Trinity Place Holdings Inc.
Form 10-Q
January 08, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934

for the quarterly period ended **November 24, 2012**

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 Incorporation or Organization)	(I.R.S. Employer Identification No.)

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 þ 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 þ 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 þ 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 þ

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 þ No ¨

At December 24, 2012, 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 31.1	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
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
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. (f/k/a SYMS CORP.)

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN NET ASSETS FOR THE

PERIOD FEBRUARY 25, 2012 TO NOVEMBER 24, 2012 (LIQUIDATION BASIS) (UNAUDITED)

(in thousands)

Net Assets (liquidation basis) at February 25, 2012 available to common shareholders	$21,183
Adjustment to fair value of assets and liabilities	621
Adjustment to accrued costs of liquidation	(5,018)
Subtotal	(4,397)
Net Assets (liquidation basis) as of May 26, 2012 available to common shareholders	16,786
Adjustment to fair value of assets and liabilities	1,792
Adjustment to accrued costs of liquidation	(5,016)
Subtotal	(3,224)
Net Assets (liquidation basis) as of August 25, 2012 available to common shareholders	13,562
Adjustment to fair value of assets and liabilities	4,228
Adjustment to accrued costs of liquidation	(23,478)
Sale of common stock pursuant to rights offering	25,002
Subtotal	5,752
Net Assets (liquidation basis) as of November 24, 2012 available to common shareholders	$19,314

See Notes to Consolidated Condensed Financial Statements

TRINITY PLACE HOLDINGS INC. (f/k/a SYMS CORP.)

CONSOLIDATED CONDENSED STATEMENTS OF NET ASSETS

AS OF NOVEMBER 24, 2012 AND FEBRUARY 25, 2012 (LIQUIDATION BASIS)

(in thousands)

	November 24, 2012 (Unaudited)	February 25, 2012 (Note)
ASSETS		
Cash and cash equivalents	$ 17,655	$ 26,304
Receivables	1,200	2,716
Prepaid expenses and other assets	6,295	9,533
Owned real estate, including air rights	144,689	139,631
TOTAL ASSETS	$ 169,839	$ 178,184
LIABILITIES		
Accounts payable	$ 22,364	$ 30,556
Accrued expenses	28,288	32,975
Accrued liquidation costs	34,579	32,316
Other liabilities, primarily lease settlement costs	42,895	56,547
Obligation to former majority shareholder	17,792	-
Obligations to customers	4,607	4,607
TOTAL LIABILITIES	150,525	157,001
Net assets (liquidation basis - available to common shareholders)	$ 19,314	$ 21,183

Note: The consolidated condensed statement of net assets at February 25, 2012 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

TRINITY PLACE HOLDINGS INC. (f/k/a SYMS CORP.)

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

FOR THE NINE AND THIRTY-FIVE WEEK PERIODS ENDED OCTOBER 29, 2011 (GOING CONCERN BASIS)

(in thousands, except per share amounts)

	For the Nine Weeks Ended October 29, 2011 (Unaudited)	For the Thirty-Five Weeks Ended October 29, 2011 (Unaudited)
Net sales	$ 66,540	$ 258,214
Cost of goods sold	42,797	158,029
Gross profit	23,743	100,185
Expenses:		
Selling, general and administrative	21,790	76,081
Advertising	462	2,476
Occupancy, net	9,788	43,120
Depreciation and amortization	2,527	9,819
Other expense	3,315	4,815
Gain on disposition of assets	(1,488)	(7,565)
Total operating expenses	36,394	128,746
Loss from operations	(12,651)	(28,561)
Interest expense, net	282	1,062
Loss before income taxes	(12,933)	(29,623)
Income tax expense	53,022	46,404
Net loss	$ (65,955)	$ (76,027)
Net loss per share - basic and diluted	$ (4.56)	$ (5.26)
Weighted average shares outstanding - basic and diluted	14,448	14,448

See Notes to Consolidated Condensed Financial Statements

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TRINITY PLACE HOLDINGS INC. (f/k/a SYMS CORP.)

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE THIRTY-FIVE WEEK PERIOD ENDED OCTOBER 29, 2011 (GOING CONCERN BASIS)

(in thousands)

	For the Thirty-Five Weeks Ended October 29, 2011
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (76,027)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation and amortization	9,819
Deferred income taxes	46,266
Gain on disposition of assets	(7,565)
(Increase) decrease in operating assets:	
Receivables	(618)
Merchandise inventories	15,938
Prepaid expenses and other current assets	4,332
Other assets	(838)
Increase (decrease) in operating liabilities:	
Accounts payable	(6,359)
Accrued expenses	3,342
Other long term liabilities	1,830
Obligations to customers	(127)
Net cash used in operating activities	(10,007)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Expenditures for property and equipment	(1,154)
Proceeds from sale of land, building and other assets	22,023
Net cash provided by investing activities	20,869
CASH FLOWS FROM FINANCING ACTIVITIES:	
Borrowings/repayment on revolving credit facility (net)	(10,885)
Net cash used in financing activities	(10,885)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,298

CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 2,275
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid during the period for:	
Interest	$ 1,228
Income taxes (net of refunds)	$ (119)

See Notes to Consolidated Condensed Financial Statements

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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 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.

The discussion below is herein presented on a consolidated basis and includes information regarding the Company and Filene's, LLC, its wholly-owned subsidiary.

Chapter 11 Cases. Syms and its subsidiaries filed voluntary petitions for reorganization relief under Chapter 11 in the Court on November 2, 2011 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. The following discussion provides general background information regarding the Chapter 11 cases as relevant to the consolidated condensed financial statements of the Company and its subsidiaries and is not intended to be an exhaustive summary. Additional information, including access to Court documents and other general information about the Chapter 11 cases, is available online at www.kccllc.net/filenes. Financial information available on that website generally is prepared according to requirements of federal bankruptcy law. While such financial information accurately reflects information required under federal bankruptcy law, such information may be unconsolidated, unaudited, and prepared in a format different from that used in financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and filed under the U.S. securities laws. Moreover, the materials filed with the Court were not prepared for the purpose of providing a basis for an investment decision or for comparison with other financial information filed with the U.S. Securities and Exchange Commission (the "SEC").

Commencement of Cases

On November 2, 2011 (the "Petition Date"), Syms and its subsidiaries (collectively, the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "Chapter 11 Filings"). The Court jointly administered these cases as "In re: Filene's Basement, L.L.C., et al, Case No. 11-13511 (KJC)."

Certain Court Orders

On the Petition Date, the Debtors filed various motions with the Court requesting permission to continue operating various aspects of their business as the Debtors wound down their retail operations. The Debtors were granted authority to continue honoring their obligations to their employees and customers; to continue paying their tax obligations in the ordinary course; and to continue operating their existing cash management system in the ordinary course.

The Office of the United States Trustee thereafter appointed two statutory committees in these Chapter 11 cases (together, the "Committees"): an Official Committee of Unsecured Creditors (the "Creditors Committee"), charged with a fiduciary duty to represent the interests of the Debtors' unsecured creditors, and an Official Committee of Syms' Equity Security Holders (the "Equity Committee"), charged with a fiduciary duty to represent the interests of Syms' shareholders.

Activity During the Chapter 11 Cases

Store Closing Sales. Immediately upon filing their Chapter 11 petitions, the Debtors sought Court approval to conduct going-out-of-business sales with the assistance of a liquidation agent. On November 16, 2011, the Court entered an order that authorized the Debtors to enter into an agency agreement with a joint venture between Gordon Brothers Retail Partners, LLC and Hilco Merchant Resources, LLC as liquidation agent to commence the store closing sales at the Debtors' then remaining 41 store locations. The Court further authorized the Debtors to assume an agency agreement that they had entered into prior to filing the Chapter 11 cases with respect to five Filene's Basement retail locations and to continue store closing sales that had been commenced at those locations.

The commencement of the Chapter 11 cases and the store closing sales were timed to coincide with the holiday shopping season so that the Debtors could have the benefit of, among other things, the "Black Friday" shopping weekend after the Thanksgiving holiday. The Debtors sold virtually all their inventory and much of their furniture, fixtures and equipment during the store closing process. 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.

Leased Real Estate Matters. As of the Petition Date, the Debtors were lessees under thirty-five commercial real estate leases. The Debtors, with the assistance of the Committees, developed a process for marketing those leases in an effort to sell them or to terminate one or more of them with the agreement of their landlords in order to minimize costs and claims under such leases. On December 16, 2011, the Court entered an order that approved the Debtors' proposed procedures for the disposition of their leases. Hilco Real Estate, LLC was retained to assist the Debtors, and conducted an extensive lease marketing process.

The 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.

Treatment of Prepetition Claims. Under section 362 of the Bankruptcy Code, actions to collect most of a debtor's prepetition liabilities, including payments owing to vendors in respect of goods furnished and services provided prior to the petition date, are automatically stayed, and other prepetition contractual obligations of the debtor generally may not be enforced.

The stay of proceedings provisions of section 362 of the Bankruptcy Code also apply to actions to collect prepetition indebtedness or to exercise control over the property of the debtor's estate. Claims against the Debtors' were subject to compromise and will be treated in accordance with the Plan, as described below.

Contract Rejection and Assumption Process. Section 365 of the Bankruptcy Code permits a debtor to assume, assume and assign, or reject certain prepetition executory contracts subject to the approval of the bankruptcy court and certain other conditions. Rejection constitutes a court-authorized breach of the contract in question and, subject to certain exceptions, relieves the debtor of its future obligations under such contract but creates a deemed prepetition claim for damages caused by such breach or rejection. Parties whose contracts are rejected may file claims against the rejecting debtor for damages. Generally, the assumption, or assumption and assignment, of an executory contract requires the debtor to cure all prior defaults under such executory contract and to provide adequate assurance of future performance. In this regard, the Company expects that additional liabilities subject to compromise and resolution in the Chapter 11 cases may arise as a result of damage claims created by the Debtors' rejection of executory contracts. Conversely, the Company would expect that the assumption of certain executory contracts may convert existing liabilities shown as subject to compromise to liabilities not subject to compromise in future financial statements. Due to the uncertain nature of many of the potential claims, the Company is unable to project the magnitude of such claims with any degree of certainty at this time.

Costs. The Debtors incurred significant costs associated with the reorganization for professional fees for advisors to the Debtors, and to other stakeholders in the Chapter 11 cases.

Case Resolution

Chapter 11 Plan. The Plan, which was co-proposed by the Debtors and the Equity Committee (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 Creditors Committee. The Plan sets forth the manner in which claims against and equity interests in the Debtors are to be treated following the conclusion of the Chapter 11 cases. 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, were 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 continues to make progress in the reconciliation and settlement of various classes of claims associated with the discharge of liabilities subject to compromise 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 $8.6 million more through November 24, 2012 and $7.8 million more through December 28, 2012. As of January 5, 2013, the Company has in reserve approximately $5.4 million for other administrative claims, including any unpaid professional fees. Due to the significant number of claims filed, it is premature to estimate with any degree of accuracy the ultimate allowed amount of claims under the Plan. The claims reconciliation process may result in material adjustments to current estimates of allowable claims.

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.

Trinity's current business plan includes the sale of 15 of its commercial real estate properties existing as of September 14, 2012, three of which were sold or leased since then, and the sale or development of 28-42 Trinity Place in Lower Manhattan. 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 well-known *Running of the Brides* event and *An Educated Consumer is Our Best Customer* slogan. The Company is currently evaluating various strategic alternatives related to its 28-42 Trinity Place property. To date no specific course of action has been determined. As a result, there remains a range of estimated values that may be realized for 28-42 Trinity Place under the various sale or development alternatives. However, until such time as a more definitive strategy for this property has been determined, management believes it is appropriate to leave the carrying value at the estimated realizable value based on the assumptions that were used prior to the approval of the Plan. At the time a more definitive strategy is determined, the Company will adjust the carry value of the property to be consistent with assumptions that correspond to that strategy, a process that may lead to an increase in the recorded value for the property.

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 Equity Committee 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 Trinity's real estate assets are monetized. The amount due the former Majority Shareholder is included as a liability on the Company's Consolidated Statement of Net Assets as of November 24, 2012.

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 Syms 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, Syms sold the 10,040,160 shares of common stock pursuant to the Rights Offering.

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

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.

Unless otherwise noted, and notwithstanding that Syms merged into Trinity on September 14, 2012, references to the “Company”, “we” or “our” relate to Syms prior to the merger and to Trinity following the merger. In each case, such references also include Filene’s, LLC, a wholly-owned subsidiary of each of Syms and Trinity. The Company’s fiscal year ends on the Saturday closest to the last day of February each year.

NOTE 2 – BASIS OF PRESENTATION

Going Concern Basis of Accounting

The consolidated condensed financial statements for the nine and thirty-five week periods ended October 29, 2011 were prepared on the going concern basis of accounting, which contemplated realization of assets and satisfaction of liabilities in the normal course of business. In the opinion of management, the accompanying Statements of Operations for the nine and thirty-five week periods ended October 29, 2011 and Statement of Cash Flows for the thirty-five week period ended October 29, 2011 contain all adjustments, including normal recurring adjustments, necessary to present a fair statement of interim results.

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. The Plan calls for the sale of the Company’s 15 commercial real estate properties and the sale or development of 28-42 Trinity Place. Should the Company decide to develop, hold or operate 28-42 Trinity Place in a manner permitted by the Plan, the Company will evaluate at that time whether the liquidation basis of accounting remains appropriate.

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):