Plan. The maximum number of shares issuable under the Plan is 850,000, subject to certain adjustments in the event of changes to the Company's capital structure.

The 2005 Plan requires that incentive stock options be granted at an exercise price not less than the fair market value of the Common Stock on the date the option is granted. The exercise price of such options for holders of more than 10% of the voting stock of the Company must be not less than 110% of the fair market value of the Common Stock on the date of grant. The exercise price of non-qualified options and stock appreciation rights must not be less than fair market value.

The maximum exercise period for any option or stock appreciation right under the 2005 Plan is ten years from the date the option is granted (five years for any incentive stock options issued to a person who holds more than 10% of the voting stock of the Company).

The 2005 Plan permits the Company to issue restricted shares, restricted share units, performance units, cash-based awards and other share-based awards with such term and conditions (including applicable vesting conditions) as the Company shall determine, subject to certain terms and conditions set forth in the 2005 Plan.

Effective February 25, 2006, the Company adopted the provisions of FAS No. 123(R), "Share-Based Payment" (FAS123(R)). Under FAS123(R), share-based compensation cost is measured at grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period. The Company adopted the provisions of FAS123(R) using a modified prospective application. Under this method, compensation cost is recognized for all share-based payments granted, modified or settled after the date of adoption, as well as for any unvested awards that were granted prior to the date of adoption. Prior periods are not revised for comparative purposes. Because the Company previously adopted only the pro forma disclosure provisions of SFAS 123, it will recognize compensation cost relating to the unvested portion of awards granted prior to the date of adoption using the same estimate of the grant-date fair value and the same attribution method used to determine the pro forma disclosures under SFAS 123, except that forfeitures rates will be estimated for all options, as required by FAS123(R).

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model. Expected volatility is based on the historical volatility of the price of the Company's stock. The risk-free interest rate is based on U.S. Treasury issues with a term equal to the expected life of the option. The Company uses historical data to estimate expected dividend yield, expected life and forfeiture rates. There were no options granted during the three months ended June 2, 2007, and all options previously issued are fully vested.



**SYMS CORP AND SUBSIDIARIES**

Stock option activity during the three months ended June 2, 2007 is as follows:

(In thousands, except per share amounts)

	Number <u>Of options</u>	Weighted Average Exercise Price	Weighted Average Remaining Contracted Term (years)	Aggregate Intrinsic Value
Outstanding at March 3, 2007	330	\$11.17	-	-
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	-	-	-	-
Options outstanding at June 2, 2007	330	\$11.17	3.65	\$3,157
Options exercisable at June 2, 2007	330	\$11.17	3.65	\$3,157

As of June 2, 2007, there was no total unrecognized stock-based compensation cost related to options granted under our plans that will be recognized in future periods.

**Note 9 □ Income Taxes**

Effective March 1, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (Fin No. 48), □Accounting for Uncertainty in Income Taxes□, which clarifies the accounting and disclosure for uncertainty in income taxes. As a result of the adoption, we recorded as a cumulative effect adjustment, a decrease to beginning retained earnings of approximately \$247,000 and increased our accruals for uncertain tax positions and related interest and penalties by a corresponding amount. As of the adoption date, this \$247,000 represents our liability for uncertain tax positions.

The entire \$247,000 would favorably impact our effective tax rate if these liabilities were reversed. We do not expect to pay any of this \$247,000 within the following twelve months.

We recognize interest and, if applicable, penalties, which could be assessed, related to uncertain tax positions in income tax expense. As of the adoption date, the total amount of accrued interest and penalties was \$165,000, before federal and state tax effect. For the quarter ended June 2, 2007, we recorded approximately \$5,000 in interest before federal and state tax effect.

**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 Sections 27A of the Securities Act of 1933 and 21E of the Securities 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 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

**SYMS CORP AND SUBSIDIARIES**

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 March 3, 2007. The Company has identified certain critical accounting policies that are described below.

**Merchandise Inventory** □ Inventory is stated at the lower of cost or market, FIFO retail method. Inventory cost and the resulting gross margins are calculated by applying a cost to retail ratio between the cost of goods available for sale and the retail value of inventories. The significant estimates used are for markdowns. Except for □basic merchandise□, namely underwear and socks, we take a two-thirds markdown for merchandise falling in the two categories below:

One-year cycle □ All merchandise falling within this category, which is primarily ladies fashions, that is one year old and older, is marked down two-thirds.

Two-year cycle □ All merchandise within this category, which is primarily children's, shoes and men's tailored clothing, that is two years and older, is marked down two-thirds.

Inventory shrinkage is determined by taking an annual physical inventory each February prior to fiscal year end. We estimate and set up reserves for them throughout the year as a percentage of sales at retail in the stock ledger and adjust at year end. There have been no significant changes in inventory balance from year to year.

**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.



**SYMS CORP AND SUBSIDIARIES**

**Results of Operations**

*13 Weeks Ended June 2, 2007 Compared to 13 Weeks Ended May 27, 2006*

Net sales for the 13 weeks ended June 2, 2007 were \$67,147,000, an increase of \$954,000 (1.4%) as compared to net sales of \$66,193,000 for the 13 weeks ended May 27, 2006. On a comparable store basis, sales increased 5.6% for the 13 weeks ended June 2, 2007 as compared to the 13 weeks ended May 27, 2006. In our comparable store computation, we only include stores that have been open for a period of at least 12 months and stores that were open during both fiscal years. We did not have any expansion in square footage in the 13 weeks ended June 2, 2007 and May 27, 2006.

Gross profit for the 13 weeks ended June 2, 2007 was \$28,290,000 (42.1% as a percentage of net sales), an increase of \$579,000 as compared to gross profit of \$27,711,000 (41.9% as a percentage of net sales) for the fiscal period ended May 27, 2006. This increase in gross profit is largely attributable to higher sales and lower markdowns in this period compared to the same period a year ago. 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.

Selling, general and administrative expense was \$18,336,000 (27.3% as a percentage of net sales) for the 13 weeks ended June 2, 2007 as compared to \$18,690,000 (28.2% as a percentage of net sales) for the 13 weeks ended May 27, 2006. This decrease is largely attributable to lower payroll and pension costs.

Advertising expense for the 13 weeks ended June 2, 2007 was \$2,814,000 (4.2% as a percentage of net sales) as compared to \$3,051,000 (4.6% as a percentage of net sales) for the 13 weeks ended May 27, 2006.

Occupancy costs were \$4,196,000 (6.2% as a percentage of net sales) for the 13-week period ended June 2, 2007 as compared to \$4,456,000 (6.7% as a percentage of net sales) for the 13 weeks ended May 27, 2006. The store closings in St. Louis, MO, Rochester, NY and Monroeville, PA accounts for this decline.

Depreciation and amortization amounted to \$1,979,000 (2.9% as a percentage of net sales) for the 13 weeks ended June 2, 2007 as compared to \$2,216,000 (3.3% as a percentage of net sales) for the 13 weeks ended May 26, 2006.

The Company recorded a gain of \$10,424,000 in the period ended May 27, 2006 resulting from the sale of its two stores located in Rochester, New York and Dallas, Texas. These two stores which closed in May 2006 included the land and buildings occupied by these stores. The Dallas store was replaced by a store located in Plano, Texas which opened in May 2006 and is a leased property.

Net income before tax for the 13 weeks ended June 2, 2007 was \$1,340,000 as compared to \$10,326,000 for the 13 weeks ended May 27, 2006. Without the gain on the sale of real estate of \$10,424,000, the Company had a net loss before taxes of \$98,000 for the 13 weeks ended May 27, 2006.

For the 13-week period ended June 2, 2007, the effective income tax rate was 49.7% compared to 44.4% for the period ended May 27, 2006.

**Liquidity and Capital Resources**

Working capital as of June 2, 2007 was \$72,073,000, a decrease of \$7,444,000, as compared to \$79,517,000 as of May 27, 2006. The ratio of current assets to current liabilities as of June 2, 2007 was 2.62 to 1 as compared to 2.28 to 1 as of May 27, 2006.

### **SYMS CORP AND SUBSIDIARIES**

Net cash provided by operating activities totaled \$6,235,000 for the 13 weeks ended June 2, 2007, a decrease of \$13,590,000 as compared to \$19,825,000 for the 13 weeks ended May 27, 2006. This decrease resulted principally from the sale of real estate in Rochester, New York and Dallas, Texas in May 2006. Net cash used in investment activities was \$990,000 for the 13 weeks ended June 2, 2007, as compared to net cash provided by investing activities of \$14,108,000 for the 13 weeks ended May 27, 2006. Expenditures for property and equipment totaled \$1,007,000 and \$2,146,000 for the 13 weeks ended June 2, 2007 and May 27, 2006, respectively.

Net cash provided by financing activities was \$0 for the 13 weeks ended June 2, 2007, as compared to net cash used in financing activities of \$7,508,000 for the 13 weeks ended May 27, 2006. The amount in the 13 weeks ended May 27, 2006 represents the purchase of treasury shares (418,474 @ \$18 per share) amounting to \$7,533,000.

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, working capital and maximum capital expenditures, 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 June 2, 2007. 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 June 2, 2007, March 3, 2007 and May 27, 2006, there were no borrowings under the revolving credit agreement. At June 2, 2007 and May 27, 2006, the Company had \$1,373,214 and \$1,366,955, respectively, in outstanding letters of credit under the Revolving Credit Agreement. The outstanding letters of credit as of June 2, 2007, March 3, 2007 and May 27, 2006 are part of the unsecured \$30,000,000 line of credit.

The Company has planned capital expenditures of approximately \$3,400,000 for the fiscal year ending March 1, 2008. Through the 13 week period ended June 2, 2007, the Company incurred \$1,007,000 of capital expenditures.

On June 5, 2006 the Board of Directors authorized the Company to repurchase an aggregate of up to 20% (not to exceed 2,900,000 shares) of its outstanding shares of Common Stock during the next 24 months expiring on June 5, 2008. During the 13 weeks ended June 2, 2007, the Company did not purchase any shares.

On April 28, 2006 the Company commenced a "Dutch Auction" self-tender to repurchase up to 3,350,000 shares of its common stock at a price per share not less than \$16.00 and not greater than \$18.00. This tender offer commenced on April 28, 2006 at 5 p.m. Based on the final count by American Stock Transfer & Trust Company, the depository for the offer, 418,474 shares were tendered at a per share price of \$18 for a total cost of \$7,533,000. The Company did not have to draw down under its credit facilities to purchase these shares because it had sufficient cash on hand.

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 March 1, 2008.

### **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.

**SYMS CORP AND SUBSIDIARIES**

**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, have 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 accumulated and communicated to management including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. 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 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 recent 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 1a. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended March 3, 2007, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results.

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

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES - None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS □ None

Item 5. OTHER INFORMATION - None

**SYMS CORP AND SUBSIDIARIES**

Item 6.

EXHIBITS

Exhibits filed with this Form 10-Q

- |      |   |
|------|---|
| 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 |

**SYMS CORP AND SUBSIDIARIES**

**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:** July 2, 2007

**By** /s/ Marcy Syms  
MARCY SYMS  
CHIEF EXECUTIVE OFFICER

**Date:** July 2, 2007

**By** /s/ Antone F. Moreira  
ANTONE F. MOREIRA  
VICE PRESIDENT, CHIEF FINANCIAL  
OFFICER  
(Principal Financial and Accounting Officer)