

Trinity Place Holdings Inc.  
Form 10-Q  
July 16, 2013

**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 1, 2013**

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**

**TRINITY PLACE HOLDINGS INC.**

(Exact Name of Registrant as Specified in Its Charter)

**DELAWARE**                      **22-2465228**  
(State or Other Jurisdiction of    (I.R.S. Employer Identification No.)  
Incorporation or Organization)

**One Syms Way, Secaucus, New Jersey 07094**  
(Address of Principal Executive Offices)    (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes       No

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

Large Accelerated Filer     Accelerated Filer     Non-Accelerated Filer     Smaller Reporting Company

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

Yes       No

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 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

At July 12, 2013, there were 16,630,554 shares outstanding of Common Stock of Trinity Place Holdings Inc., par value \$0.01 per share.

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Exhibit 31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002

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- Exhibit 32.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. section 1350, as adopted Pursuant to section 906 of the Sarbanes-Oxley Act of 2002
- Exhibit 32.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. section 1350, as adopted Pursuant to section 906 of the Sarbanes-Oxley Act of 2002

PART 1 – FINANCIAL INFORMATION

**Item 1. Financial Statements**

TRINITY PLACE HOLDINGS INC.

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN NET ASSETS

FOR THE PERIOD MARCH 2, 2013 TO JUNE 1, 2013 (LIQUIDATION BASIS) (UNAUDITED)

(in thousands)

Net Assets (liquidation basis) as of March 2, 2013 available to common shareholders	24,799
Adjustment to fair value of assets and liabilities	955
Adjustment to accrued costs of liquidation	(2,371 )
Subtotal	(1,416 )
Net Assets (liquidation basis) as of June 1, 2013 available to common shareholders	\$23,383

See Notes to Consolidated Condensed Financial Statements

## TRINITY PLACE HOLDINGS INC.

## CONSOLIDATED CONDENSED STATEMENTS OF NET ASSETS

AS OF JUNE 1, 2013 AND MARCH 2, 2013 (LIQUIDATION BASIS)

(in thousands)

	June 1, 2013 (Unaudited)	March 2, 2013 (Note)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,198	\$ 13,454
Receivables	211	342
Prepaid expenses and other assets	2,650	2,708
Real estate, including air rights	139,000	142,600
<b>TOTAL ASSETS</b>	<b>\$ 154,059</b>	<b>\$ 159,104</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 21,806	\$ 21,814
Accrued expenses	22,079	25,611
Accrued liquidation costs	23,221	24,487
Other liabilities, primarily lease settlement costs	45,772	44,595
Obligation to former majority shareholder	17,792	17,792
Obligations to customers	6	6
<b>TOTAL LIABILITIES</b>	<b>\$ 130,676</b>	<b>\$ 134,305</b>
Net assets (liquidation basis) available to common shareholders	\$ 23,383	\$ 24,799

Note: The consolidated condensed statement of net assets at March 2, 2013 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 Consolidated Condensed Financial Statements





## Notes to Consolidated Condensed Financial Statements (Unaudited)

### Note 1 – The Company

As further described below, the predecessor to Trinity Place Holdings Inc. (“Trinity” or the “Company”), Syms Corp. (“Syms”), together with its subsidiaries, filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code (“Bankruptcy Code” or “Chapter 11”) in the United States Bankruptcy Court for the District of Delaware (the “Court”). On August 30, 2012, the Court entered an order confirming the Modified Second Amended Joint Chapter 11 Plan of Reorganization of Syms Corp. and its Subsidiaries (the “Plan”). On September 14, 2012, the Plan became effective and Syms and its subsidiaries (collectively, the “Debtors”) consummated their reorganization under Chapter 11 through a series of transactions contemplated by the Plan and emerged from bankruptcy. As part of those transactions, reorganized Syms merged with and into Trinity, with Trinity as the surviving corporation and successor issuer pursuant to Rule 12g-3 under the Securities Exchange Act of 1934 (the “Exchange Act”).

#### *Overview*

Prior to filing for bankruptcy, Syms and its wholly-owned subsidiary, Filene’s Basement, LLC (“Filene’s,” “Filene’s, LLC” or “Filene’s Basement”), collectively owned and operated a chain of 46 “off-price” retail stores under the “Syms” name (which were owned and operated by Syms) and “Filene’s Basement” name (which were owned and operated by Filene’s, LLC). The stores were located in the United States throughout the Northeastern and Middle Atlantic regions and in the Midwest, Southeast and Southwest. Each Syms and Filene’s Basement store offered a broad range of first quality, in-season merchandise, bearing nationally recognized designer or brand-name labels for men, women and children at prices substantially lower than those generally found in department and specialty stores. On June 18, 2009, the Company’s wholly-owned subsidiary, SYL, LLC, which became known as Filene’s Basement, LLC, acquired certain real property leases, inventory, equipment and other assets of Filene’s Basement Inc. (“Filene’s Inc.” or “Filene’s Basement Inc.”), then a Chapter 11 debtor-in-possession operating a retail clothing chain, pursuant to an auction conducted in accordance with section 363 of the Bankruptcy Code. As a result, Filene’s, LLC thereafter operated 21 Filene’s Basement stores then located in the Northeastern, Middle Atlantic, Midwest and Southeast regions until Filene’s, LLC itself became a Chapter 11 debtor, along with Syms, and discontinued its retail operations on or about December 31, 2011. In addition, Syms owned and operated five co-branded Syms/Filene’s Basement stores. Syms and Filene’s, LLC operated in a single operating segment – the “off-price” retail stores segment.

#### *General Information about Syms and Trinity*

Syms was incorporated in New Jersey in 1983. Trinity was incorporated in Delaware immediately prior to the effective date of the Plan. Syms maintained its headquarters at One Syms Way, Secaucus, New Jersey 07094, and the telephone number was (201) 902-9600. Trinity is now using the same headquarters and telephone number.

### *Chapter 11 Cases*

Syms and its subsidiaries filed voluntary petitions for reorganization relief under Chapter 11 in Court on November 2, 2011 (the "Petition Date") and were operating as debtors-in-possession through September 14, 2012, at which time the Plan became effective and reorganized Syms merged with and into Trinity. Shortly after the filing of the Chapter 11 cases the Debtors sold virtually all their inventory and much of their furniture, fixtures and equipment during a closing process at each of their stores. The sales concluded across their various locations in the last days of December 2011. On or about December 31, 2011, the Debtors had ceased retail operations at all of their stores and vacated all their leased retail store and distribution center locations.

As of the Petition Date, the Debtors were lessees under thirty-five commercial real estate leases. On December 16, 2011, the Court entered an order that approved the Debtors' proposed procedures for the marketing and disposition of their leases.

The Lease marketing process resulted in the sale of the Debtors' interest in, or consensual termination of, certain of the Debtors' leases. The Debtors rejected several other leases effective as of December 31, 2011. Under the Bankruptcy Code, when a debtor rejects a real estate lease, the rejection is considered a breach that gives rise to a claim for breach by the landlord against the debtor. However, the Bankruptcy Code imposes certain caps on the maximum amount of breach claims that a landlord may assert.

### *Chapter 11 Plan*

The Plan, which was co-proposed by the Debtors and the Official Committee of Syms' Equity Security Holders (together, the "Plan Proponents"), was filed with the Court on May 24, 2012. The Plan was subsequently amended, concluding on July 27, 2012 with the support of the Official Committee of Unsecured Creditors. On August 30, 2012, the Court entered an order confirming the Plan, and the Plan became effective on September 14, 2012.

Upon the effective date of the Plan and pursuant to its terms, Syms and its subsidiaries were reorganized and, subject to the obligations under the Plan, discharged of all claims. To effect the reorganization, Syms was reincorporated in Delaware by way of a merger with and into Trinity. As a result of the merger, each share of Syms was converted into one share of Trinity. Under the Plan, Trinity will attempt to monetize its real estate assets over time in a manner

intended to maximize their value for the benefit of creditors and shareholders, as further described below. Under the Plan, Syms creditors holding allowed claims are entitled to payment of those claims in full. The Plan also provides for Filene's, LLC creditors to receive recoveries from the monetization of certain of Trinity's assets. Filene's, LLC short-term creditors are entitled to payment in full on their allowed claims and Filene's, LLC long-term creditors with allowed claims are entitled to a recovery of 75% on their claims.

The Company is in the process of reconciling, objecting to and resolving various claims associated with the discharge of liabilities pursuant to the Plan. Immediately following emergence from Chapter 11, the Company paid approximately \$9.7 million in allowed administrative claims and has since paid approximately \$16.5 million more through March 2, 2013 and \$0.2 million more through June 1, 2013. As of June 1, 2013, the Company had in reserve approximately \$5.2 million for other administrative claims.

A total of 3,096 proofs of claims and one motion for payment of professional fees for substantial contribution were filed in the Chapter 11 cases that asserted claims in the aggregate amount of approximately \$316.6 million. When combined with the schedules of liabilities that were filed in the Chapter 11 cases, the aggregate "as filed" claims totaled approximately \$320.2 million (exclusive of the amounts due to the former Majority Shareholder under the Plan). In the experience of the Company's advisors, however, claims filed by creditors typically vastly exceed the amounts reflected on a company's books and records and the amounts that are eventually allowed and actually paid.

As of July 8, 2013, based on the reconciliation work to date, the Company believes that the estimated aggregate allowed amount of creditor claims, together with the net amount due to the former Majority Shareholder, is between \$103 million and \$123 million. In addition, because Filene's, LLC long-term allowed claims are only entitled to a 75% recovery, the estimated aggregate amount of distributions to creditors and the former Majority Shareholder under the Plan is between \$94 million and \$113 million. The differences between the "as filed" amounts and these estimates primarily reflect duplicative claims (including identical claims filed against more than one debtor entity or in more than one priority class), amounts in the "as filed" claims that exceed the amounts for those claims shown on the Company's books and records, and asserted claims for which the Company does not believe it has any liability.

The process of reconciling claims is different than the process of actually resolving claims. Accordingly, the above estimates are based primarily on the Company's preliminary work in identifying and reconciling the amount of asserted claims to the Company's books and records, and not on the negotiation or settlement of specific claims. Because of the large number of claims filed and the ongoing reconciliation and settlement processes, the ultimate amount of allowed claims and the ultimate amount of distributions under the Plan could be materially different than the Company's current estimates.

If the Syms and Filene's convenience class claims and the Syms general unsecured claims (as described in the Plan) are not paid in full under the Plan by October 1, 2013, with the full amount per the Plan subject to change, then the director designated by the holder of the Series A Preferred Stock will be entitled to direct the sale process for any "near term properties" (as defined in the Plan) that remain unsold, if any, pursuant to a commercially reasonable process consistent with maximizing the value of those properties.

If the Filene's general unsecured claims (as described in the Plan) are not paid in full under the Plan by October 1, 2014, with the full amount per the Plan subject to change, then, subject to the extension of that date to April 1, 2015 under certain circumstances, the director designated by the holder of the Series A Preferred Stock will be entitled to

direct the sale process for any "near term properties" or "medium term properties" (as defined in the Plan) that remain unsold, if any, pursuant to a commercially reasonable process consistent with maximizing the value of those properties.

### ***Rights Offering and Redemption***

In connection with proposal of the Plan, Syms entered into an Equity Commitment Agreement (the "ECA") among (i) Syms, (ii) Marcy Syms, (iii) the Laura Merns Living Trust, (iv) the Marcy Syms Revocable Living Trust, as amended (the "Marcy Syms Trust" and, together with Marcy Syms and the Laura Merns Living Trust, the "Majority Shareholder") and (v) the certain specified members of the Official Committee of Syms Equity Security Holders and their affiliates (the "Backstop Parties"). The ECA provided that, pursuant to and upon the effective date of the Plan, the former Majority Shareholder would sell all of its shares of Syms common stock to Syms at a price of \$2.49 per share. Accordingly, on September 14, 2012, immediately following the effectiveness of the Plan, the former Majority Shareholder sold all of its 7,857,794 shares of common stock to Syms. Payment for the shares will be made to the former Majority Shareholder in accordance with the Plan as the Company's real estate assets are monetized. The net amount due to the former Majority Shareholder is \$17.8 million and is included as a liability on the Company's Consolidated Condensed Statements of Net Assets as of June 1, 2013.

Under the terms of the Plan, the Company is restricted from paying any distributions, dividends or redemptions until after the former Majority Shareholder payments are made in full. The Certificate of Incorporation of the Company provides for a share of Series B Preferred Stock owned by the former Majority Shareholder and entitling the former Majority Shareholder to control a majority of the Board of Directors if the former Majority Shareholder Payments are not made by October 16, 2016, so long as the general unsecured claim satisfaction has occurred.

In connection with the ECA and pursuant to the Plan, Syms offered to sell to existing shareholders other than the former Majority Shareholder, who qualified as "accredited investors" within the meaning of Regulation D under the Exchange Act, the right to purchase 10,040,160 new shares of the Company's common stock at a price equal to \$2.49 per share, or approximately \$25 million in the aggregate (the "Rights Offering"). Pursuant to the ECA, the Backstop Parties agreed to purchase each of their pro rata share of the new shares made available in the Rights Offering, as well as new shares that were not subscribed for by other shareholders in the Rights Offering. Accordingly, on September 14, 2012, immediately following the effectiveness of the Plan, the Company sold the 10,040,160 shares of common stock pursuant to the Rights Offering.

The foregoing descriptions of certain transactions contemplated by the Plan are summaries only and do not purport to be complete and are qualified, in all respects, by the actual provisions of the Plan and related documents.

### ***General Business Plan***

As of September 14, 2012, Trinity owned 16 commercial real estate properties and a residential condominium. Trinity's business plan includes the sale of 15 of those properties and the condominium, and the sale or development of 28-42 Trinity Place in Lower Manhattan (which is generally referred to herein as the "Trinity Place Property"). As of June 1, 2013, the Company had sold its properties in Houston, Texas, Fairfield, Connecticut, Southfield, Michigan as well as the condominium. The Company has also leased its property in Elmsford, New York. In addition, the Company's property in Miami, Florida was sold shortly before the effective date of the Plan.

Trinity also plans to explore the licensing of its intellectual property, including its rights to the *Filene's Basement* trademark, the *Stanley Blacker* and *Maine Bay* brands, and the intellectual property associated with the *Running of the Brides* event and *An Educated Consumer is Our Best Customer* slogan.

The Company is undertaking a review of various strategic and developmental alternatives related to the Trinity Place Property. To date no specific course of action has been determined. The Company has retained an expert in New York real estate to assist in its evaluation of the alternatives for the Trinity Place Property, and it intends to retain additional advisors, including zoning architects and attorneys, to assist it in its review of cost estimates and monetization strategies. In light of the ongoing review, there remains a range of estimated values that may be realized for the Trinity Place Property under the various sale or development alternatives.

### ***Operating Reserves***

Under the Plan, the Company's corporate budget is composed of certain operating reserves to fund working capital and the Company's operations. For the two year period from September 14, 2012 through September 13, 2014, the amounts to be funded and used in these reserves were set as follows: (i) a corporate overhead reserve of \$5.0 million in the aggregate, (ii) a \$3,829,088 pension fund reserve (of which \$2.0 million shall fund the minimum annual payments due under the Syms pension plan and \$1,829,088 shall fund the minimum quarterly payments due to Local 1102 for the allowed amount of the claims for pension withdrawal liability), (iii) a carry cost/repair/tenant improvement reserve of \$9.0 million in the aggregate, and (iv) a reserve for carry costs of the Trinity Place Property of \$3.0 million in the aggregate. After September 14, 2014, additional amounts are to be funded to those four reserves plus a discretionary reserve and an emergency fund reserve of \$500,000 each.

Under the Plan, the reserves are to be funded from the proceeds realized by the Company from the sale of assets, settlements or any other sources in the first year following the conclusion of the Chapter 11 cases. Absent the consent of the holder of the Series A Preferred Stock, the aggregate cap for any reserve may not be increased and the amounts in each reserve may not be used to fund any expenses designated to be paid from another reserve, except that, (i) by a majority vote of the Board of Directors, amounts in the corporate overhead reserve may be reallocated to the carry cost/repair/tenant improvement reserve and (ii) by a majority vote of the Board of Directors, and with the consent of the “Independent Director” (as described in the Plan), amounts in the corporate overhead reserve may be reallocated to the Trinity Place Property carry reserve.

***Sold Properties***

Certain information about the properties of the Company that have been sold, including the net proceeds generated by the sold properties, net of brokerage commissions and sale costs, are set forth below. Each of these properties was a “short term property” under the Plan:

Property Location	Size (square feet)	Net Proceeds (\$ in millions)	Date of Sale
Miami, FL	53,000	\$ 4.1	September, 2012
Houston, TX	42,000	\$ 3.6	November, 2012
Fairfield, CT	43,000	\$ 5.5	December, 2012
Secaucus, NJ (Condo)	2,000	\$ 0.3	January, 2013
Southfield, MI	60,000	\$ 2.5	April, 2013
Total	200,000	\$ 16.0	

### *Marketing*

Trinity has chosen to engage commercial real estate brokers to coordinate the marketing and other aspects of the process of selling certain of its properties. While terms vary, these brokers are typically due a commission payable only upon closing of the sale of the subject property based on the sale price. With respect to certain other properties, brokers have also been engaged to seek tenants with commissions based on the rents called for under an executed lease. Currently, the Company has six properties subject to brokerage agreements for the sale or lease of its properties and is in the process of engaging brokers on additional properties. In certain cases, sales of properties are being pursued without the assistance of brokers. Engaging brokers familiar with and experienced in the markets in which the properties are located often provides important expertise on local market conditions, potential buyers and pricing variables.

### *Competition*

The markets in which the Company's properties are located are inherently competitive. While there may be a limited number of prospective buyers or tenants in any given market, there may be a number of available properties with characteristics more or less attractive than the Company's property. In some of the markets, we expect that there may be few buyer or tenant prospects for the Company's property and the ability to successfully sell or lease the property is uncertain. For example, brokers in the Secaucus, NJ market have reported that there are few prospects looking to own and occupy or lease the Company's 340,000 square foot distribution center.

Competitive factors with respect to the Company's Trinity Place Property may have a particularly material effect on the Company as it is likely the Company's most valuable asset. The projected supply, demand and pricing for residential rental or condominium apartments and for commercial space will have a meaningful impact on investors' appetite for this property. There are numerous development projects in the surrounding area of Lower Manhattan that will compete against this property to attract owners and renters of space. Timing of delivery of future inventory of commercial and residential space in the area is uncertain and will be an important consideration for investors and other potential buyers. In particular, the future demand for residential condominium units in Lower Manhattan is highly uncertain and will be a critical variable in the marketing of the property.

## **NOTE 2 – BASIS OF PRESENTATION**

### *Liquidation Basis of Accounting*



The liquidation basis of accounting is appropriate when the liquidation of a company appears imminent and the net realizable value of its assets is reasonably determinable. Under this basis of accounting, assets and liabilities are stated at their net realizable value and estimated costs over the anticipated period of liquidation are accrued to the extent reasonably determinable.

Significant estimates and judgment are required to determine the accrued costs of liquidation. The company's accrued costs expected to be incurred in liquidation and recorded payments made related to the accrued liquidation costs are as follows (in thousands):

	Balance March 2, 2013	Adjustments to Reserves	Net Payments	Balance June 1, 2013
Estimated Costs of Liquidation				
Real estate related carrying costs	\$ 15,653	\$ 2,084	\$ (2,204 )	\$ 15,533
Professional fees	5,046	244	(1,037 )	4,253
Payroll related costs	3,428	33	(396 )	3,065
Other	360	10	-	370
	\$ 24,487	\$ 2,371	\$ (3,637 )	\$ 23,221

The Company reviewed all operating expenses and contractual commitments such as payroll and related expenses, lease termination costs, property carrying costs and professional fees to determine the estimated costs to be incurred during the liquidation period. The liquidation period, which was initially anticipated to conclude in August 2012, was amended in the fourth quarter of 2012 to conclude in July 2015 based on the current belief of the Company that substantially all of its real estate properties are likely to be monetized prior to the end of 2014, with a short period thereafter to conclude the liquidation.

Adjustments to increase the reserve for real estate carrying costs of approximately \$2.1 million were recorded during the thirteen weeks ended June 1, 2013. The adjustments were mainly the result of increasing the estimated expenses through the liquidation period contemplated under the Plan.

Adjustments to increase the reserve for professional fees of approximately \$0.2 million were recorded during the thirteen weeks ended June 1, 2013. The majority of the increase reflects the evaluation of professional fees through the liquidation period contemplated under the Plan.

*Adjustments to Fair Value of Assets and Liabilities*

The following table summarizes adjustments to the fair value of assets and liabilities under the liquidation basis of accounting during the thirteen week period ended June 1, 2013.

Adjustments of Assets and Liabilities to Net Realizable Value	March 3, 2013 through June 1, 2013
Adjust real estate to estimated net realizable value	\$ (1,100 )
Adjust other claims to net realizable value	2,055
	\$ 955

During the thirteen weeks ended June 1, 2013, the Company adjusted two properties to their current net realizable value by \$1.1 million in the aggregate.

During the thirteen weeks ended June 1, 2013, there were approximately \$2.1 million of adjustments to estimated claims payout as the Company continues its reconciliation of claims.

**Note 3 – New Accounting Pronouncements**

There are no proposed or recently issued accounting standards that are expected to have a material impact on the Company.

#### **Note 4 – Financial Position**

The Company believes that cash provided from the monetization of its real estate and intellectual property assets should provide sufficient liquidity to fund day-to-day costs. However, if the Company is unable to monetize its assets in a reasonable period of time, as outlined in the Plan, or if the Company receives substantially less than anticipated, the Company's ability to settle its obligations in full would be in doubt, and alternative financing could be required. Also, the Plan imposes strict budgets on the operations of the Company's business, and not all proceeds from asset sales can be used to fund operations.

Whether there will be any excess cash proceeds generated by the monetization of the Company's assets is subject to a number of material risks and uncertainties. If there are any excess cash proceeds, they will be used by the Company in the manner determined by the Board of Directors. It is the current intention of the Board of Directors to distribute any such excess to shareholders, but there can be no assurance that there will be any excess cash proceeds, or that if there are, that they will be distributed to shareholders.

#### **Note 5 – Other Assets**

Other assets also include trademark license intangibles, with a balance of \$0.9 million and security deposits with a balance of \$1.7 million as of June 1, 2013 and as of the year ended March 2, 2013.

#### **Note 6 – Pension Plan**

Syms sponsored a defined benefit pension plan for certain eligible employees not covered under a collective bargaining agreement. The pension plan was frozen effective December 31, 2006. As of June 1, 2013 and March 2, 2013, the Company had a recorded liability of \$5.5 million within accrued expenses which represents the estimated cost to the Company of terminating the plan in a standard termination, which would require the Company to make additional contributions to the plan so that the assets of the plan are sufficient to satisfy all benefit liabilities. The Company had contemplated other courses of action, including a distress termination, whereby the PBGC takes over the plan. On February 27, 2012, the Company notified the PBGC and other affected parties of its consideration to terminate the plan in a distress termination. However, the estimated total cost associated with a distress termination was approximately \$15 million. As a result of the cost savings associated with the standard termination approach, the Company has elected not to terminate the plan in a distress termination and has formally notified the PBGC of this decision. Although the Company has accrued the liability associated with a standard termination, it has not taken any steps to commence such a termination and has made no commitment to do so by a certain date.

Certain employees covered by collective bargaining agreements participate in multiemployer pension plans. Syms ceased to have an obligation to contribute to these plans in 2012, thereby triggering a complete withdrawal from the plans within the meaning of section 4203 of the Employee Retirement Income Security Act of 1974. Consequently, the Company is subject to the payment of a withdrawal liability to these pension funds. The additional costs have been estimated at approximately \$6.9 million for the multiemployer pension plans. The Company had a recorded liability of \$5.9 million and \$6.1 million which is reflected in accrued expenses as of June 1, 2013 and March 2, 2013, respectively.

In accordance with minimum funding requirements, the Company paid approximately \$0.8 million to the Syms sponsored plan and approximately \$1.0 million to the multiemployer plans from September 17, 2012 through June 1, 2013.

## **Note 7 – Contingencies**

### *General Litigation*

The Company is a party to routine litigation incidental to its business. Some of the actions to which the Company is a party are covered by insurance and are being defended or reimbursed by the Company's insurance carriers.

### *Bankruptcy Case*

As discussed in Note 1, Syms and its subsidiaries filed voluntary petitions for relief under Chapter 11 on November 2, 2011. On September 14, 2012, a plan of reorganization became effective and Syms and its subsidiaries emerged from bankruptcy, with reorganized Syms merging with and into Trinity.

## **Note 8 – Income Taxes**

Since under liquidation basis accounting all future estimated taxes are accrued as of the reporting date net of the benefit expected to be derived from available NOLs, it is not appropriate to record a separate deferred tax asset on the same NOLs. Accordingly, a valuation allowance of approximately \$83.7 million was recorded as of the fiscal year ended March 2, 2013 and a further valuation allowance of approximately \$0.4 million was recorded during the thirteen week period ended June 1, 2013.

### **Note 9 – Related Party Transactions**

Under the terms of the Plan, the Company is restricted from paying any distributions, dividends or redemptions until after the former Majority Shareholder payments are made in full. The Certificate of Incorporation of Trinity provides for a preferred series share, held by the former Majority Shareholder and which is pledged as security and held in escrow, entitling the Majority Shareholder to control a majority of the Board of Directors if the former Majority Shareholder Payments are not made by October 16, 2016, provided that and conditioned upon the general unsecured claim satisfaction having occurred.

In addition, as part of the Plan, the former Majority Shareholder agreed to repay the Company \$1.6 million for all premiums paid by the Company on her behalf after the adoption of the Sarbanes-Oxley Act of 2002, as well as \$0.2 million for the net present value of pre-Sarbanes-Oxley premiums, for a total of \$1.8 million. At June 1, 2013, the value of these premiums was recorded as an offset against the payment due under the Plan to the former Majority Shareholder (i.e., Marcy Syms and her related trusts) on account of the redemption of the former Majority Shareholder's shares of Syms common stock.

Ms. Syms, the Company and Filene's, LLC also entered into an agreement in connection with the Plan whereby all rights to the commercial use of the "Syms" name and to any images of Ms. Syms and her family members were assigned to Ms. Syms. The impact of this provision of the Plan has been reflected in the estimated net realizable value of the trademarks used by the Company and included within other assets as of June 1, 2013.

### **Note 10–Disposition of Assets and Other Transactions**

During April 2013, the Company sold its Southfield, MI property, the building of which is 60,000 square feet, on an "as-is" basis. The net proceeds from the sale were approximately \$2.5 million. The value recorded in the financial statements as of June 1, 2013 and March 2, 2013 is consistent with the amount realized from this transaction.

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

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

This 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 report) 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 management of the Company as well as assumptions made by and information currently available to 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, the restrictions contained in the Plan, general economic and market conditions, possible disruptions in the Company's information or communication systems, higher than anticipated costs, unanticipated difficulties which may arise with respect to the Company 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 SEC.

### **Disposition of the Company's and Filene's Businesses**

Prior to November 2, 2011, all of the Company's and Filene's business operations consisted primarily of running retail operations. As the economy worsened, sales continued to erode and, as a result, cash flow suffered and significant operational losses continued to threaten the on-going businesses. Trade vendors tightened and/or ceased providing credit terms. As a result, the Company and Filene's projected that absent additional financing or measures to monetize certain assets, liquidity would come to an end. On November 2, 2011, Syms and its subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

In response to the Chapter 11 filing, the Company implemented the liquidation basis of accounting effective on October 30, 2011, which was the beginning of the fiscal month closest to the petition date. Net operating results from October 30, 2011 to November 1, 2011 were not material. The liquidation basis of accounting is appropriate when the liquidation of a company appears imminent and the net realizable value of its assets is reasonably determinable. Under this basis of accounting, assets and liabilities are stated at their net realizable value and estimated costs through the liquidation date are provided to the extent reasonably determinable.

## Critical Accounting Policies and Estimates

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 the Company's estimates. Such differences could be material to the financial statements.

The Company believes that its application of accounting policies, and the estimates inherently required by the policies, are reasonable. These accounting policies and estimates are reevaluated periodically, 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 has identified certain significant accounting policies that have been applied to the Company's financial reporting after the adoption of liquidation basis of accounting on October 30, 2011. These policies are described below.

*Accrued Liquidation Costs* – Under the liquidation basis of accounting, management is required to make significant estimates and judgments regarding the anticipated costs of liquidation. These estimates are subject to change based upon work required for the claims settlement process, changes in market conditions and changes in the strategy a. surrounding the sale of properties. The Company reviews, on a quarterly basis, the estimated fair value of its assets and all other remaining operating expenses and contractual commitments such as payroll and related expenses, lease termination costs, professional fees, alternative minimum income taxes and other outside services to determine the estimated costs to be incurred during the liquidation period.

*Pension Expense* – The Company will terminate its pension plans. Under the liquidation basis of accounting, actuarial valuation analyses are prepared annually to determine the fair value, or termination value, of the plans. b. These valuations and the ultimate liability to settle the plans may result in adjustments driven by changes in assumptions due to market conditions. The liabilities related to these pension plans will be settled at the same payout percentage as all other unsecured creditor claims.

c. *Long-Lived Assets* – Real estate and other long-lived assets are recorded at estimated net realizable value based on valuations, purchase agreements and/or letters of intent from interested third parties, when available.

d.



*Income Taxes* – To the extent that income taxes, including alternate minimum income taxes, are expected to be incurred as a result of the liquidation of the Company’s properties, such costs are reflected in accrued liquidation costs, as described above. As of June 1, 2013 a total of \$0.9 million has been accrued. As part of the process of estimating the amount of income taxes to be incurred during the liquidation period, management has taken into consideration the extent to which net operating loss carry forwards (“NOLs”) are expected to be available to offset the amount of income otherwise taxable on the sale of properties. This involved a process of estimating the extent to which each property had a fair value in excess of its tax basis (a “built in gain”) as of the date of emerging from bankruptcy on September 14, 2012. At that point in time, the Company believes there was a change in control of the Company that imposed a restriction on the extent to which the Company can use prior NOLs, except to the extent of a built in gain that existed as of the date of the change in control.

## **Results of Operations**

For an entity reporting under the liquidation basis of accounting, the entity is required to present a statement of net assets (which replaces a balance sheet), whereby the assets are reported at estimated realizable amounts and the liabilities are reported at estimated settlement amounts; and a statement of changes in net assets in liquidation (which replaces the statement of operations), which reports the estimated gains and losses on liquidation. The Company began presenting its financial statements under the liquidation basis of accounting as of October 30, 2011 and discontinued its retail operations on or about December 31, 2011.

During the thirteen weeks ended June 1, 2013, the Company sold its Southfield, MI property, the building of which is 60,000 square feet, on an “as-is” basis. The net proceeds from the sale were approximately \$2.5 million.

In addition to this transaction, the Company received an additional \$0.4 million in rents and other income during the thirteen weeks ended June 1, 2013. The Company’s operating costs and expenses during the thirteen weeks ended June 1, 2013 were \$4.0 million of which \$2.2 million related to real estate related carrying costs, \$1.0 million related to professional fees and \$0.4 million related to payroll costs. Overhead expenses have exceeded the original projections and are outpacing the budgeted reserves, which is primarily due to professional fees.

As of June 1, 2013, the net assets of the Company available to Common Shareholders was \$23.4 million, slightly lower than \$24.8 million as of March 2, 2013. This was the result of a decrease in the net realizable value of two properties and an increase in real estate related carrying costs offset by a decrease in estimated claims payments. The decrease in total assets from \$159.1 million at March 2, 2013 to \$154.1 million at June 1, 2013 was partially offset by a \$3.6 million reduction in accrued expenses and accrued liquidation costs partially offset by increases in other liabilities, primarily lease settlement costs.

## **Liquidity and Capital Resources**

As of June 1, 2013, the Company had cash and cash equivalents of \$12.2 million. Prior to September 14, 2012, the Company used its cash and cash equivalents primarily for the payment of professional fees related to the Chapter 11 cases, as well as its daily operations. After September 14, 2012, the Company has used its cash and equivalents primarily for the payment of professional fees and claims related to the Chapter 11 cases, as well as its daily operations and to fund reserves under the Plan.

The Company believes that it would be able to fund its operations through its cash flows from property sales, but as noted above, the Plan imposes restrictions on the amount of operating expenses that the Company is allowed to incur and pay from cash flows. At this point, the Company believes it will require additional funds beyond those reserved to pay for its operating expenses, and it is exploring the possibility of equity and/or debt financing. Under the Plan, the proceeds of a common equity financing can be used to fund operating expenses in excess of the reserves, while the proceeds of a debt financing generally must be used to pay creditor claims. Also, the holder of the Series A Preferred Stock has the sole authority to approve an increase in the operating reserves, and he is currently considering a request from the Company for such an increase.

Pursuant to the Plan, with limited exceptions, any excess cash not applied to fund operating expenses must be distributed in accordance with the priorities established in the Plan. Please see Part II, Item 1A “Risk Factors” for more information.

## **Net Operating Losses**

The Company believes that the Rights Offering and the redemption of the Syms shares owned by the former Majority Shareholder resulted in the Company undergoing an “ownership change,” as that term is used in Section 382 of the Internal Revenue Code (“Section 382”). Accordingly, the Company’s NOLs that can be used to offset future income for U.S. federal income tax purposes are limited in the manner set forth in Section 382. Generally, the NOLs that can be used each year will be limited to the product of the applicable long-term tax-exempt rate and the fair market value of the Company’s stock immediately before the ownership change, with certain adjustments. Any unused portion of the annual limitation may be carried forward until expiration. The Company believes that, subject to certain requirements and limitations, its annual NOL limitation may be increased by its gain on the sale, prior to 2017, of certain properties held by the Company at the time of the ownership change (i.e., September 14, 2012), to the extent of the Company’s built-in gain in such properties at such change date, and subject to an aggregate increase for all years equal to the Company’s aggregate net built-in gain in its assets at such change date. The Company believes that its U.S. federal NOLs as of that date were approximately \$162.8 million. However, even if all of the Company’s regular U.S. federal income tax liability for a given year is reduced to zero by virtue of the NOLs, the Company may still be subject to the U.S. federal alternative minimum tax (which imposes a tax generally equal to the amount by which 20% of a corporation’s alternative minimum taxable income exceeds the corporation’s regular tax liability, and is calculated in a

manner that may reduce the benefit of NOLs) or to state, local or other non-federal income taxes.

### **CEO Engagement Agreement**

As previously disclosed, subsequent to the approval and execution of the engagement agreement for CEO services between Mark D. Ettenger and the Company, Alan Cohen, the Company director appointed by the holder of the Series A Preferred Stock, informed the Board of Directors that he is of the belief that, under the Company's Certificate of Incorporation and the Plan, his approval is required in order for the Company to enter into and/or perform its obligations under the engagement agreement. Mr. Cohen has not approved the engagement agreement and has indicated that he does not intend to approve it in its current form (which is attached to the Company's most recent Annual Report on Form 10-K for the fiscal year ended March 2, 2013). The Company, Mr. Cohen and Mr. Ettenger are engaged in discussion attempting to resolve the issue.

### **Recent Accounting Pronouncements**

There are no proposed or recently issued accounting standards that are expected to have a material impact on the Company.

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

Other than as discussed elsewhere in this Form 10-Q with respect to the Company's pension plans, the Company's operations are not currently subject to material market risks for interest rates, foreign currency rates or other market price risks. However, it may experience real estate valuation risk due to changing market conditions.

#### **Item 4. Controls and Procedures**

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

The Company's management, with the participation of the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act as of the end of the thirteen week period ended June 1, 2013. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of June 1, 2013, to ensure that information that is required to be disclosed by the Company in the reports it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

##### **b) Changes in Internal Control Over Financial Reporting**

There were no material changes in the Company's internal control over financial reporting during the quarter ended June 1, 2013, that 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**

The Company is a party to routine legal proceedings incidental to its former business. Some of the actions to which the Company is a party are covered by insurance and are being defended or reimbursed by the Company's insurance carriers.

##### **Item 1A. Risk Factors**

The Company is subject to numerous risks and uncertainties that could adversely affect the Company. Certain of such risks and uncertainties have been disclosed in the Company's most recent Annual Report on Form 10-K for the fiscal year ended March 2, 2013 (fiscal 2012), which are incorporated herein by reference. In addition, below is an update to one of those risks and uncertainties:

*There can be no assurance that the Company's reserves for operating expenses will be sufficient or that alternatives will be available.*

As part of the Plan, the Company established a reserve of \$5 million for overhead expenses to be incurred in the first two years following the effectiveness of the Plan. The Company's overhead expenses have exceeded the original expectations, and at its current level of expenditures, the Company is likely to exhaust the overhead reserve in August 2013. Accordingly, the Company is seeking approval of an increase in the overhead and other operating reserves from the holder of the Series A Preferred Stock, who has the sole authority to approve such an increase. Simultaneously, the Company is exploring the possibility of equity and/or debt financing. Under the Plan, the proceeds of a common equity financing can be used to fund operating expenses in excess of the reserves, while the proceeds of a debt financing must generally be used to pay creditor claims. There can be no assurance that the holder of the Series A Preferred Stock will consent to an increase in the overhead and other operating reserves, and there can be no assurance that equity or debt financing will be available to the Company on acceptable terms, or at all. A failure to obtain an increase in the reserves or to obtain new financing could have a material adverse effect on the Company.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities 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 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 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

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Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

**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.

**TRINITY PLACE HOLDINGS INC.**

**Date: July 16, 2013 By /s/ Mark D. Ettenger**

**MARK D. ETTENGER**

CHAIRMAN, PRESIDENT and CHIEF EXECUTIVE OFFICER

(Principal Executive Officer)

**Date: July 16, 2013 By /s/ Richard G. Pyontek**

**RICHARD G. PYONTEK**

CHIEF FINANCIAL OFFICER, TREASURER and SECRETARY

(Principal Financial Officer)

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