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SYMS CORP
Form 10-K
April 21, 2006

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

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark one)

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

FOR THE FISCAL YEAR ENDED FEBRUARY 25, 2006

or

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

Commission file number 1-8546

SYMS CORP
(Exact name of registrant as specified in its charter)

NEW JERSEY NO. 22-2465228
(State or Other Jurisdiction of (I.R.S. Employer Identification No.)
Incorporation or Organization)

SYMS WAY, SECAUCUS, NEW JERSEY 07094
(Address of Principal Executive Offices) (Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| Title of Each class ----- | Name of Each Exchange on Which Registered ----- |
|--|---|
| Common Stock, \$0.05 Par Value Per Share | New York Stock Exchange |

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known season issuer,
as defined in Rule 405 of the Securities Act

Yes No

Indicate by check mark if the registrant is not required to file reports
pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$108,096,652 based upon the closing market price of \$14.96 per share of the Common Stock on the New York Stock Exchange as of August 27, 2005, the last business day of the registrant's most recently completed second fiscal quarter.

As of April 10, 2006, 14,933,587 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Proxy Statement for the 2005 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report.

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PART I

ITEM 1. BUSINESS

GENERAL

Syms Corp operates a chain of 37 "off-price" retail 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 at prices substantially lower than those generally found in department and specialty stores. Syms directs its merchandising efforts at predominantly middle-income, fashion-minded and price conscious customers.

Since the first Syms store opened in New York City in 1959, the Company has expanded to 37 stores and the aggregate amount of selling space in Syms stores

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has increased from approximately 2,000 square feet to approximately 1,479,000 square feet. The Company maintains a 277,000 square foot distribution center and executive headquarters in Secaucus, New Jersey.

Syms Corp was incorporated in New Jersey in 1983. The Company maintains its executive offices at Syms Way, Secaucus, New Jersey 07094, telephone (201) 902-9600. Unless otherwise noted, references to the "Company" or to "Syms" relate to Syms Corp, its subsidiaries and their predecessors.

DESCRIPTION OF BUSINESS

The Syms chain of 37 apparel stores offers a broad range of "off-price" first-quality, in-season merchandise consisting primarily of men's tailored clothing and haberdashery, women's dresses, suits and separates, children's apparel and men's, women's and children's shoes. Syms stores emphasize better quality, nationally recognized designer and brand name merchandise at prices substantially below those generally charged by department and specialty stores. Syms carries a wide selection of sizes and styles of men's, women's and children's wear.

Syms operates in a single industry segment and has no foreign operations. No material part of the Company's consolidated revenues is received from a single customer or group of customers. Please refer to Note 1 of the Consolidated Financial Statements for information on segment reporting.

MERCHANDISE

For the year ended February 25, 2006, net sales were generated by the following categories:

| | |
|---|------|
| Men's tailored clothes and haberdashery | 54% |
| Women's dresses, suits, separates and accessories ... | 28% |
| Shoes | 8% |
| Children's wear | 7% |
| Luggage, domestics and fragrances | 3% |
| | --- |
| | 100% |

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Most of the items sold by the Company consist of nationally recognized fashion brand-name merchandise. Merchandise is displayed by type and size on conveniently arranged racks or counters. No emphasis is placed on any particular "label". The stores generally offer minor alterations for an additional charge.

PURCHASING

The Company purchases first-quality, in-season, brand-name merchandise directly from manufacturers on terms more favorable than those generally obtained by department and specialty stores. Syms estimates that approximately 200 brand-name manufacturers of apparel are represented in its stores. The Company does not maintain large out-of-season inventories. However, Syms occasionally buys certain basic clothing which does not change in style from year to year at attractive prices for storage until the following season. Purchasing is performed by a buying staff in conjunction with the General Merchandise Manager and several other key divisional merchandise managers.

DISTRIBUTION

The Company owns a distribution center, located at Syms Way, Secaucus, New

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Jersey. The facility contains approximately 277,000 square feet of warehouse and distribution space, 34,000 square feet of office space and 29,000 square feet of store space. The facility is located on an 18.6 acre parcel of land for which the Company holds a ground lease for a remaining term of 270 years. Most merchandise is received from manufacturers at the distribution center where it is inspected, ticketed and allocated to particular stores.

MARKETING

The Company's pricing policy is to affix a ticket to each item displaying Syms' selling price as well as the price the Company regards as the traditional full retail price of that item at department or specialty stores. All garments are sold with the brand-name as affixed by the manufacturer. Because women's dresses are vulnerable to considerable style fluctuation, Syms has long utilized a ten-day automatic markdown pricing policy to promote movement of merchandise. The date of placement on the selling floor of each women's dress is stamped on the back of the price ticket. The front of each ticket contains what the Company believes to be the nationally advertised price, the initial Syms price and three reduced prices. Each reduced price becomes effective after the passage of ten selling days. Women's dresses represent approximately 3.6% of net sales. The Company also offers "dividend" prices consisting of additional price reductions on various types of merchandise.

Syms has as its tag line "An Educated Consumer is Our Best Customer"(R), one of the best known in retail advertising. The Company advertises principally on television, radio and, more recently, has enhanced its advertising by including print media as well as direct mail.

The Company sells its merchandise for cash, checks, national credit cards, and its own Syms credit card. Syms sells its own credit card receivables on a non-recourse basis to a third party for a fee. Merchandise purchased from the Company may be returned within a reasonable amount of time, within season. The Company does not offer cash refunds for purchases, but issues credits toward the Syms charge card and other major credit cards or store merchandise credits which may be used toward the purchase of other merchandise.

TRADEMARKS

"Syms", "An Educated Consumer is Our Best Customer"(R), "Names You Must Know"(R), and "The More You Know About Clothing, the Better it is for Syms"(R) have been registered with the United States Patent and Trademark Office.

COMPETITION

The retail apparel business is highly competitive, and the Company accounts for only a small fraction of the total market for men's, women's and children's apparel. The Company's stores compete with discount stores, apparel specialty stores, department stores, manufacturer-owned factory outlet stores and others. Many of the stores with which the Company competes are units of large national or regional chains that have substantially greater resources than the Company. Retailers having substantially greater resources than the Company have indicated their intention to enter the "off-price" apparel business, and the "off-price" apparel business itself has become increasingly competitive, especially with respect to the increased use by manufacturers of their own factory outlets and the use of on-line sites by other retailers. At various times of the year, department store chains and specialty shops offer brand-name merchandise at substantial markdowns.

OPERATIONS AND CONTROL SYSTEMS

The Company has implemented a merchandise control system which tracks a product from its purchase to its ultimate sale in the Company's stores. The

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system tracks the product by store in approximately 750 categories. All the information regarding the product is transmitted daily to the Company's database at its executive headquarters. Each week the Company's executives receive detail reports regarding sales and inventory levels in units and retail dollars on a store-by-store basis.

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Management of the Company visit stores on a regular basis, among other things, to coordinate with the store managers and train employees in loss prevention methods. Each store has on premises security personnel during normal hours and a security system after hours.

EMPLOYEES

At February 25, 2006, the Company had 1,730 employees, of whom approximately 655 work on a part time basis. Approximately 30 to 100 persons, consisting mostly of sales personnel, are employed at each Syms store. The Company has a collective bargaining agreement with Local 108 of the Retail, Wholesale and Department Store Union which expires on May 27, 2006 and covers 134 sales and tailor employees. The Company's collective bargaining agreements with Local 1102 of the Retail, Wholesale and Department Store Union and the United Food and Commercial Workers Union expired on March 31, 2006 and will expire on April 30, 2006, respectively, which together cover sales and tailor employees. The Company believes its relationships with the unions are good. The Company is presently negotiating with the unions to renew these contracts and expects these agreements to be satisfactorily finalized, shortly.

AVAILABLE INFORMATION

The Company makes available on its web site at www.syms.com under "Investor Info" - "SEC Filings," free of charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after the Company electronically files such material with or furnishes such material to the Securities and Exchange Commission (SEC).

CERTIFICATIONS

On July 25, 2005 the Company submitted to the New York Stock Exchange ("NYSE") the certification of its Chief Executive Officer pursuant to Section 303A.12(a) of the NYSE's Listed Company Manual.

ITEM 1A. RISK FACTORS

THE FOLLOWING RISK FACTORS AND OTHER INFORMATION INCLUDED IN THIS ANNUAL REPORT ON FORM 10-K SHOULD BE CAREFULLY CONSIDERED. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES WE FACE. ADDITIONAL RISK AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM IMMATERIAL ALSO MAY IMPAIR OUR BUSINESS OPERATIONS. IF ANY OF THE FOLLOWING RISKS OCCUR, OUR BUSINESS, FINANCIAL CONDITION, OPERATING RESULTS AND CASH FLOWS COULD BE MATERIALLY ADVERSELY AFFECTED.

WE HAVE HAD A HISTORY OF LOSSES AND MAY NOT BE PROFITABLE IN THE FUTURE

While we have had a net profit in some fiscal quarters, we have had a history of losses and cannot assure that we will be profitable in the future. Even if we are able to generate profit in the future, we still may not be able to maintain or increase profitability on a quarterly or annual basis.

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IF WE ARE UNABLE TO MEET CERTAIN FINANCIAL COVENANTS IN OUR CREDIT FACILITY, OUR LENDER COULD ACCELERATE THE DEBT

While we currently have no borrowings under our current credit agreement, the facility does contain financial covenants with respect to consolidated tangible net worth, as well as other financial ratios. If in the future we borrow monies under the facility and fail to meet these covenants or obtain appropriate waivers, our lender may terminate the credit facility or accelerate our debt.

OUR SALES AND OPERATING RESULTS DEPEND ON CONSUMER PREFERENCES AND FASHION TRENDS

Our sales and operating results depend in part upon our ability to anticipate and respond to product and fashion trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. There can be no assurance that our products will correspond to the changes in taste and demand or that we will be able to successfully market products that respond to such trends. This requires us to anticipate and respond to numerous and fluctuating variables in fashion trends and other conditions in the markets in which our stores are situated. A variety of factors will affect our ability to maintain the proper mix of products in each store, including without limitation, variations in local economic conditions, which could affect our customers' discretionary spending, unanticipated fashion trends, our success in distributing merchandise to our stores in an efficient manner and changes in weather patterns, which in turn affect consumer preferences. If we misjudge the market for our products, or if we are unable to anticipate and fulfill the merchandise needs of each region, we may experience decreases in our net sales due to significant excess inventories for some products and may be forced to increase markdowns in relation to slow-moving merchandise, either of which could have an adverse effect on our business, financial condition and results of operations.

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WE MAY BE UNABLE TO COMPETE FAVORABLY IN OUR HIGHLY COMPETITIVE MARKETS

The retail apparel business is highly competitive, and we only account for a small fraction of the total market for men's, women's and children's apparel. We compete against discount stores, apparel specialty stores, department stores, manufacturer-owned factory outlet stores and others. Our success depends on our ability to remain competitive with respect to style, price, brand availability and customer service. The performance of our competitors, as well as changes in their pricing policies, marketing activities and other business strategies, could have an adverse effect on our business, financial condition, results of operations and our market share.

IF WE ARE UNABLE TO RENEW OR ENTER INTO NEW LEASES ON FAVORABLE TERMS, OUR REVENUE GROWTH MAY DECLINE

Fourteen of our 37 stores are located in leased premises and the leases for ten of these 14 stores expire by 2009 and are subject to renewal. If the cost of leasing existing stores increases, we cannot assure that we will be able to maintain our existing store locations as leases expire. In addition, we may not be able to enter into new leases on favorable terms or at all, or we may not be able to locate suitable alternative sites or additional new sites for new stores in a timely manner. Our revenues and earnings may decline if we fail to maintain existing store locations, enter into new leases, locate alternative sites or find additional sites for new stores.

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OUR RESULTS OF OPERATIONS DEPEND ON KEEPING OUR EXPENSES AT AN APPROPRIATE LEVEL

Our performance depends on appropriate management of our expense structure, including our selling, general and administrative costs. If we fail to meet our expense budget or to appropriately reduce expenses during a weak sales season, our results of operations could be adversely affected.

OUR RELATIONSHIPS WITH VENDORS

We currently purchase first-quality, in-season designer and brand name merchandise from more than 200 vendors at prices below those generally available to major department and specialty stores. Although we have maintained long-term business relationship with many of these vendors, there can be no assurance that we will be able to continue to purchase first-quality, in-season merchandise from these vendors in the same breadth of styles and sizes, in the same or greater volumes and at prices as favorable as those currently available to us. If we fail to strengthen our relations with our existing vendors, or to enhance the quality of merchandise they supply us, and if we cannot maintain or acquire new vendors of in-season brand name and designer merchandise, our ability to obtain a sufficient amount and variety of merchandise at favorable prices may be limited, which could have a negative impact on our competitive position.

INVENTORY MANAGEMENT

The fashion-oriented nature of the our products and the rapid changes in customer preferences leave us vulnerable to an increased risk of inventory obsolescence. Our ability to manage inventories properly is an important factor in our operations. Inherent in our calculations are certain significant management judgments and estimates, including, among others, merchandise markon, markups, and markdowns, which significantly impact the ending inventory valuation at cost as well as resulting gross margins. While management believes that these methods provide an inventory valuation which reasonably approximates cost, if market conditions are less favorable than those projected, additional markdowns may be required. Our inability of to effectively manage inventory would have a material adverse effect on our business, financial condition and results of operations.

OUR FAILURE TO RETAIN OUR EXISTING SENIOR MANAGEMENT AND TO CONTINUE TO ATTRACT QUALIFIED NEW PERSONNEL COULD ADVERSELY AFFECT OUR BUSINESS

Our success will depend on the our ability to retain our key personnel and attract and retain talented, highly qualified executives. If we were to lose the benefit of the experience, efforts and abilities of any of our key executive and buying personnel, our business could be adversely affected. Furthermore, our success is also dependent on our ability to hire and train qualified retail management and associates.

We are also subject to risks associated with any significant disruptions in our relationship with our employees, including union employees, and any work stoppages by our employees, including union employees.

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A DECLINE IN GENERAL ECONOMIC CONDITIONS COULD LEAD TO REDUCED CONSUMER DEMAND FOR OUR MERCHANDISE

Consumer spending habits, including spending for merchandise, are affected by, among other things, prevailing economic conditions, levels of employment, salary and wage rates, prevailing interest rates, income tax rates and policies, consumer confidence and consumer perception of economic conditions. A decline in

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general economic conditions could lead to a reduced consumer demand for our merchandise, however, because of our discount pricing policies, a decline in general economic conditions may result in increased sales.

WE ARE SUBJECT TO POTENTIAL FOR UNINSURED LOSSES AND/OR CLAIMS

We are subject to the possibility of uninsured losses from risks such as terrorism, earthquakes or floods, for which no, or limited, insurance coverage is maintained. We are also subject to risk of losses which may arise from adverse litigation results or other claims.

OTHER FACTORS COULD AFFECT OUR RESULTS OF OPERATIONS AND OUR ABILITY TO GROW

Other factors that could cause actual results to differ materially from those predicted and that may adversely affect our ability to grow include: possible disruptions in our computer or telephone systems, increases in labor costs, higher than anticipated store closings or relocation costs, higher interest rates and unanticipated increase in merchandise or occupancy costs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

THE STORES

LOCATION

At February 25, 2006, the Company had 37 stores, 14 of which are located in leased facilities. The following table indicates the locations of the stores and the approximate selling space of each location. In addition to the selling space indicated, each store contains between approximately 2,000 to 12,000 square feet for inspection and ticketing of merchandise and administrative functions.

| STATE | LOCATION | LEASED/ OWNED | SELLING SPACE | STATE | LOCATION |
|-------------|-----------------|------------------|------------------|-------------------------|--------------|
| ----- | ----- | ----- | ----- | ----- | ----- |
| CONNECTICUT | Fairfield | Owned | 32,000 | NEW YORK/ NEW JERSEY | |
| | Hartford | Leased | 31,000 | | Park Avenue |
| FLORIDA | Fort Lauderdale | Owned | 44,000 | | Trinity |
| | Miami | Owned | 45,000 | | Westbury |
| | West Palm Beach | Owned | 36,000 | | Commack |
| | Tampa | Owned | 38,000 | | Westchester |
| | Kendall | Leased | 32,000 | | Rochester |
| GEORGIA | Norcross | Owned | 51,000 | | Buffalo |
| | Marietta | Owned | 39,000 | | Paramus |
| | | | | | Woodbridge |
| | | | | | Secaucus |
| | | | | | Cherry Hill |
| ILLINOIS | Addison | Owned | 47,000 | OHIO | Highland Hei |

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| | | | | | |
|---------------|------------|--------|--------|--------------|--------------------------------|
| | Niles | Leased | 32,000 | PENNSYLVANIA | King of Prussia Monroeville |
| MARYLAND | Rockville | Owned | 61,000 | | |
| | Towson | Leased | 41,000 | RHODE ISLAND | N. Cranston |
| MASSACHUSETTS | Norwood | Leased | 36,000 | TEXAS | |
| | Peabody | Leased | 39,000 | | Dallas Houston Hurst |
| MICHIGAN | Southfield | Owned | 46,000 | | |
| | Troy | Leased | 37,000 | VIRGINIA | Falls Church |
| MISSOURI | St. Louis | Leased | 33,000 | | |

Syms stores are either "free standing" or located in shopping centers or indoor malls, and all are surrounded by adequate parking areas, except for the two New York City stores. Syms stores are usually located near a major highway or thoroughfare in suburban areas populated by at least 1,000,000 people and are readily accessible to customers by automobile. In certain areas where the population is in excess of 2,000,000 people, Syms has opened more than one store in the same general vicinity.

The Company has entered into a Contract of Sale with Anton Lamar, Inc. on February 25, 2006 which got subsequently assigned to Lionstone Urban Investments One, L.P. on March 10, 2006 to sell certain real property in Dallas, Texas, and the buildings and improvements on such property including the building currently the site of the Company's Dallas store. The Company has also entered into a Contract of Sale with McFarland Development, LLC on August 1, 2005 to sell certain property in Rochester, New York, and the

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building and improvements on such property including the building currently the site of the Company's Rochester store. The closings on the Rochester, New York and Dallas, Texas properties have not been consummated.

LEASE TERMS

Fourteen of the Company's 37 stores are currently leased from unrelated parties, and the Elmsford, New York store is leased from Sy Syms, the Chairman of Syms Corp. The following table summarizes lease expirations and any renewal options:

| CALENDAR PERIODS | NUMBER OF LEASES EXPIRING | NUMBER OF LEASES WITH RENEWAL OPTIONS | RANGE IN YEARS OF OPTION PERIODS (1) |
|---------------------|---------------------------|---------------------------------------|--------------------------------------|
| ----- | ----- | ----- | ----- |
| 2006 | 1 | 0 | 0 |
| 2007 | 1 | 0 | 0 |
| 2008 | 2 | 1 | 5 years |
| 2009 | 3 | 2 | 5 years |
| 2010 | 4 | 4 | 5 years |
| 2011 and thereafter | 4 | 3 | 5 years |

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- (1) Depending on the applicable option, the minimum rent due during the renewal option periods may be based upon a formula contained in the existing lease or negotiations between the parties.

Store leases provide for a base rental of between approximately \$5.06 and \$40.79 per square foot. In addition, under the "net" terms of all of the leases, the Company must also pay maintenance expenses, real estate taxes and other charges. One of the Company's stores provide for rent based on a percentage of sales. Minimum rental payments for Syms' leased stores aggregated \$7,427,590 for the year ended February 25, 2006, of which \$796,500 was paid to Sy Syms as fixed rent. On December 1, 2002, Syms Corp and Sy Syms signed a lease for the Elmsford store for an annual rent of \$796,500 which expires on November 30, 2010.

STORE OPENINGS/CLOSINGS

The Company did not open or close any stores in fiscal 2005.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to routine litigation incident to its business. Management of the Company believes, based upon its assessment of the actions and claims outstanding against the Company, and after discussion with counsel, that there are no legal proceedings that will have a material adverse effect on the financial condition or results of operations of the Company. Some of the lawsuits to which the Company is a party are covered by insurance and are being defended by the Company's insurance carriers.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Annual Report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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MARKET INFORMATION

The common stock of the Company (the "Common Stock") is listed for trading on the New York Stock Exchange under the symbol "SYM". The following table sets forth the high and low sales prices for the Company's Common Stock as reported by the New York Stock Exchange for each quarter within the two most recent fiscal years of the Company.

| | HIGH | LOW |
|---------------------------------|---------|---------|
| | ---- | --- |
| Quarter ended February 25, 2006 | \$15.47 | \$14.12 |
| Quarter ended November 26, 2005 | 15.08 | 13.02 |
| Quarter ended August 27, 2005 | 15.64 | 13.08 |
| Quarter ended May 28, 2005 | 13.80 | 11.84 |
| Quarter ended February 26, 2005 | \$13.91 | \$11.85 |
| Quarter ended November 27, 2004 | 12.54 | 9.95 |
| Quarter ended August 28, 2004 | 11.58 | 7.93 |
| Quarter ended May 29, 2004 | 8.25 | 7.62 |

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HOLDERS

As of April 19, 2006, there were 111 record holders of the Company's Common Stock.

DIVIDENDS

On April 7, 2005, the Company's Board of Directors declared a special one-time cash dividend of \$1.00 per common share, payable May 12, 2005, to shareholders of record as of April 27, 2005. The Board of Directors of the Company did not declare dividends in the fiscal year ended February 26, 2005. Payment of dividends is within the discretion of the Company's Board of Directors and depends upon various factors including the earnings, capital requirements and financial condition of the Company (see Note 4 to Notes to Consolidated Financial Statements regarding covenants in the Company's revolving credit agreement).

ISSUER PURCHASES OF EQUITY SECURITIES

There were no repurchases of the Company's equity securities during the fourth quarter of fiscal 2005.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below has been derived from the Company's audited Consolidated Financial Statements for the fiscal years ended February 25, 2006, February 26, 2005, February 28, 2004, March 1, 2003 and March 2, 2002. The selected financial data presented below should be read in conjunction with such Financial Statements and notes thereto.

| | FISCAL YEAR ENDED | | | |
|---|--------------------------------------|----------------------|----------------------|----------|
| | FEBRUARY 25, 2006 | FEBRUARY 26, 2004 | FEBRUARY 28, 2003 | MAR 2 |
| | (IN THOUSANDS, EXCEPT PER SHARE AMOU | | | |
| INCOME STATEMENT DATA: | | | | |
| Net sales | \$280,389 | \$283,567 | \$275,219 | \$28 |
| Net income (loss) | 3,436 | 2,177 | (4,688) | (|
| Net income (loss) per share - basic | 0.23 | 0.14 | (0.31) | |
| Dividends paid | 15,028 | -- | -- | |
| Net income (loss) per share - diluted ... | 0.23 | 0.14 | (0.31) | |
| BALANCE SHEET DATA: | | | | |
| Working capital | \$ 81,832 | \$ 92,428 | \$ 76,205 | \$ 7 |
| Total assets | 239,119 | 253,491 | 253,738 | 26 |
| Other long term liabilities | 1,520 | 1,610 | 1,862 | |
| Shareholders' equity | 210,534 | 224,596 | 223,174 | 23 |

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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This Annual 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 Annual Report on Form 10-K) may include certain 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 Annual Report, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," and similar expressions, as they relate to the Company or the management of the Company, identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events, the outcome of which is subject to certain risks, including among others general economic and market conditions, decreased consumer demand for the Company's products, possible disruptions in the Company's computer or telephone systems, possible work stoppages, or increases in labor costs, effects of competition, possible disruptions or delays in the opening of new stores or inability to obtain suitable sites for new stores, higher than anticipated store closings or relocation costs, higher interest rates, unanticipated increases in merchandise or occupancy costs and other factors which may be outside the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere described in this Annual Report and other reports filed with the Securities and Exchange Commission.

EXECUTIVE OVERVIEW

Syms is an off-price retailer which operates a chain of thirty seven apparel stores located throughout the Northeastern and middle Atlantic regions, the Midwest, Southeast and Southwest. Syms stores offer a broad range of first-quality, in-season merchandise bearing nationally recognized designer and brand-name labels in men's, women's and children's apparel.

The Company experienced an improved performance in fiscal 2005 as compared to fiscal 2004. Although total store sales declined 1.1% due to the closing of three stores in fiscal 2004, comparable store sales increased by 1.0%. Our continued focus is on improving gross margin levels, lower expenses and inventories accounts for this improvement in operating performance. In fiscal 2006, we will continue our focus on sales improvement, expense and inventory management which will allow us to maintain our strong cash position and minimize our debt.

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 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

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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 this Annual Report. The Company has identified certain critical accounting policies that are described below.

MERCHANDISE INVENTORY - Inventories are valued at lower of cost or market using the retail first-in, first-out ("FIFO") inventory method. Under the retail inventory method ("RIM"), the valuation of inventories at cost and the resulting gross margins are calculated by applying a calculated cost to retail ratio to the retail value of inventories. RIM is an averaging method that has been widely used in the retail industry due to its practicality. Additionally, it is recognized that the use of RIM will result in valuing inventories at the lower of cost or market if markdowns are currently taken as a reduction of the retail value of inventories. Inherent in the RIM calculation are certain significant management judgments and estimates including, among others, merchandise markon, markups, and markdowns, which significantly impact the ending inventory valuation at cost as well as resulting gross margins. Management believes that the Company's RIM and application of FIFO provides an inventory valuation which reasonably approximates cost using a first-in, first-out assumption and results in carrying value at the lower of cost or market. If actual market conditions are less favorable than those projected by management, additional markdowns may be required.

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

DEFERRED TAX VALUATION ALLOWANCE - The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance; if the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

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

RESULTS OF OPERATIONS

The following discussion compares the fiscal years ended February 25, 2006, February 26, 2005 and February 28, 2004. The fiscal years ended February 25,

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2006, February 26, 2005 and February 28, 2004 were each comprised of 52 weeks.

FISCAL YEAR ENDED FEBRUARY 25, 2006 (FISCAL 2005) COMPARED TO FISCAL YEAR ENDED FEBRUARY 26, 2005 (FISCAL 2004)

Net sales for the fiscal year ended February 25, 2006 were \$280,389,000, a decrease of \$3,178,000 (1.1%) as compared to net sales of \$283,567,000 for the fiscal year ended February 26, 2005. The decrease in sales can be largely attributable to the closing of three stores located in Charlotte, NC, Baltimore, MD and Lawrenceville, NJ. Comparable store sales increased 1.1% for the fiscal year ended February 25, 2006 compared to fiscal year ended February 26, 2005. In our comparable store computation, we only include stores that have been opened for a period of at least twelve months and stores that were open during both fiscal years. We did not have any relocated stores or expansion in square footage in the fiscal years 2005 and 2004.

Gross profit for the fiscal year ended February 25, 2006 was \$113,076,000, an increase of \$1,194,000 (40.3% as a percentage of net sales) as compared to \$111,882,000 (39.5% as a percentage of net sales) for the fiscal year ended February 26, 2005. The increase in gross profit dollars is largely attributable to lower markdowns and improved shrinkage performance for the fiscal year 2005 versus fiscal year 2004. The Company's gross profit may not be comparable to those of other entities, since other entities may include all of the costs related to their distribution network in cost of goods sold and others, like the Company, exclude a portion of those costs from gross profit and, instead, include them in other like items, such as selling and general and administrative expenses and occupancy costs.

Selling, general and administrative (SG&A) expense was \$73,571,000 (26.2% as a percentage of net sales) for the fiscal year ended February 25, 2006 as compared to \$75,156,000 (26.5% as a percentage of net sales) for the fiscal year ended February 26, 2005. The closing of three stores located in Charlotte, NC, Baltimore, MD and Lawrenceville, NJ accounts for the decline in expenses in fiscal 2005.

Advertising expense for the fiscal year ended February 25, 2006 was \$8,097,000 (2.9% as a percentage of net sales) as compared to \$7,666,000 (2.7% as a percentage of net sales) for the fiscal year ended February 26, 2005. The increase in advertising in fiscal 2005 as compared to fiscal 2004 was due to higher expenditures in fiscal 2005 in TV and direct mail promotions.

Occupancy costs were \$17,370,000 (6.2% as a percentage of net sales) for the fiscal year ended February 25, 2006 as compared to \$17,117,000 (6.0% as a percentage of net sales) for the fiscal year ended February 26, 2005. The increase in occupancy of \$253,000 is the result of increased electricity expenses and real estate taxes which was partially offset by the occupancy expense of the three stores closed in fiscal 2004.

Depreciation and amortization expense amounted to \$8,821,000 (3.2% as a percentage of net sales) for the fiscal year ended February 25, 2006 as compared to \$9,574,000 (3.4% as a percentage of net sales) for the fiscal year ended February 26, 2005. This decline in depreciation expense resulted from some computer software assets becoming fully depreciated, and the closing of three stores located in Charlotte, NC, Baltimore, MD and Lawrenceville, NJ.

In the fiscal year ended February 26, 2005, the Company recorded a gain of \$721,000 from the sale of land in Roseland, New Jersey. This gain was offset by a charge of \$1,271,000 resulting from the exercise by the Company of its option

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to purchase the Lawrenceville store and the simultaneous sale of the Lawrenceville store resulting in a net loss on the sale of assets of \$550,000. The Lawrenceville store was closed on October 16, 2004. This action was taken by the Company as part of its continued efforts to improve profitability.

Net income before income taxes was \$6,197,000 for the fiscal year ended February 25, 2006 as compared to net income before tax of \$2,306,000 for the fiscal year ended February 26, 2005. This improvement in profit performance in fiscal 2005 as compared to fiscal 2004 resulted from higher gross profit dollars, lower expense and a non-recurring expense in fiscal 2004.

For the fiscal year ended February 25, 2006 the effective income tax expense was 44.5% as compared to 5.6% for the fiscal year ended February 26, 2005. Included in the 52 weeks ended February 26, 2005 was a tax refund from the State of Maryland for approximately \$1,400,000.

FISCAL YEAR ENDED FEBRUARY 26, 2005 (FISCAL 2004) COMPARED TO FISCAL YEAR ENDED FEBRUARY 28, 2004 (FISCAL 2003)

Net sales for the fiscal year ended February 26, 2005 were \$283,567,000, an increase of \$8,348,000 (3.0%) as compared to net sales of \$275,219,000 for the fiscal year ended February 28, 2004. The increased sales can be largely attributed to management's focus on providing improved merchandise assortments and an improved retail economic climate. Comparable store sales increased 5.3% for the fiscal year ended February 26, 2005, as compared to fiscal year ended February 28, 2004. In our comparable store computation, we only include stores that have been opened for a period of at least twelve months and stores that were open during both fiscal years. We did not have any relocated stores or expansion in square footage in the fiscal years 2004 and 2003.

Gross profit for the fiscal year ended February 26, 2005 was \$111,882,000, an increase of \$4,131,000 (39.5% as a percentage of net sales) as compared to \$107,751,000 (39.2% as a percentage of net sales) for the fiscal year ended February 28, 2004. The increase in net sales as noted above accounts for the increase in gross margin dollars in fiscal 2004 as compared to fiscal 2003. The Company's gross margin 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 margin and, instead, include them in other line items, such as selling and general and administrative expenses and occupancy costs.

Selling, general and administrative (SG&A) expense was \$75,156,000 (26.5% as a percentage of net sales) for the fiscal year ended February 26, 2005 as compared to \$76,304,000 (27.7% as a percentage of net sales) for the fiscal year ended February 28, 2004. The decline in expenses for fiscal 2004 is largely attributable to the closing of three stores located in Charlotte, NC, Baltimore, MD and Lawrenceville, NJ.

Advertising expense for the fiscal year ended February 26, 2005 was \$7,666,000 (2.7% as a percentage of net sales) as compared to \$8,409,000 (3.1% as a percentage of net sales) for the fiscal year ended February 28, 2004. The reduction in advertising expense is largely attributable to a reduction in fiscal 2005 in TV advertising with a larger emphasis on radio and print media.

Occupancy costs were \$17,117,000 (6.0% as a percentage of net sales) for the fiscal year ended February 26, 2005 as compared to \$17,418,000 (6.3% as a percentage of net sales) for the fiscal year ended February 28, 2004. This decline is due primarily to the closing of three stores located in Charlotte, NC, Baltimore, MD and Lawrenceville, NJ, which was partially offset by an increase in occupancy costs of existing stores.

Depreciation and amortization expense amounted to \$9,574,000 (3.4% as a

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percentage of net sales) for the fiscal year ended February 26, 2005 as compared to \$10,896,000 (4.0% as a percentage of net sales) for the fiscal year ended February 28, 2004. This decline in depreciation expense resulted from some computer software assets becoming fully depreciated in fiscal 2004, and the closing of three stores located in Charlotte, NC, Baltimore, MD and Lawrenceville, NJ.

In the fiscal year ended February 26, 2005, the Company recorded a gain of \$721,000 from the sale of land in Roseland, New Jersey. This gain was offset by a charge of \$1,271,000 resulting from the exercise by the Company of its option to purchase the Lawrenceville store and the simultaneous sale of the Lawrenceville store resulting in a net loss on the sales of assets of \$550,000. The Lawrenceville store was closed on October 16, 2004. This action was taken by the Company as part of its continued efforts to improve profitability.

Net income before income taxes was \$2,306,000 for the fiscal year ended February 26, 2005 as compared to net loss before tax of \$5,433,000 for the fiscal year ended February 28, 2004. This improvement in profit performance is due largely to higher sales and lower expenses in fiscal 2004.

For the fiscal year ended February 26, 2005 the effective income tax rate was 5.6% as compared to 13.7% for the fiscal year ended February 28, 2004. Included in the 52 weeks ended February 26, 2005 was a tax refund from the State of Maryland for approximately \$1,400,000.

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LIQUIDITY AND CAPITAL RESOURCES

Working capital at February 25, 2006 was \$81,832,000, a decrease of \$10,596,000 from February 26, 2005, and the ratio of current assets to current liabilities was 4.02 to 1 as compared to 4.39 to 1 at February 26, 2005. The decrease in working capital is largely attributable to payment of dividends, purchase of treasury shares and PP&E offsetting cash flows from operations.

Net cash provided by operating activities totaled \$20,079,000 for fiscal 2005 as compared to \$12,498,000 for fiscal 2004. This increase is due to lower merchandise inventories as planned by management and higher profit.

Net cash used in investing activities was \$3,887,000 for fiscal 2005 as compared to net cash provided by investing activities of \$490,000 for fiscal 2004. Purchases of property and equipment totaled \$3,894,000 and \$2,704,000 for fiscal years 2005 and 2004, respectively. This increase resulted from the renovation of the Cleveland store.

Net cash used in financing activities was \$17,854,000 for the fiscal year ended February 25, 2006 as compared to \$1,064,000 for the fiscal year ended February 26, 2005. This increase was due to the one-time cash dividend paid by the Company on May 12, 2005 to its shareholders of record totaling \$15,028,000.

The Company has a revolving credit agreement with a bank for a line of credit not to exceed \$30,000,000 through May 1, 2008. The agreement contains financial covenants, with respect to consolidated tangible net worth, as defined as working capital and maximum capital expenditures, including dividends (defined to include cash repurchases of capital stock), as well as other financial ratios. 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. For the fiscal years ended February 25, 2006 and February 26, 2005, there were no borrowings under the revolving credit

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agreement. At February 25, 2006 and February 26, 2005, the Company had \$1,189,234 and \$744,517, respectively, in outstanding letters of credit under the revolving credit agreement.

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

The Company has planned capital expenditures of approximately \$5,000,000 for the fiscal year ending March 3, 2007.

The Company's Board of Directors had authorized the repurchase of up to 20% of its outstanding shares of Common Stock at prevailing market prices through June 7, 2006. During the year ended February 25, 2006, the Company purchased 273,000 shares which represented 1.8% of its outstanding shares at a total cost of \$3,636,000.

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

IMPACT OF INFLATION AND CHANGING PRICES

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

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

To facilitate an understanding of our contractual obligations and commercial commitments, the following data is provided:

| | PAYMENTS DUE BY PERIOD | | | |
|------------------------------------|------------------------|---------------------|--------------|--------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years |
| <hr/> | | | | |
| CONTRACTUAL OBLIGATIONS | | | | |
| Employment Agreements | \$ 1,350,000 | \$ 450,000 | \$ 900,000 | \$ -- |
| Operating Leases | 36,207,339 | 7,543,262 | 14,247,407 | 10,373,770 |
| <hr/> | | | | |
| Total Contractual Cash Obligations | \$37,557,339 | \$7,993,262 | \$15,147,407 | \$10,373,770 |
| <hr/> | | | | |

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| | AMOUNT OF COMMITMENT EXPIRATION PER PERIOD | | | | |
|-------|--|------------------|-----------|-----------|---------|
| | Total Amounts Committed | Within 1 year | 2-3 years | 4-5 years | |
| <hr/> | | | | | |
| | | | | | Af Y |

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OTHER COMMERCIAL COMMITMENTS

| | | | | | | |
|------------------------------|----|-------------|----|-------------|----|----|
| Lines of Credit | \$ | -- | \$ | -- | -- | -- |
| Letters of Credit | | 1,189,234 | | 1,189,234 | -- | -- |
| | | | | | | |
| Total Commercial Commitments | | \$1,189,234 | | \$1,189,234 | -- | -- |

We took into account the material nature of employment agreements, operating agreements and lines of credit for merchandise in determining whether to include these items in contractual obligations and commercial commitments.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements (as defined in Item 303 of Regulation S-K).

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 of the Consolidated Financial Statements for a full description of the Recent Accounting Pronouncements including the respective dates of adoption and the effects on Results of Operation and Financial Condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has exposure to interest rates under its unsecured revolving credit facility. Interest on individual advances is payable quarterly at the bank's base rate, except that at the time of advance, the Company has the option to select an interest rate based upon one of two other alternative calculations, with such rate to be fixed for a period not to exceed 90 days. The average daily unused portion is subject to a commitment fee of 0.5 of 1% per annum.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements and supplementary data required by this Item are provided in the financial statements of the Company included in this Annual Report on Form 10-K as listed in Item 15(a) of the Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) 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 Annual 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, is recorded, processed, summarized and reported, within the time period specified by the Securities and Exchange Commission's rules and forms. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

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(b) Management's Report on Internal Control over Financial Reporting

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

April 20, 2006

To the Stockholders' of Syms Corp.

The management of Syms Corp. is responsible for the preparation, integrity, objectivity and fair presentation of the financial statements and other financial information presented in this report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and reflect the effects of certain judgments and estimates made by management.

In order to ensure that our internal control over financial reporting is effective, management regularly assesses such controls and did so most recently for our financial reporting as of February 25, 2006. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, referred to as COSO. Our assessment included the documentation and understanding of our internal control over financial reporting. We have evaluated the design effectiveness and tested the operating effectiveness of internal controls to form our conclusion.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that pertain to maintaining records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets, providing reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, assuring that receipts and expenditures are being made in accordance with authorizations of our management and directors and providing reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on this assessment, the undersigned officers concluded that our internal controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings and that information required to be disclosed by us in these periodic filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that our internal controls are effective to provide reasonable assurance that our financial statements are fairly presented in conformity with generally accepted accounting principles.

The Audit Committee of our Board of Directors, which consists of independent, non-executive directors, meets regularly with management, the internal auditors and the independent accountants to review accounting, reporting, auditing and internal control matters. The committee has direct and

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private access to both internal and external auditors.

BDO Seidman, LLP, independent accountants of our financial statements, has reported on management's assertion with respect to the effectiveness of our internal control over financial reporting as of February 25, 2006.

/s/ Marcy Syms
Marcy Syms
Chief Executive Officer

/s/ Antone F. Moreira
Antone F. Moreira
Chief Financial Officer

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and the Shareholders
Syms Corp
Secaucus, New Jersey

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Syms Corp and its subsidiary maintained effective internal control over financial reporting as of February 25, 2006, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted

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accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Syms Corp and its subsidiary maintained effective internal control over financial reporting as of February 25, 2006, is fairly stated, in all material respects, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 25, 2006, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Syms Corp and subsidiaries as of February 25, 2006 and February 26, 2005 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended February 25, 2006 and our report dated April 20, 2006 expressed an unqualified opinion.

/s/ BDO Seidman, LLP

BDO Seidman, LLP
New York, New York
April 20, 2006

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors and executive officers of the Company are as follows:

| NAME | AGE | TITLE |
|------------------------------|-----|--|
| ---- | --- | ----- |
| Sy Syms (1) (2) (4) | 80 | Chairman of the Board and Director of the Company |
| Marcy Syms (1) (2) (4) | 55 | Chief Executive Officer / President and Director of the Company |
| Antone F. Moreira | 69 | Vice President, Chief Financial Officer, |

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| | | | |
|--------------------------------|----|--|---|
| | | | Treasurer, Assistant Secretary and Director of the Company |
| Harvey A. Weinberg (3) (5) ... | 68 | Director of the Company | |
| Amber Brookman (3) (5) | 64 | Director of the Company | |
| Wilbur L. Ross, Jr (3) (5) ... | 68 | Director of the Company | |
| Ronald Zindman | 56 | Executive Vice President - General Merchandise Manager | |
| Allen Brailsford | 62 | Executive Vice President - Operations | |
| Myra Butensky | 47 | Vice President - Divisional Merchandise Manager Men's Tailored Clothing | |
| James Donato | 50 | Vice President - Operations | |
| Elyse Marks | 53 | Vice President - MIS | |
| John Tyzbir | 52 | Vice President - Human Resources | |

- (1) Member of the Executive Committee of the Company.
- (2) Sy Syms is the father of Marcy Syms.
- (3) Member of the Stock Option Committee of the Company.
- (4) Member of the Compensation Committee of the Company.
- (5) Member of the Audit Committee of the Company.

The members of the Company's Board of Directors hold office until the next annual meeting of shareholders and until their successors are duly elected and qualified. Executive officers are elected annually by the Board of Directors of the Company and serve at the pleasure of the Board. Marcy Syms is the daughter of Sy Syms. There are no other family relationships between any directors or executive officers of the Company. None of the organizations with which these persons were previously associated is a parent, subsidiary or other affiliate of the Company except as otherwise set forth.

SY SYMS has been Chairman of the Board, Chief Executive Officer and a Director of the Company and/or its predecessors since 1959. Mr. Syms was Chief Operating Officer of the Company from 1983 to 1984. Mr. Syms has been a Director of Israel Discount Bank of New York since December 1991. On January 22, 1998, Sy Syms resigned his position as Chief Executive Officer. Since that date, Mr. Syms has been Chairman of the Board.

MARCY SYMS has been President and a Director of the Company since 1983 and Chief Operating Officer of the Company since 1984. On January 22, 1998, Marcy Syms was named Chief Executive Officer / President.

ANTONE F. MOREIRA has been Vice President, Chief Financial Officer, Treasurer and Assistant Secretary of Syms Corp since May 1997. From 1996 to May 1997, Mr. Moreira was a financial consultant with Equitable Assurance Society, a financial services organization. From 1990 to 1995, Mr. Moreira was Executive Vice President and Chief Financial Officer of Stuarts Department Stores, Inc., a

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regional discount department store chain operating in New England. Mr. Moreira has been a Director of the Company since May 1997.

HARVEY A. WEINBERG has been a consultant in various industries since April 1994. From April 1992 to April 1994, he was President and Chief Executive Officer of HSSI, Inc., a retailer of men's and women's apparel. From 1987 to September 1990, he was Chief Executive Officer and Vice Chairman of the Board of Directors of Hartmarx Corporation and from 1990 to September 1992, he served as Chairman of the Board of Hartmarx Corporation. He is a trustee of Glimcher Realty Trust, a real estate investment trust. He is also a Director of R.G. Barry Corp. He has been a Director of the Company since December 1992.

AMBER M. BROOKMAN has been President and Chief Executive Officer of Brookwood Companies for the past fourteen years. Brookwood Companies is a textile and apparel company. Ms. Brookman manages the activities of five divisions of Brookwood, as well as its wholly owned subsidiaries Brookwood Laminating, Kenyon Industries, Inc., Xtra Mile and Solutions 4. Ms. Brookman has been a Director of the Company since July 2004.

WILBUR L. ROSS, JR. has been a principal of W L Ross & Company LLC since 2000. Prior to 2000, Mr. Ross was Managing Director of Rothchild, Inc. from 1976 to 1999. He was a Director of the Company from 1983 through March 1999 and was reappointed Director in October 2000.

RONALD ZINDMAN has been Executive Vice President - General Merchandise Manager since March 1997. He was Vice President, General Merchandise Manager, Ladies, Mens and Haberdashery from July 1994 to March 1997. Previously, Mr. Zindman was Vice President - General Merchandise Manager Ladies from March 1993 to July 1994 and a buyer of men's and women's merchandise from March 1990 to March 1993.

ALLEN BRAILSFORD has been Executive Vice President since April 2001. Mr. Brailsford was Vice President of Operations of the Company from March 1992 to March 2001, and from March 1985 to March 1992, he was Director of Distribution of the Company.

MYRA BUTENSKY has been Vice President - Divisional Merchandise Manager, Men's Tailored Clothing of the Company since January 1999. From May 1998 to January 1999, Ms. Butensky was Divisional Merchandise Manager, Ladies of the Company. From June 1991 to April 1998, Ms. Butensky was a ladies buyer. Prior to joining the Company in 1991, Ms. Butensky was a buyer with Popular Trading Club, Inc, and also spent 10 years with Macy's in a number of buying positions.

JAMES DONATO has been Vice President of Operations of the Company since April 2001. From November 1997 to March 2001 he was Director of Store Planning of the Company. Prior to November 1997, Mr. Donato was in store management as a District Manager and Store Manager of the Company.

ELYSE MARKS has been Vice President of MIS of the Company since April 2001. From November 1999 to March 2001 Ms. Marks was Director of MIS of the Company. From January 1998 to November 1999, Ms. Marks was manager of MIS and store systems of the Company. From 1983 to 1987, she was also in store management for the Company.

JOHN TYZBIR has been Vice President - Human Resources of the Company since April 1999. From January 1995 to October 1997, Mr. Tyzbir was Director of Human Resources of Zallie Supermarkets Corp. From June 1991 to January 1995, Mr. Tyzbir was Director of Human Resources and Planning of Carson Pirie Scott Inc.

In accordance with General Instruction G(3) of the General Instructions to Form 10-K, the other information called for by Item 10 is omitted from this Annual Report and is incorporated by reference to the definitive Proxy Statement to be

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filed by the Company pursuant to Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, which the Company will file not later than 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

In accordance with General Instruction G(3) of the General Instructions to Form 10-K, the information called for by Item 11 is omitted from this Annual Report and is incorporated by reference to the definitive Proxy Statement to be filed by the Company pursuant to Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, which the Company will file not later than 120 days after the end of the fiscal year covered by this report.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The following table sets forth equity compensation plan information as of February 25, 2006:

| EQUITY COMPENSATION PLAN INFORMATION | | | |
|---|---|---|---|
| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
| ----- | (a) | (b) | (c) |
| Equity compensation plans approved by security holders..... | 738,511 | \$8.08 | 194,890 |
| Equity compensation plans not approved by security holders..... | N/A | N/A | N/A |
| Total..... | 738,511 | \$8.08 | 194,890 |

In accordance with General Instruction G(3) of the General Instructions to Form 10-K, the other information called for by Item 12 is omitted from this Annual Report and is incorporated by reference to the definitive Proxy Statement to be filed by the Company pursuant to Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, which the Company will file not later than 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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In accordance with General Instruction G(3) of the General Instructions to Form 10-K, the information called for by Item 13 is omitted from this Annual Report and is incorporated by reference to the definitive Proxy Statement to be filed by the Company pursuant to Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, which the Company will file not later than 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

In accordance with General Instruction G(3) of the General Instructions to Form 10-K, the information called for by Item 14 is omitted from this Annual Report and is incorporated by reference to the definitive Proxy Statement to be filed by the Company pursuant to Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, which the Company will file not later than 120 days after the end of the fiscal year covered by this Annual Report.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

PAGE NUMBER

(a) (1) Financial Statements:

| | |
|---|-----|
| Report of Independent Registered Public Accounting Firm | F-1 |
| Consolidated Balance Sheets | F-2 |
| Consolidated Statements of Operations | F-3 |
| Consolidated Statements of Shareholders' Equity | F-4 |
| Consolidated Statements of Cash Flows | F-5 |
| Notes to Consolidated Financial Statements | F-6 |

(a) (2) List of Financial Statement Schedules:

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All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements or notes thereto.

(a) (3) List of Exhibits:

The following exhibits which are marked with an asterisk are filed as part of this Annual Report and the other exhibits set forth below are incorporated by reference (utilizing the same exhibit numbers, except as stated otherwise below) from (i) the Company's Registration Statement on Form S-1 under the Securities Act of 1933 (Registration No. 2-85554) filed August 2, 1983 and declared effective September 23, 1983 or (ii) where indicated, the Company's reports on Form 8-K, Form 10-Q or Form 10-K or the Company's Proxy Statement (Commission File No. 1-8564).

- 3.1 Certificate of Incorporation of Syms Corp, as amended
- 3.2 By-laws of Syms Corp
- 4.1 Specimen Certificate of Common stock

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- 10.3 Elmsford (White Plains), New York Leased Premises
 - 10.3a Lease, June 21, 1977
 - 10.3b Lease Modification, December 28, 1978
 - 10.3c Lease Modification, July 26, 1983
 - 10.3d Consent, July 29, 1983
 - 10.3e Parking Area Lease No. 1, July 29, 1969
 - 10.3f Parking Area Sublease No. 1, November 29, 1974
 - 10.3g Parking Area Lease No. 2, June 23, 1969
 - 10.3h Parking Area Sublease No. 2, November 29, 1974
 - 10.3i Assignment and Assumption, July 29, 1983
 - 10.3j Third Lease Modification Agreement, December 1, 2002
- 10.4 Ground Lease at One Emerson Lane, Township of Secaucus, Hudson County, New Jersey Assignment and Assumption of Ground Lease, dated May 8, 1986, to Registrant (exhibit 28.1 to 8-K Report dated May 1986)
- 10.21 Syms Corp 1983 Incentive Stock Option and Appreciation Plan as Amended and Restated (Exhibit A to Company's Proxy Statement for the 1993 Annual Meeting of Shareholders)
- 10.32 Revolving Credit Agreement dated as of December 1, 1993 between Syms Corp and Summit Bank (successor to United Jersey Bank) (8-K Report dated December 7, 1993)
- 10.33 Form of Indemnification Agreement between Registrant and Directors and Executive Officers of the Registrant (10-K Report for fiscal year ended March 2, 1996)
- 10.35 Employment Agreement dated November 1, 1996 between Syms Corp and Ronald Zindman (10-K Report for fiscal year ended March 1, 1997)
- 10.36 Stock Option Certificate for Ronald Zindman (10-K Report for fiscal year ended March 1, 1997)
- 10.38 First Amendment to Revolving Credit Agreement, dated November 24, 1997, between Syms Corp and Summit Bank. (10-K Report for fiscal year ended February 28, 1998)
- 10.39 Credit Program Agreement, dated January 27, 2000 between Syms Corp and Conseco Finance Corp (10-K Report for fiscal year ended February 26, 2000)
- 10.41 Amendment to the Amended and Restated Incentive Stock Option and Appreciation (10-Q Report for quarter ended November 25, 2000)
- 10.46 Agreement and Plan of Reorganization, dated as of May 1, 2002, between Stanley Blacker, Inc. and Syms Corp
- 10.48 Amendment to Syms Corp Amended and Restated Incentive Stock Option and Appreciation Plan (10-Q Report for fiscal quarter ended August 30, 2003)
- 10.49 Seventh Amendment to Revolving Credit Agreement and Second Amendment to Promissory Note, dated as of July 23, 2003, between Syms Corp and Fleet National Bank (10-Q Report for fiscal quarter ended August 30, 2003)
- 10.50 Loan Agreement, dated as of November 5, 2003, between Syms Corp and Israel Discount Bank of New York (10-Q Report for fiscal quarter ended November 29, 2003)

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- 10.51 First Amendment to Loan Agreement, dated April 7, 2005, between Syms Corp and Israel Discount Bank of New York (current report on Form 8-K dated April 8, 2005.)
- 10.52 Syms Corp 2005 Stock Option Plan, as amended (current report on Form 8-K dated August 5, 2005)
- 10.53 Form of Nonqualified Stock Option Award Agreement for 2005 Stock Option Plan (current report on Form 8-K dated August 5, 2005)
- 10.54 Form of Incentive Option Award for 2005 Stock Option Plan (current report on Form 8-K dated August 5, 2005)
- 10.55 Form of Restricted Stock Award for 2005 Stock Option Plan (current report on Form 8-K dated August 5, 2005)
- 21* List of Subsidiaries
- 23.1* Consent of BDO Seidman, LLP
- 31.1* Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2* Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1* Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities and Exchange Act of 1934 and 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2* Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities and Exchange Act of 1934 and 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYMS CORP

By: /s/ Marcy Syms

Marcy Syms
Chief Executive Officer / President

Date: April 21, 2006

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Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| SIGNATURE ----- | TITLE ----- | DATE ---- |
|---|--|----------------|
| /s/ Sy Syms ----- Sy Syms | Chairman of the Board and Director | April 21, 2006 |
| /s/ Marcy Syms ----- Marcy Syms | Chief Executive Officer/President and Director (Principal executive officer) | April 21, 2006 |
| /s/ Antone F. Moreira ----- Antone F. Moreira | Vice President, Chief Financial Officer, Assistant Secretary and Director (Principal financial and accounting officer) | April 21, 2006 |
| /s/ Harvey A. Weinberg ----- Harvey A. Weinberg | Director | April 21, 2006 |
| /s/ Amber M. Brookman ----- Amber M. Brookman | Director | April 21, 2006 |
| /s/ Wilbur L. Ross, Jr. ----- Wilbur L. Ross, Jr. | Director | April 21, 2006 |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and the Shareholders
Syms Corporation
Secaucus, New Jersey

We have audited the accompanying consolidated balance sheets of Syms Corp, and its subsidiary, as of February 25, 2006 and February 26, 2005 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended February 25, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the

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financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Syms Corp, and its subsidiary, at February 25, 2006 and February 26, 2005, and the results of their operations and their cash flows for each of the three years in the period ended February 25, 2006, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Syms Corp's internal control over financial reporting as of February 25, 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated April 20, 2006 expressed an unqualified opinion thereon.

/s/ BDO Seidman, LLP
New York, New York
April 20, 2006

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SYMS CORP AND ITS SUBSIDIARY CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

| | FEBRUARY 25, 2006 | FEBRUARY 26, 2005 |
|---|----------------------|----------------------|
| | ----- | ----- |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 30,007 | \$ 31,669 |
| Receivables | 3,158 | 2,653 |
| Merchandise inventories | 57,469 | 66,124 |
| Deferred income taxes | 6,325 | 6,382 |
| Assets held for sale | 5,882 | 6,878 |
| Prepaid expenses and other current assets | 6,056 | 6,007 |
| Total current assets | ----- 108,897 | ----- 119,713 |
| PROPERTY AND EQUIPMENT - NET | 106,702 | 110,614 |
| DEFERRED INCOME TAXES | 5,511 | 7,212 |
| OTHER ASSETS | 18,009 | 15,952 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 239,119 ===== | \$ 253,491 ===== |

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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

| | | |
|---------------------------|-----------|-----------|
| Accounts payable | \$ 15,496 | \$ 15,497 |
| Accrued expenses | 7,631 | 7,835 |
| Accrued insurance | 313 | |
| | | 570 |
| Obligation to customers | 3,625 | 3,383 |
| | ----- | ----- |
| Total current liabilities | 27,065 | 27,285 |

| | | |
|-----------------------------|-------|-------|
| OTHER LONG TERM LIABILITIES | 1,520 | 1,610 |
|-----------------------------|-------|-------|

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

| | | |
|---|----------|----------|
| Preferred stock, par value \$100 per share - authorized 1,000 shares; none outstanding | -- | -- |
| Common stock, par value \$0.05 per share - authorized 30,000 shares; 14,934 shares outstanding as of February 25, 2006 (net of 3,328 treasury shares) and 15,087 shares outstanding as of February 26, 2005 (net of 3,055 treasury shares) | 769 | 763 |
| Additional paid-in capital | 16,656 | 15,496 |
| Treasury stock | (29,649) | (26,013) |
| Retained earnings | 222,758 | 234,350 |
| | ----- | ----- |
| Total shareholders' equity | 210,534 | 224,596 |

| | | |
|--|------------|------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 239,119 | \$ 253,491 |
| | ===== | ===== |

See Notes to Consolidated Financial Statements

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SYMS CORP AND ITS SUBSIDIARY CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

| | FISCAL YEAR ENDED | | |
|-------------------------------------|----------------------|----------------------|----------------------|
| | FEBRUARY 25, 2006 | FEBRUARY 26, 2005 | FEBRUARY 28, 2004 |
| | ----- | ----- | ----- |
| NET SALES | \$ 280,389 | \$ 283,567 | \$ 275,219 |
| Cost of goods sold | 167,313 | 171,685 | 167,468 |
| | ----- | ----- | ----- |
| Gross profit | 113,076 | 111,882 | 107,751 |
| EXPENSES | | | |
| Selling, general and administrative | 73,571 | 75,156 | 76,304 |
| Advertising | 8,097 | 7,666 | 8,409 |

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| | | | |
|---------------------------------------|----------|----------|------------|
| Occupancy | 17,370 | 17,117 | 17,418 |
| Depreciation and amortization | 8,821 | 9,574 | 10,896 |
| Loss on sale of assets | -- | 550 | -- |
| Other income | (58) | (55) | (368) |
| Special charges | -- | -- | 500 |
| | ----- | ----- | ----- |
| Total expenses | 107,801 | 110,008 | 113,159 |
| Income (loss) from operations | 5,275 | 1,874 | (5,408) |
| Interest expense | 181 | 154 | 206 |
| | | ----- | ----- |
| Interest income | (1,103) | (586) | (181) |
| Income (loss) before income taxes | 6,197 | 2,306 | (5,433) |
| Provision (benefit) for income taxes | 2,761 | 129 | (745) |
| | ----- | ----- | ----- |
| NET INCOME (LOSS) | \$ 3,436 | \$ 2,177 | \$ (4,688) |
| | ===== | ===== | ===== |
| Net Income (loss) Per Share - basic | \$ 0.23 | \$ 0.14 | \$ (0.31) |
| | ===== | ===== | ===== |
| Weighted Average Shares | | | |
| Outstanding - basic | 14,969 | 15,139 | 15,285 |
| | ===== | ===== | ===== |
| Net Income (loss) Per Share - diluted | \$ 0.23 | \$ 0.14 | \$ (0.31) |
| | ===== | ===== | ===== |
| Weighted Average Shares | | | |
| Outstanding - diluted | 15,288 | 15,340 | 15,285 |
| | ===== | ===== | ===== |

See Notes to Consolidated Financial Statements

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SYMS CORP AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(IN THOUSANDS)

| | Common Shares | Stock Amount | Additional Paid-in Capital | Treasury Shares | Stock Amount | Retained Earnings | Tota |
|------------------------------------|------------------|-----------------|----------------------------------|--------------------|-----------------|----------------------|---------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| BALANCE AS OF March 1, 2003 | 17,949 | \$ 772 | \$14,093 | (2,514) | \$(21,573) | \$ 236,861 | \$ 230, |
| Exercise of options | 23 | 1 | 146 | -- | -- | -- | |
| Stock buyback | -- | (18) | -- | (366) | (2,420) | -- | (2, |
| Net loss | -- | -- | -- | -- | -- | (4,688) | (4, |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| BALANCE AS OF February 28, 2004 | 17,972 | 755 | 14,239 | (2,880) | (23,993) | 232,173 | 223, |

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| | | | | | | | |
|--|--------|--------|----------|---------|-------------|------------|------------|
| Exercise of options | 170 | 8 | 948 | -- | -- | -- | |
| Tax benefit derived from exercise of options | -- | -- | 309 | -- | -- | -- | |
| Stock buyback | -- | -- | -- | (175) | (2,020) | -- | (2,000) |
| Net profit | -- | -- | -- | -- | -- | 2,177 | 2,177 |
| ----- | | | | | | | |
| BALANCE AS OF | | | | | | | |
| February 26, 2005 | 18,142 | 763 | 15,496 | (3,055) | (26,013) | 234,350 | 224,041 |
| Exercise of options | 120 | 6 | 804 | -- | -- | -- | |
| Tax benefit derived from exercise of options | -- | -- | 356 | -- | -- | -- | |
| Payment of dividends | -- | -- | -- | -- | -- | (15,028) | (15,028) |
| Stock buyback | -- | -- | -- | (273) | (3,636) | -- | (3,909) |
| Net profit | -- | -- | -- | -- | -- | 3,436 | 3,436 |
| ----- | | | | | | | |
| BALANCE AS OF | | | | | | | |
| February 25, 2006 | 18,262 | \$ 769 | \$16,656 | (3,328) | \$ (29,649) | \$ 222,758 | \$ 210,106 |
| ===== | | | | | | | |

See Notes to Consolidated Financial Statements

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SYMS CORP AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

| | FISCAL YEAR ENDED | | |
|--|----------------------|----------------------|----------------------|
| | FEBRUARY 25, 2006 | FEBRUARY 26, 2005 | FEBRUARY 26, 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income (loss) | \$ 3,436 | \$ 2,177 | \$ (4,000) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 8,821 | 9,574 | 10,000 |
| Deferred income taxes | 2,115 | 1,430 | (1,000) |
| Loss on sale of property and equipment | (7) | 696 | |
| (Increase) decrease in operating assets: | | | |
| Receivables | (505) | 1,151 | (2,000) |
| Merchandise inventories | 8,655 | 3,102 | 8,000 |
| Prepaid expenses and other current assets | (50) | (1,997) | 1,000 |

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| | | | |
|--|-----------|------------|-------|
| Other assets | (2,076) | (1,972) | (5) |
| Increase (decrease) in operating liabilities: | | | |
| Accounts payable | (1) | (657) | 3 |
| Accrued expenses | (461) | (567) | (5) |
| Obligations to customers | 242 | (187) | |
| Other long term liabilities | (90) | (252) | |
| | ----- | ----- | ----- |
| Net cash provided by operating activities | 20,079 | 12,498 | 6 |
| | ----- | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property and equipment | (3,894) | (2,704) | (2) |
| Proceeds from sale of property and equipment | 7 | 3,194 | |
| | ----- | ----- | ----- |
| Net cash provided by (used in) investing activities | (3,887) | 490 | (2) |
| | ----- | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payment of dividend | (15,028) | -- | |
| Purchase of treasury shares | (3,636) | (2,020) | (2) |
| Exercise of options | 810 | 956 | |
| | ----- | ----- | ----- |
| Net cash used in financing activities | (17,854) | (1,064) | (2) |
| | ----- | ----- | ----- |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,662) | 11,924 | 1 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 31,669 | 19,745 | 18 |
| | ----- | ----- | ----- |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 30,007 | \$ 31,669 | \$ 19 |
| | ===== | ===== | ===== |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Cash paid during the period for: | | | |
| Interest | \$ 146 | \$ 170 | \$ |
| | ===== | ===== | ===== |
| Income taxes paid, net of refunds | \$ 554 | \$ (1,387) | \$ 4 |
| | ===== | ===== | ===== |

See Notes to Consolidated Financial Statements

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SYMS CORP AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDED FEBRUARY 25, 2006, FEBRUARY 26, 2005 AND FEBRUARY 28, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. PRINCIPAL BUSINESS - Syms Corp and subsidiary (the "Company") operate a chain of 37 "off-price" retail 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.
- b. PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated.
- c. ACCOUNTING PERIOD - The fiscal years ended February 25, 2006, February 26, 2005 and February 28, 2004 were comprised of 52 weeks.

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- d. CASH AND CASH EQUIVALENTS- Cash and cash equivalents include securities with original maturities of three months or less.
- e. CONCENTRATIONS OF CREDIT RISK - The Companies' financial instruments that are exposed to concentrations of credit risk consist primarily of cash.

The Companies have substantially all of their cash in banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 in each bank. Such cash balances at times exceed federally-insured limits. The Companies have not experienced any losses in such accounts.

The Company has a collective bargaining agreement with Local 108 of the Retail, Wholesale and Department Store Union which expires on May 27, 2006 and covers 134 sales and tailor employees. The Company's collective bargaining agreements with Local 1102 of the Retail, Wholesale and Department Store Union and the United Food and Commercial Workers Union expired on March 31, 2006 and will expire on April 30, 2006, respectively, which together cover sales and tailor employees. The Company believes its relationships with the unions are good. The Company is presently negotiating with the unions to renew these contracts and expects these agreements to be satisfactorily finalized, shortly.

- f. RECEIVABLES - Receivables represent third party credit card receivables.
- g. MERCHANDISE INVENTORIES - Merchandise inventories are stated at the lower of cost or market on a first-in first-out (FIFO) basis, as determined by the retail inventory method.
- h. PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. Depreciation and amortization are principally determined by the straight-line method over the following estimated useful lives:

| | |
|----------------------------|--|
| Buildings and improvements | 15 - 39 years |
| Machinery and equipment | 4 - 7 years |
| Furniture and fixtures | 7-10 years |
| Leasehold improvements | Lesser of life of the asset or life of lease |
| Computer software | 3 years |

The Company's policy is to amortize leasehold improvements over the original lease term and not include any renewal terms. The Company's policy is to capitalize costs incurred during the application-development stage

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for software bought and further customized by outside vendors for the Company's use. Computer software is included in property, plant and equipment - net on the balance sheet.

- i. IMPAIRMENT OF LONG-LIVED ASSETS - The Company periodically reviews long-lived assets for impairment whenever changes in the circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company considers relevant cash flow, management's strategic plans, significant decreases in the market value of the asset and other available information in assessing whether the carrying value of the assets can be recovered. When such events occur, the Company compares the carrying amount of the assets to undiscounted expected future cash flows from the use and eventual disposition of the asset. If this comparison indicates an impairment, the carrying amount would then be compared to the fair value of the long-lived asset. An impairment loss would be measured as the amount by which the carrying value of the long-lived asset exceeds its

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fair value. The difference would be recorded as an impairment of assets.

- j. INCOME TAXES - Deferred income taxes reflect the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at year end.
- k. OBLIGATION TO CUSTOMERS - Obligations to customers represent credits issued for returned merchandise as well as gift certificates. When the Company sells a gift certificate to a customer, it is recorded as a liability in the period it occurred. When the customer redeems the gift certificate for the purchase of merchandise, a sale is recorded and the liability reduced.
- l. USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include inventory provision, sales return, self-insurance accruals and lives of long-lived assets. Actual results could differ from those estimates.
- m. REVENUE RECOGNITION - The Company recognizes revenue at the "point of sale". Allowance for sales returns is recorded as a component of net sales in the period in which the related sales are recorded.
- n. COMPREHENSIVE INCOME - Comprehensive income is equivalent to the Company's net income for fiscal years 2005, 2004 and 2003.
- o. SEGMENT REPORTING - Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information" establishes standards for reporting information about a company's operating segments. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company operates in a single operating segment - the operation of retail off-price stores. Revenues from external customers are derived from merchandise sales. The Company's merchandise sales mix by product category for the last three fiscal years was as follows:
- p. Gross Profit - 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 like items, such as selling and general and administrative expenses and occupancy costs.

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| | FISCAL YEAR | | |
|---|-------------|------|------|
| | 2005 | 2004 | 2003 |
| Men's tailored clothes and haberdashery | 54% | 53% | 52% |
| Women's dresses, suits, separates and accessories | 28% | 29% | 30% |
| Shoes | 8% | 8% | 8% |
| Children's wear | 7% | 7% | 7% |
| Luggage, domestics and fragrances | 3% | 3% | 3% |
| | 100% | 100% | 100% |

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The Company does not rely on any major customers as a source of revenue.

- q. COMPUTER SOFTWARE COSTS - The Company capitalizes the cost of software developed or purchased for internal use.
- r. OTHER ASSETS - Other assets include \$17,304,000 and \$15,266,000 of cash surrender value of officer's life insurance, and \$705,000 and \$686,000 of other miscellaneous assets such as security deposits, step rent receivables and deferred lease acquisition costs at February 25, 2006 and February 26, 2005, respectively.
- s. ADVERTISING COSTS - Advertising and sales promotion costs are expensed at the time the advertising occurs. Advertising and sales promotion costs were \$8,097,000, \$7,666,000 and \$8,409,000 in 2005, 2004 and 2003, respectively. The Company does not receive any allowances and credits from vendors in connection with the purchase or promotion of the vendor's product, such as, co-operative advertising and other considerations.
- t. RECLASSIFICATIONS - Certain amounts in the 2003 and 2004 financial statements have been reclassified to conform with the 2005 presentation.
- u. ACCOUNTING FOR STOCK-BASED COMPENSATION - The Company complies with Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS No. 123"). This statement defines a fair value based method whereby compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. Under SFAS No. 123, companies are encouraged, but are not required, to adopt the fair value method of accounting for employee stock-based transactions. The Company accounts for such transactions under Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, but discloses pro forma net loss as if the Company had applied the SFAS No. 123 method of accounting.

Pro forma information, assuming the Company had accounted for its employee stock options granted under the fair value method prescribed by SFAS No. 123, as amended by Financial Accounting Standards Board Statement No. 148, "Accounting for Stock Based Compensation - Transition and Disclosure, an Amendment of the Financial Accounting Standards Board ("FASB") Statement No. 123" is presented below. The fair value of each option grant is estimated on the date of each grant using the Black-Scholes option-pricing model. There were no stock options granted in fiscal 2004 and 2003 and a total of 97,500 options were granted in 2005. The fair value generated by the Black-Scholes model may not be indicative of the future benefit, if any, that may be received by the option holder.

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| | 2005 | 2004 | 2003 |
|---|---------|---------|-----------|
| | ----- | ----- | ----- |
| (in thousands except per share amount) | | | |
| Net income (loss) as reported | \$3,436 | \$2,177 | (\$4,688) |
| Less stock option expense using fair value method | (773) | -- | (\$484) |
| | ----- | ----- | ----- |

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| | | | |
|--|---------|---------|-----------|
| Pro forma net income (loss) | \$2,663 | \$2,177 | (\$5,172) |
| | ===== | ===== | ===== |
| Net income (loss) per share basic and diluted as reported | \$.23 | \$.14 | (\$.31) |
| Net income (loss) per share basic and diluted pro forma | \$.17 | \$.14 | (\$.34) |

The Black-Scholes for fiscal 2005 resulted in an expense attribution of \$773,000. There were 739,000 options outstanding and exercisable at a weighted average price of \$8.08. The assumptions used in the Black-Scholes calculations were at an interest rate of 4.23% in 2005. Stock volatility was 0.33 for fiscal 2005. The expected life of the options outstanding range from .6 to 9.3 years. There is no expected annual dividend for the indefinite future.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). This Statement replaces APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, most voluntary changes in accounting principles required recognition through a cumulative adjustment within net income of the period of the change. SFAS 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005; however, the Statement does not change the specific transition provisions of any existing or future accounting pronouncements. The adoption of this statement is not expected to have a material effect on our financial position or results of operations.

In March 2005, the FASB issued FASB Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations." FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Assets Retirements Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Furthermore, the uncertainty about the timing and or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 clarifies that an entity is required to recognize the liability for the fair value of a conditional asset obligation when incurred if the liability's fair value can be reasonably estimated. The adoption of this statement is not expected to have a material effect on our financial position or results of operations. We intend to implement the provisions of this statement in the first quarter of 2006.

In December 2004, the FASB issued SFAS 151, "Inventory Costs," which is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. This statement amends ARB No. 43, Chapter 4, "Inventory

Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). SFAS 151

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requires that these items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal". In addition, allocation of fixed production overheads to the costs of conversion must be based on the normal capacity of the production facilities. The adoption of this statement is not expected to have a material effect on our financial position or results of operations.

In December 2004, the FASB issued SFAS 123R, "Share-Based Payment." This statement is a revision of SFAS 123, "Accounting for Stock-Based Compensation" and supersedes APB 25, "Accounting for Stock Issued to Employees," and is effective the first annual period that begins after June 15, 2005 or the Company's first quarter of fiscal 2006. SFAS 123R establishes standards on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement requires measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period. SFAS 123R also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.. If options are granted in the future, it could have a material affect on operations. We intend to implement the provisions of this statement in the first quarter of 2006.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107, "Share-Based Payments" ("SAB 107"). SAB 107 expresses views of the SEC regarding the interaction between SFAS 123R and certain SEC rules and regulations and provides the SEC's views regarding the valuation of share-based compensation for public companies. We intend to apply the principles of SAB 107 in conjunction with our adoption of SFAS 123R.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of:

| | FEBRUARY 25, 2006 | FEBRUARY 26, 2005 |
|--|----------------------|----------------------|
| | ----- | ----- |
| | (IN THOUSANDS) | |
| Land | \$ 40,663 | \$ 40,279 |
| Buildings and building improvements | 118,154 | 116,251 |
| Leasehold and leasehold improvements | 30,192 | 30,139 |
| Machinery and equipment | 22,432 | 21,637 |
| Furniture and fixtures | 20,954 | 20,943 |
| Construction in progress | 1,626 | 249 |
| Computer software | 12,717 | 11,888 |
| | ----- | ----- |
| | 246,738 | 241,386 |
| | | |
| Less accumulated depreciation and amortization | 140,036 | 130,772 |
| | ----- | ----- |
| | \$106,702 | \$110.614 |
| | ===== | ===== |

Included in assets held for sale is property that the Company intends to sell (property located in Dallas, Texas and Rochester, New York). The Company presently has contracts to sell both properties at amounts in excess of its carrying value. Such assets have carrying value of approximately \$5,882,000 as of February 25, 2006. At February 26, 2005, assets held for sale included a

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contract for the purchase of the North Randall, Ohio property. This contract was cancelled by seller and this has been placed back into property and equipment..

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NOTE 3 - INCOME TAXES

The provision (benefit) for income taxes is as follows:

| | FISCAL YEAR ENDED | | |
|-----------|----------------------|----------------------|----------------------|
| | FEBRUARY 25, 2006 | FEBRUARY 26, 2005 | FEBRUARY 28, 2004 |
| | (in thousands) | | |
| Current: | | | |
| Federal | \$ 226 | \$ -- | \$ -- |
| State | 420 | (1,301) | 436 |
| | 646 | (1,301) | 436 |
| Deferred: | | | |
| Federal | 1,853 | 1,279 | (279) |
| State | 262 | 151 | (902) |
| | 2,115 | 1,430 | (1,181) |
| | \$ 2,761 | \$ 129 | \$ (745) |

The following is a reconciliation of income taxes computed at the U.S. Federal statutory rate to the provision for income taxes:

| | FISCAL YEAR ENDED | | |
|---------------------------------------|----------------------|----------------------|----------------------|
| | FEBRUARY 25, 2006 | FEBRUARY 26, 2005 | FEBRUARY 28, 2004 |
| Statutory Federal income tax rate | 35.0% | 35.0% | (35.0%) |
| State taxes | 7.1% | (32.4%) | (5.6%) |
| Officers' life insurance | 6.5% | 22.2% | 9.3% |
| Expiration of net operating loss | -- | -- | (12.0%) |
| Change of valuation allowance | -- | (21.7%) | 27.6% |
| Adjustment of prior year deferred tax | (4.7%) | -- | -- |
| Other | .6% | 2.5% | 2.0% |
| | 44.5% | 5.6% | (13.7%) |
| Effective income tax rate | 44.5% | 5.6% | (13.7%) |

The composition of the Company's deferred tax assets and liabilities is as follows:

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| | FISCAL YEAR ENDED | |
|--|----------------------|----------------------|
| | FEBRUARY 25, 2006 | FEBRUARY 26, 2005 |
| | (In thousands) | (In thousands) |
| Deferred tax assets: | | |
| Capitalization of inventory costs | \$ 1,075 | \$ 1,199 |
| Pension cost | 550 | 240 |
| Reserves not currently deductible for tax purposes | 2,099 | 2,068 |
| Net operating losses | 4,086 | 7,845 |
| Depreciation | 4,248 | 2,687 |
| Step Rent | 514 | 522 |
| Minimum tax credit | 226 | -- |
| Other | 38 | 33 |
| | ----- | ----- |
| Deferred tax assets before valuation allowance | 12,836 | 14,594 |
| Valuation allowance | (1,000) | (1,000) |
| | ----- | ----- |
| Net deferred tax assets | \$ 11,836 | \$ 13,594 |
| | ===== | ===== |
| | | |
| Current deferred tax asset | \$ 6,325 | \$ 6,382 |
| Long term deferred tax asset | 5,511 | 7,212 |
| | ----- | ----- |
| Total | \$ 11,836 | \$ 13,594 |
| | ===== | ===== |

At February 25, 2006, the Company had federal and state net operating loss carry forwards of \$6,137,618 and \$46,687,242, respectively. The Company maintains a valuation allowance of approximately \$1,000,000 with regard to a net operating loss carry forward which expires within the next year. The valuation allowance relates to the state net operating loss carry forwards. The net operating losses expire in years through 2024.

Based on management's assessment it is more likely than not that deferred tax assets will be realized by future taxable income or tax planning strategies.

NOTE 4 - 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 February 25, 2006. 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. For the fiscal years ended February 25, 2006 and February 26, 2005, there were no borrowings under the revolving credit agreement. At February 25, 2006 and February 26, 2005, the Company had \$1,189,234 and \$744,517, respectively, in outstanding letters of credit under the Revolving Credit Agreement. The outstanding letters of credit for the fiscal years ended February 25, 2006 and February 26, 2005 are part of the unsecured \$30,000,000 line of credit.

Total interest charges incurred for the fiscal years ended February 25, 2006, February 26, 2005 and February 28, 2004 were \$181,000, \$154,000 and \$206,000, respectively. There was no capitalized interest for fiscal years 2005, 2004 and 2003.

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

NOTE 5 - FAIR VALUE DISCLOSURES

THE FAIR VALUE OF THE COMPANY'S CASH AND CASH EQUIVALENTS, ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE APPROXIMATES THEIR CARRYING VALUES AT FEBRUARY 25, 2006 AND FEBRUARY 26, 2005 DUE TO THE SHORT TERM MATURITIES OF THESE INSTRUMENTS.

NOTE 6 - PENSION AND PROFIT SHARING PLANS

- a. PENSION PLAN - The Company has a defined benefit pension plan for all employees other than those covered under collective bargaining agreements.

The benefits are based on years of service and the employee's highest average pay during any five consecutive years within the ten-year period prior to retirement. Pension plan costs are funded annually. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

The investment strategy objectives of the plan are continued growth and income.

All plan assets are managed by outside investment managers. Asset allocations are reviewed on a regular basis by the investment management company. Equity securities are primarily S&P 500 which make up 56% of plan assets. Fixed securities make up the remaining 44% and are made up of the Lehman Aggregate and Merrill Lynch 1-3 year Government Corp.

The Company uses a December 31 measurement date.

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The following information on the Company's pension plan is provided:

| | FEBRUARY 25, 2006 | FEBRUARY 26, 2005 |
|--|----------------------|----------------------|
| | ----- | ----- |
| | (In thousands) | |
| CHANGE IN BENEFIT OBLIGATION: | | |
| Net benefit obligation at beginning of year | \$ 10,257 | \$ 9,177 |
| Service cost | 705 | 672 |
| Interest cost | 585 | 554 |
| Actuarial loss | 172 | 130 |
| Gross benefits paid | (287) | (276) |
| | ----- | ----- |
| Net benefit obligation at end of year | \$ 11,432 | \$ 10,257 |
| | ===== | ===== |
| CHANGE IN PLAN ASSETS: | | |
| Fair value of plan assets at beginning of year | \$ 7,403 | \$ 6,462 |
| Employer contributions | 571 | 616 |
| Gross benefits paid | (287) | (276) |
| Actual return on plan assets | 363 | 601 |

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| | | |
|--|------------|------------|
| Fair value of plan assets at end of year | \$ 8,050 | \$ 7,403 |
| Funded status at end of year | \$ (3,381) | \$ (2,853) |
| Unrecognized net actuarial loss | 2,203 | 1,836 |
| Unrecognized transition amount | -- | -- |
| Accrued benefit costs | \$ 1,178 | \$ (1,017) |

Pension expenses includes the following components:

| | FISCAL YEAR ENDED | | |
|--|----------------------|----------------------|----------------------|
| | FEBRUARY 25, 2006 | FEBRUARY 26, 2005 | FEBRUARY 28, 2004 |
| (IN THOUSANDS) | | | |
| COMPONENTS OF NET PERIODIC BENEFIT COST: | | | |
| Service cost | \$ 705 | \$ 672 | \$ 642 |
| Interest cost | 585 | 554 | 494 |
| Return on assets | (363) | (601) | (1,003) |
| Amortization of (gain) loss | (194) | 82 | 637 |
| Net periodic benefit cost | \$ 733 | \$ 707 | \$ 770 |
| WEIGHTED-AVERAGE ASSUMPTIONS USED: | | | |
| Discount rate | 5.7% | 6% | 6% |
| Rate of compensation increase | 4.5% | 4.5% | 4.5% |

The expected long-term rate of return on plan assets was 8.0% for all years.

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As of December 31, 2005, the benefits expected to be paid in the next five years and in the aggregate for the five years thereafter are as follows:

| | |
|-----------|---------|
| 2006 | \$ 378 |
| 2007 | 414 |
| 2008 | 451 |
| 2009 | 498 |
| 2010 | 543 |
| 2011-2015 | \$3,309 |

The asset allocation for the Company's primary pension plans at the end of 2005 and 2004 and the target allocation of 2006, by asset category, are as follows:

| Asset Category | Range of Target Asset Allocation | % of Plan Assets 2005 | % of Plan Assets 2004 |
|-------------------------|-------------------------------------|-----------------------------|-----------------------------|
| Equity Securities | 50% | 56% | 55% |
| Fixed Income Securities | 50% | 44% | 45% |
| TOTAL | | 100% | 100% |

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- b. PROFIT-SHARING AND 401(K) PLAN - The Company has a profit-sharing plan and 401(k) plan for all employees other than those covered under collective bargaining agreements. In 1995, the Company established a defined contribution savings plan 401(k) for substantially all of its eligible employees. Employees may contribute a percentage of their salary to the plan subject to statutory limits. The Company made a contribution to this plan in fiscal 2005 amounting to \$200,000. The Company has not made any matching contributions to this plan during the fiscal years ended February 26, 2005 and February 28, 2004.

NOTE 7 - COMMITMENTS

- a. LEASES - The Company has various operating leases for its retail stores, with terms expiring between 2006 and 2015. Under most lease agreements, the Company pays real estate taxes, maintenance and other operating expenses. Certain store leases also provide for additional contingent rentals based upon a percentage of sales in excess of certain minimum amounts.

Future minimum lease payments at February 25, 2006 are as follows:

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| | OPERATING LEASES |
|------------------------|---------------------|
| | ----- |
| 2006 | \$ 7,543,262 |
| 2007 | 7,447,662 |
| 2008 | 6,799,745 |
| 2009 | 5,902,369 |
| 2010 | 4,471,401 |
| 2011 and thereafter | 4,042,900 |
| | ----- |
| Total minimum payments | \$ 36,207,339 |
| | ===== |

Rent expense for operating leases are as follows:

| | FISCAL YEAR ENDED | | |
|----------------------------|----------------------|----------------------|----------------------|
| | ----- | ----- | ----- |
| | FEBRUARY 25, 2006 | FEBRUARY 26, 2005 | FEBRUARY 28, 2004 |
| | ----- | ----- | ----- |
| | (IN THOUSANDS) | | |
| Minimum rentals due | \$ 7,522 | \$ 7,841 | \$ 8,095 |
| Escalation rentals accrued | (94) | (253) | (31) |
| Contingent rentals | -- | -- | -- |
| Sublease rentals | (250) | (240) | (228) |
| | ----- | ----- | ----- |
| | \$ 7,178 | \$ 7,348 | \$ 7,836 |
| | ===== | ===== | ===== |

- b. EMPLOYMENT AGREEMENT - The Company has an employment agreement with its General Merchandising Manager, expiring 2009, pursuant to which the current

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annual compensation is approximately \$450,000. In addition, this employee is entitled to additional compensation upon occurrence of certain events.

- c. LEGAL PROCEEDINGS - The Company is a party to routine litigation incident to its business. Management of the Company believes, based upon its assessment of the actions and claims outstanding against the Company, and after discussion with counsel, that there are no legal proceedings that will have a material adverse effect on the financial condition or results of operations of the Company. Some of the lawsuits to which the Company is a party are covered by insurance and are being defended by the Company's insurance carriers.
- d. GUARANTEES - The Company does not have any guarantees as of February 25, 2006.

NOTE 8 - PREFERRED STOCK

The Company is authorized to issue up to 1,000,000 shares of preferred stock, in one or more series of preferred stock. The Board of Directors is authorized to establish the number of shares to be included in each such series, and to fix the designation, relative rights, preferences, qualifications and limitations of the shares of each such series.

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NOTE 9 - STOCK OPTION PLAN

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).

On July 14, 2005, at the annual meeting of shareholders of the Company, the shareholders of the Company approved the 2005 Stock Option Plan (the "2005 Plan"), which 2005 Plan was adopted by the Board of Directors of the Company on April 7, 2005 subject to shareholder approval. 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

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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.

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| | FISCAL YEAR ENDED | | | | | |
|---------------------------------|--|--|--------------------------|--|--------------------------|--|
| | (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) | | | | | |
| | FEBRUARY 25, 2006 | | FEBRUARY 26, 2005 | | FEBRUARY 28, 2004 | |
| | FISCAL 2005 SHARES | WEIGHTED AVERAGE EXERCISE PRICE | FISCAL 2004 SHARES | WEIGHTED AVERAGE EXERCISE PRICE | FISCAL 2003 SHARES | WEIGHTED AVERAGE EXERCISE PRICE |
| FIXED OPTIONS | | | | | | |
| Outstanding | | | | | | |
| beginning of year | 711 | \$ 7.49 | 7.4888 | \$ 7.13 | .1991 | \$ |
| Granted | 149 | 15.01 | | | | |
| Exercised | (120) | 5.21 | (170) | 5.63 | (23) | |
| Cancelled | (1) | 5.21 | (7) | 5.63 | (80) | |
| Outstanding, end of period | 739 | \$ 8.08 | 8.0711 | \$ 7.49 | .4888 | \$ |
| Options exercisable at year end | 739 | \$ 8.08 | 8.0711 | \$ 7.49 | .4888 | \$ |

The following table summarizes information about stock options outstanding at February 25, 2006:

| OPTIONS OUTSTANDING AND EXERCISABLE | | |
|-------------------------------------|---|--|
| RANGE OF EXERCISE PRICES | NUMBER OUTSTANDING AT FEBRUARY 25, 2006 | WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS) |
| 5.21 | 377,935 | 3.7 |

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| | | |
|-------|---------|-----|
| 7.41 | 20,256 | .6 |
| 9.15 | 26,980 | 1.2 |
| 9.90 | 215,840 | 2.6 |
| 15.01 | 97,500 | 9.3 |
| | ----- | |
| | 738,511 | |

NOTE 10 - NET INCOME PER SHARE

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

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

| | FISCAL 2005 | FISCAL 2004 | FISCAL 2003 |
|--|----------------|----------------|----------------|
| | ----- | ----- | ----- |
| | (IN THOUSANDS) | | |
| BASIC AND DILUTED NET INCOME (LOSS) PER SHARE: | | | |
| Net income (loss) | \$ 3,436 | \$ 2,177 | (\$ 4,688) |
| Average shares outstanding - basic | 14,969 | 15,139 | 15,285 |
| Net income (loss) per share - basic | \$ 0.23 | \$ 0.14 | (\$ 0.31) |
| Average shares outstanding - diluted | 15,288 | 15,340 | 15,285 |
| Net income (loss) per share - diluted | \$ 0.23 | \$ 0.14 | (\$ 0.31) |

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Options to purchase 888,000 shares of common stock were not included in the computation of diluted net loss per share for 2003 because they were anti-dilutive.

NOTE 11 - RELATED PARTY TRANSACTIONS

Included in the Statements of Operations are the expenses relating to a real estate lease with Sy Syms, Chairman of the Board of the Company, for the Elmsford, New York store. During fiscal years 2005, 2004 and 2003, the Company paid to Sy Syms \$796,500, \$796,500 and \$796,500 respectively, in fixed rent.

NOTE 12 - UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

| | QUARTER | | | |
|---------------------------------------|--|-----------|----------|----------|
| | FIRST | SECOND | THIRD | FOURTH |
| | ----- | ----- | ----- | ----- |
| | (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) | | | |
| YEAR ENDED FEBRUARY 25, 2006 | | | | |
| Net sales | \$67,432 | \$ 61,457 | \$74,694 | \$76,806 |
| Gross profit | 28,842 | 23,985 | 29,838 | 30,411 |
| Net income (loss) | 1,055 | (1,203) | 1,180 | 2,404 |
| Net income (loss) per share - basic | 0.07 | (0.08) | 0.08 | 0.16 |
| Net income (loss) per share - diluted | 0.07 | (0.08) | 0.08 | 0.16 |

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| | QUARTER | | | |
|--|----------|-----------|----------|----------|
| | FIRST | SECOND | THIRD | FOURTH |
| (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) | | | | |
| YEAR ENDED FEBRUARY 26, 2005 | | | | |
| Net sales | \$68,321 | \$ 61,254 | \$75,980 | \$78,012 |
| Gross profit | 28,156 | 23,269 | 30,074 | 30,383 |
| Net income (loss) | 4 | (3,732) | 2,018 | 3,887 |
| Net income (loss) per share - basic | -- | (0.25) | 0.13 | 0.26 |
| Net income (loss) per share - diluted | -- | (0.25) | 0.13 | 0.26 |

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