Trinity Place Holdings Inc.
Form 10-Q
August 08, 2018

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from_____________ to _____________

Commission File Number 001-08546

TRINITY PLACE HOLDINGS INC.

(Exact Name of Registrant as Specified in Its Charter)

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

340 Madison Avenue, New York, New York	**10173**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: **(212) 235-2190**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large Accelerated Filer ¨ Accelerated Filer x Non-Accelerated Filer ¨
Smaller Reporting Company ¨ Emerging Growth Company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No ¨

As of August 8, 2018, there were 31,638,042 shares of the registrant's common stock, par value $0.01 per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TRINITY PLACE HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value and share amounts)

	June 30, 2018	December 31, 2017
	(unaudited)	**(audited)**
ASSETS		
Real estate, net	$ 166,997	$ 76,269
Cash and cash equivalents	15,155	15,273
Restricted cash	1,168	8,916
Investment in unconsolidated joint venture	12,053	12,533
Receivables, net	3,351	3,417
Deferred rents receivable	542	548
Prepaid expenses and other assets, net	5,588	4,059
Intangible assets, net	11,100	-
Total assets	$ 215,954	$ 121,015
LIABILITIES		
Loans payable, net	$ 109,922	$ 36,167
Deferred real estate deposits	26,874	-
Accounts payable and accrued expenses	11,476	13,323
Pension liabilities	3,828	4,235
Secured line of credit	-	-
Total liabilities	152,100	53,725
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, 40,000,000 shares authorized; no shares issued and outstanding	-	-

Preferred stock, $0.01 par value; 2 shares authorized, no shares issued and outstanding at June 30, 2018 and December 31, 2017	-	-
Special stock, $0.01 par value; 1 share authorized, issued and outstanding at June 30, 2018 and December 31, 2017	-	-
Common stock, $0.01 par value; 79,999,997 shares authorized; 37,146,068 and 36,803,218 shares issued at June 30, 2018 and December 31, 2017, respectively; 31,638,042 and 31,451,796 shares outstanding at June 30, 2018 and December 31, 2017, respectively	371	368
Additional paid-in capital	131,915	130,897
Treasury stock (5,508,026 and 5,351,422 shares at June 30, 2018 and December 31, 2017, respectively)	(54,724)	(53,666)
Accumulated other comprehensive loss	(2,732)	(2,732)
Accumulated deficit	(10,976)	(7,577)
Total stockholders' equity	63,854	67,290
Total liabilities and stockholders' equity	$ 215,954	$ 121,015

See Notes to Condensed Consolidated Financial Statements

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TRINITY PLACE HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended June 30, 2018 (unaudited)	Three Months Ended June 30, 2017 (unaudited)	Six Months Ended June 30, 2018 (unaudited)	Six Months Ended June 30, 2017 (unaudited)
Revenues				
Rental revenues	$ 552	$ 342	$ 833	$ 681
Tenant reimbursements	121	153	237	274
Total revenues	673	495	1,070	955
Operating Expenses				
Property operating expenses	340	200	488	371
Real estate taxes	81	150	159	221
General and administrative	1,530	1,341	3,066	2,691
Transaction related costs	-	22	-	68
Depreciation and amortization	515	125	644	249
Total operating expenses	2,466	1,838	4,357	3,600
Operating loss	(1,793)	(1,343)	(3,287)	(2,645)
Equity in net loss from unconsolidated joint venture	(139)	(237)	(256)	(508)
Interest income (expense), net	93	(41)	146	(109)
Interest expense -amortization of deferred finance costs	-	(118)	-	(200)
Reduction of claims liability	-	-	-	1,043
Loss before taxes	(1,839)	(1,739)	(3,397)	(2,419)
Tax expense	2	37	2	38
Net loss attributable to common stockholders	$ (1,841)	$ (1,776)	$ (3,399)	$ (2,457)
Loss per share - basic and diluted	$ (0.06)	$ (0.06)	$ (0.11)	$ (0.08)
	31,612	31,290	31,572	29,436

Weighted average number of common shares - basic and diluted

See Notes to Condensed Consolidated Financial Statements

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TRINITY PLACE HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKOLDERS' EQUITY

(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Shares	Treasury Stock Amount	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2017 (audited)	36,803	$ 368	$ 130,897	(5,351)	$ (53,666)	$ (7,577)	$ (2,732)	$ 67,290
Net loss attributable to common stockholders	-	-	-	-	-	(3,399)	-	(3,399)
Settlement of stock awards	343	3	-	(157)	(1,058)	-	-	(1,055)
Stock-based compensation expense	-	-	1,018	-	-	-	-	1,018
Balance as of June 30, 2018 (unaudited)	37,146	$ 371	$ 131,915	(5,508)	$ (54,724)	$ (10,976)	$ (2,732)	$ 63,854

See Notes to Condensed Consolidated Financial Statements

TRINITY PLACE HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six Months Ended June 30, 2018 **(unaudited)**	Six Months Ended June 30, 2017 **(unaudited)**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to common stockholders	$ (3,399)	$ (2,457)
Adjustments to reconcile net loss attributable to common stockholders to net cash used in operating activities:		
Depreciation and amortization	644	249
Amortization of deferred finance costs	-	195
Stock-based compensation expense	667	612
Deferred rents receivable	6	(38)
Equity in net loss from unconsolidated joint venture	256	508
Distribution from unconsolidated joint venture	224	163
Decrease (Increase) in operating assets:		
Receivables, net	66	(24)
Prepaid expenses and other assets, net	(2,047)	(529)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	816	(1,452)
Pension liabilities	(407)	(406)
Net cash used in operating activities	(3,174)	(3,179)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to real estate	(103,514)	(3,775)
Deferred real estate deposits	26,874	-
Investment in unconsolidated joint venture	-	(69)
Net cash used in investing activities	(76,640)	(3,844)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	74,750	-
Payment of finance costs	(1,747)	(414)
Settlement of stock awards	(1,055)	(2,548)
Proceeds from sale of common stock, net	-	40,561
Net cash provided by financing activities	71,948	37,599
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(7,866)	30,576
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH , BEGINNING OF PERIOD	24,189	8,366

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$ 16,323	$ 38,942
CASH AND CASH EQUIVALENTS, BEGINNING PERIOD	$ 15,273	$ 4,678
RESTRICTED CASH, BEGINNING OF PERIOD	8,916	3,688
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	$ 24,189	$ 8,366
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 15,155	$ 34,555
RESTRICTED CASH, END OF PERIOD	1,168	4,387
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$ 16,323	$ 38,942
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 1,704	$ 1,172
Taxes	$ 2	$ 37
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued development costs included in accounts payable and accrued expenses	$ 7,512	$ 1,733
Capitalized amortization of deferred financing costs and lease commissions	$ 947	$ 59
Capitalized stock-based compensation expense	$ 351	$ 1,015

See Notes to Condensed Consolidated Financial Statements

Trinity Place Holdings Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)
June 30, 2018

Note 1 – Business

Overview

Trinity Place Holdings Inc. (“Trinity,” “we,” “our,” or “us”) is a real estate holding, investment and asset management company. Our business is primarily to acquire, invest in, own, manage, develop or redevelop and sell real estate assets and/or real estate related securities. Our largest asset is currently a property located at 77 Greenwich Street (“77 Greenwich”) in Lower Manhattan. 77 Greenwich was a vacant building that was demolished and is under development as a residential condominium tower that also includes plans for retail space and a New York City elementary school. We also own a retail strip center located in West Palm Beach, Florida, a property formerly occupied by a retail tenant in Paramus, New Jersey, a newly built 105-unit, 12-story apartment building located at 237 11th Street, Brooklyn, New York (“237 11th”) acquired on May 24, 2018, and, through a joint venture, a 50% interest in a newly constructed 95-unit multi-family property, known as The Berkley, located in Brooklyn, New York (see Properties under Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations for a more detailed description of our properties). We continue to evaluate new investment opportunities.

We also control a variety of intellectual property assets focused on the consumer sector, a legacy of our predecessor, Syms Corp. (“Syms”), including our on-line marketplace at FilenesBasement.com, our rights to the Stanley Blacker® brand, as well as the intellectual property associated with the Running of the Brides® event and An Educated Consumer is Our Best Customer® slogan. We also had approximately $234.0 million of federal net operating loss carryforwards (“NOLs”) at June 30, 2018, which can be used to reduce our future taxable income.

Trinity is the successor to Syms, which also owned Filene’s Basement. Syms and its subsidiaries filed for relief under the United States Bankruptcy Code in 2011. In September 2012, the Syms Plan of Reorganization (the “Plan”) became effective and Syms and its subsidiaries consummated their reorganization under Chapter 11 through a series of transactions contemplated by the Plan and emerged from bankruptcy. As part of those transactions, reorganized Syms merged with and into Trinity, with Trinity as the surviving corporation and successor issuer pursuant to Rule 12g-3 under the Exchange Act.

On January 18, 2018, Syms and certain of its subsidiaries (together, the “Reorganized Debtors”) filed with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) a motion (the “Motion”) for entry of a final decree (the “Final Decree”) (i) closing the chapter 11 cases of the Reorganized Debtors; (ii) terminating the services of

the claims and noticing agent; and (iii) retaining the Bankruptcy Court's jurisdiction as provided for in the Plan, including to enforce or interpret its own orders pertaining to the chapter 11 cases including, but not limited to, the Plan and Final Decree. On the same date, the Reorganized Debtors filed a Final Report in support of the Motion. On February 6, 2018, the Bankruptcy Court entered the Final Decree pursuant to which the chapter 11 cases of the Reorganized Debtors were closed.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include our financial statements and the financial statements of our wholly-owned subsidiaries.

The accompanying unaudited condensed consolidated interim financial information has been prepared according to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. Management believes that the disclosures presented in these unaudited condensed consolidated financial statements are adequate to make the information presented not misleading. In management's opinion, all adjustments and eliminations, consisting only of normal recurring adjustments, necessary to present fairly the financial position and results of operations for the reported periods have been included. The results of operations for such interim periods are not necessarily indicative of the results for the full year. The accompanying unaudited condensed consolidated interim financial information should be read in conjunction with our December 31, 2017 audited consolidated financial statements, as previously filed with the SEC in our 2017 Annual Report on Form 10-K (the "2017 Annual Report"), and other public information.

a. *Principles of Consolidation* - The condensed consolidated financial statements include our accounts and those of our subsidiaries which are wholly-owned or controlled by us. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method. Accordingly, our share of the earnings (losses) of these unconsolidated joint ventures is included in our condensed consolidated statements of operations. All significant intercompany balances and transactions have been eliminated.

We consolidate a variable interest entity (the "VIE") in which we are considered the primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. We did not have any interests in VIEs at June 30, 2018 or December 31, 2017.

We assess the accounting treatment for joint venture investments, which includes a review of the joint venture or limited liability company agreement to determine which party has what rights and whether those rights are protective or participating. For potential VIEs, we review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance. In situations where we and our

partner approve, among other things, the annual budget, receive a detailed monthly reporting package, meet on a quarterly basis to review the results of the joint venture, review and approve the joint venture's tax return before filing, and approve all leases that cover more than a nominal amount of space relative to the total rentable space at each property, we do not consolidate the joint venture as we consider these to be substantive participation rights that result in shared power of the activities that most significantly impact the performance of the joint venture. Our joint venture agreements may contain certain protective rights such as requiring partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

b. *Investment in Unconsolidated Joint Venture* - We account for our investment in our unconsolidated joint venture under the equity method of accounting (see Note 12 - Investment in Our Unconsolidated Joint Venture). We also assess our investment in our unconsolidated joint venture for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investment for impairment based on the joint ventures' projected cash flows. We do not believe that the value of our equity investment was impaired at either June 30, 2018 or December 31, 2017.

c. *Use of Estimates* - The preparation of financial statements in conformity with GAAP 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. Accordingly, actual results could differ from those estimates.

d. *Reportable Segments* - We operate in one reportable segment, commercial real estate.

e. *Concentrations of Credit Risk* - Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. We hold substantially all of our cash and cash equivalents in banks. Such cash balances at times exceed federally insured limits. We have not experienced any losses in such accounts.

f. *Real Estate* - Real estate assets are stated at historical cost, less accumulated depreciation and amortization. All costs related to the improvement or replacement of real estate properties are capitalized. Additions, renovations and improvements that enhance and/or extend the useful life of a property are also capitalized. Expenditures for ordinary maintenance, repairs and improvements that do not materially prolong the normal useful life of an asset are charged to operations as incurred. Depreciation and amortization are determined using the straight-line method over the estimated useful lives described in the table below:

Category	**Terms**
Buildings and improvements	10 - 39 years
Tenant improvements	Shorter of remaining term of the lease or useful life
Furniture and fixtures	5 - 8 years

g. *Real Estate Under Development* - We capitalize certain costs related to the development and redevelopment of real estate including initial project acquisition costs, pre-construction costs and construction costs for each specific property. Additionally, we capitalize operating costs, interest, real estate taxes, insurance and compensation and related costs of personnel directly involved with the specific project related to real estate under development. Capitalization of these costs begin when the activities and related expenditures commence, and cease when the property is held available for occupancy upon substantial completion of tenant improvements, but no later than one year from the completion of major construction activity at which time the project is placed in service and depreciation commences. Revenue earned under short-term license agreements at properties under development is offset against these capitalized costs.

h. *Valuation of Long-Lived Assets* - We periodically review long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. We consider relevant cash flow, management's strategic plans and 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, we compare the carrying amount of the asset to the undiscounted expected future cash flows, excluding interest charges, from the use and eventual disposition of the asset. If this comparison indicates an impairment, the carrying amount would then be compared to the estimated 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 estimated fair value. No provision for impairment was recorded during the six months ended June 30, 2018 or June 30, 2017.

i. *Trademarks and Customer Lists* - Trademarks and customer lists are stated at cost, less accumulated amortization. Amortization is determined using the straight-line method over useful lives of 10 years.

j. *Fair Value Measurements* - We determine fair value in accordance with Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," for financial assets and liabilities. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures.

Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

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Assets and liabilities disclosed at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are defined by ASC 820-10-35, are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities. Determining which category an asset or liability falls within the hierarchy requires significant judgment and we evaluate our hierarchy disclosures each quarter.

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting management's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

k. *Cash and Cash Equivalents* - Cash and cash equivalents include securities with original maturities of three months or less when purchased.

l. *Restricted Cash* - Restricted cash represents amounts required to be restricted under our loan agreements and secured line of credit (see Note 5 - Loans Payable and Secured Line of Credit), tenant related security deposits and deposits on property acquisitions.

m. *Revenue Recognition* - Leases with tenants are accounted for as operating leases. Minimum rents are recognized on a straight-line basis over the term of the respective leases, beginning when the tenant takes possession of the space. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable. In addition, leases typically provide for the reimbursement of real estate taxes, insurance and other property operating expenses. These reimbursements are recognized as revenue in the period the expenses are incurred. We make estimates of the collectability of our accounts receivable related to tenant revenues. An allowance for doubtful accounts has been provided against certain tenant accounts receivable that are estimated to be uncollectible. Once the amount is ultimately deemed to be uncollectible, it is written off.

n. *Stock-Based Compensation* – We have granted stock-based compensation, which is described in Note 11 – Stock-Based Compensation. We account for stock-based compensation in accordance with ASC 718, "Compensation-Stock Compensation," which establishes accounting for stock-based awards exchanged for employee services. Under the provisions of ASC 718-10-35, stock-based compensation cost is measured at the grant date, based on the fair value of the award on that date, and

is expensed at the grant date (for the portion that vests immediately) or ratably over the respective vesting periods.

o. *Income Taxes* - We account for income taxes under the asset and liability method as required by the provisions of ASC 740, “Income Taxes.” Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. We provide a valuation allowance for deferred tax assets for which we do not consider realization of such assets to be more likely than not.

ASC 740-10-65 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10-65, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740-10-65 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of both June 30, 2018 and December 31, 2017, we had determined that no liabilities are required in connection with unrecognized tax positions. As of June 30, 2018, our tax returns for the prior three years are subject to review by the Internal Revenue Service.

On December 22, 2017, the President of the United States signed into law P.L. 115-97, commonly referred to as the U.S. Tax Cuts and Jobs Act (the “Act”). The Act modifies several provisions of the Internal Revenue Code related to corporations, including a permanent corporate income tax rate reduction from 35% to 21%, effective January 1, 2018. The impact of the adoption of the Act is disclosed in Note 9 – Income Taxes.

We are subject to certain federal, state, local and franchise taxes.

p. *Earnings (loss) Per Share* - We present both basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower per share amount. Shares issuable under restricted stock units that have vested but not yet settled were excluded from the computation of diluted earnings (loss) per share because the awards would have been antidilutive for the periods presented.

q. *Deferred Finance Costs* – Deferred finance costs represent commitment fees, legal, title and other third party costs associated with obtaining commitments for mortgage financing which result in a closing of such financing. These costs are being offset against loans payable in the condensed consolidated balance sheets for mortgage financings and are included in other assets for our secured line of credit. These costs are amortized over the terms of the related financing arrangements. Unamortized deferred finance costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financing transactions which do not close are expensed in the period in which it is determined that the financing will not close.

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r. *Deferred Lease Costs* – Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized to depreciation and amortization on a straight-line basis over the related lease term.

s. *Underwriting Commissions and Costs* – Underwriting commissions and costs incurred in connection with our stock offerings are reflected as a reduction of additional paid-in-capital in stockholders equity.

t. *Reclassifications* - Certain prior year financial statement amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-12, "Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities." The amendments in the new standard will permit more flexibility in hedging interest rate risk for both variable rate and fixed rate financial instruments and better align a company's financial reporting for hedging activities with the economic objectives of those activities. The standard will also enhance the presentation of hedge results in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2018 and early adoption is permitted. We have not yet adopted the guidance, and do not expect a material impact on our financial position, results of operations or cash flows when the new standard is implemented.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting." The guidance clarifies the changes to the terms or conditions of a share-based payment award that require an entity to apply modification accounting in ASC 718. The adoption of this guidance, effective January 1, 2018, did not have a material impact on our financial position, results of operations or cash flows.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income-Gains and Losses from the De-recognition of Nonfinancial Assets (Subtopic 610-20)," to add guidance for partial sales of nonfinancial assets, including partial sales of real estate, eliminate rules specifically addressing sales of real estate, remove exceptions to the financial asset de-recognition model, and clarifies the accounting for contributions of nonfinancial assets to joint ventures. Historically, GAAP contained several different accounting models to evaluate whether the transfer of certain assets qualified for sale treatment. ASU 2017-05 reduces the number of potential accounting models that might apply and clarifies which model does apply in various circumstances. The adoption of this guidance, effective January 1, 2018, did not have a material impact on our financial position, results of operations or cash flows.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business." The guidance clarifies the definition of a business and provides guidance to assist with determining whether transactions should be accounted for as acquisitions of assets or businesses. The main provision is that an

acquiree is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of assets. Upon the adoption of ASU No. 2017-01, we evaluated each acquisition of real estate or in-substance real estate to determine if the integrated set of assets and activities acquired meet the definition of a business and need to be accounted as a business combination.

Generally, we expect that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay. The adoption of this guidance, effective January 1, 2018, did not have a material impact on our financial position, results of operations or cash flows.

In November 2016, the FASB issued ASU No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash.” The guidance requires entities to show the changes on the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between these items on the statement of cash flows. The adoption of this guidance, effective January 1, 2018, resulted in a restatement of our statement of cash flows for the six months ended June 30, 2017, for comparative purposes. This resulted in a reduction of $0.7 million in net cash used in operating activities from $3.9 million to $3.2 million.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (A Consensus of the FASB Emerging Issues Task Force).” ASU 2016-15 provides final guidance on eight cash flow issues, including debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, distributions received from equity method investees, separately identifiable cash flows and application of the predominance principle, and others. The adoption of this guidance, effective January 1, 2018, did not have a material effect on our financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, “Leases.” ASU 2016-02 outlines a new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the balance sheet. For lessors, however, the accounting remains largely unchanged from the current model, with the distinction between operating and financing leases retained, but updated to align with certain changes to the lessee model and the new revenue recognition standard discussed above. As lessee, we are party to various office leases with future payment obligations aggregating approximately $3.1 million at June 30, 2018 (see Note 8 - Commitments) for which we expect to record right of use assets and corresponding lease liabilities upon adoption of ASU 2016-02. The new guidance also requires that internal leasing costs be expensed as incurred, as opposed to capitalized and deferred. We currently do not capitalize internal leasing costs. ASU 2016-02 will also require extensive quantitative and qualitative disclosures and is effective for periods beginning after December 15, 2018, but early adoption is permitted. In July 2018, the FASB issued ASU 2018-11, “Leases (Topic 842) – Targeted Improvement,” which provides an optional transition method of applying the new leases standard at the adoption date by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. It also provides lessors with a practical expedient to not separate non-lease revenue components from the associated lease component if certain conditions are met. We are currently evaluating the extent of the impact of adopting this new standard on our consolidated financial statements and related disclosures.

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In May 2014, the FASB issued ASU 2014-09 establishing ASC Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). ASU 2014-09, as amended by subsequent ASUs on the topic, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. This standard, which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2017, requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. We adopted this standard effective January 1, 2018 using the modified retrospective method approach, however, there was no cumulative-effect required to be recognized in our accumulated deficit at the date of adoption. The adoption of ASC 606 did not have a material impact on our financial position, results of operations or cash flows.

Note 3 – Real Estate, Net

As of June 30, 2018 and December 31, 2017, real estate, net, includes the following (in thousands):

	June 30, 2018	**December 31, 2017**
Real estate under development	$91,400	$ 69,783
Building and building improvements	47,185	5,817
Tenant improvements	731	606
Land and land improvements	30,391	2,452
	169,707	78,658
Less: accumulated depreciation	2,710	2,389
	$166,997	$ 76,269

Real estate under development as of June 30, 2018 and December 31, 2017 included 77 Greenwich and the Paramus, New Jersey property. Building and building improvements, tenant improvements and land and land improvements included the West Palm Beach, Florida property and, as of May 24, 2018, the 237 11th property (see Properties under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for a more detailed description of our properties).

Depreciation expense amounted to approximately $259,000 and $62,000 for the three months ended June 30, 2018 and June 30, 2017, respectively, and $321,000 and $123,000 for the six months ended June 30, 2018 and June 30, 2017, respectively. The increase in depreciation expense for the three and six months ended June 30, 2018 primarily relates to the 237 11th property acquisition.

On May 24, 2018, we closed on the acquisition of a newly built 105-unit, 12-story apartment building located at 237 11th Street, Brooklyn, New York, for a purchase price of $81.0 million. The acquisition was funded through acquisition financing and cash on hand.

We allocate the purchase price of real estate to land and land improvements and building and building improvements (inclusive of tenant improvements) and, if determined to be material, intangibles, such as the value of above-market and below-market leases, real estate tax abatement and origination costs associated with the in-place leases. We depreciate the amount allocated to building and building improvements (inclusive of tenant improvements) over their estimated useful lives, which generally range from one year to 27.5 years. We amortize the amount allocated to values associated with real estate tax abatement over 15 years, the estimated period of benefit. We amortize the amount allocated to the above-market and below-market leases over the remaining term of the associated lease, which generally range from one to two years, and record it as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income. We amortize the amount allocated to the values associated with in-place leases over the expected term of the associated lease, which generally range from one to two years. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. The following table presents our purchase price allocation, including transaction costs, for 237 11th (in thousands):

Purchase Price Allocation:	
Land and land improvements	$27,939
Building and building improvements	41,297
Tenant improvements	125
Furniture and fixtures	694
Real estate tax abatement	11,100
Acquired in-place leases	1,090
Assets acquired	82,245
Below-market lease value	(285)
Liabilities assumed	(285)
Purchase price	$81,960

Through a wholly-owned subsidiary, we entered into an agreement with the New York City School Construction Authority (the "SCA"), whereby we will construct a school that will be sold to the SCA as part of our condominium development at the 77 Greenwich property. Pursuant to the agreement, the SCA will pay us $41.5 million for the purchase of their condominium unit, and reimburse us for the costs associated with constructing the school (including a construction supervision fee of approximately $5.0 million payable to us). Payments for construction will be made by the SCA to the general contractor in installments as construction on their condominium progresses. Payments to us for the land and construction supervision fee commenced in January 2018 and will continue through September 2019. Upon Substantial Completion, as defined in the School Design, Construction, Funding and Purchase Agreement, dated December 22, 2017, between us and the SCA, the SCA shall close on the purchase of the school condominium unit from us at which point the title will transfer to the SCA. We are required to substantially complete construction of the

school by September 6, 2023. To secure our obligations, the 77 Greenwich property has been ground leased to the SCA and leased back to us until title to the school is transferred to the SCA. We have also guaranteed certain obligations with respect to the construction of the school. The condominium apartments and construction of a new handicapped accessible subway entrance are currently scheduled to be completed by the end of 2020.

Revenue relating to the ultimate sale of the condominium unit will not be recognized until control of the asset is transferred to the buyer. This generally will include transfer of title to the property. As payments from the SCA are received, the amounts will be recorded on the balance sheet as deferred real estate deposits until sales criteria are satisfied.

Note 4 – Prepaid Expenses and Other Assets, Net

As of June 30, 2018 and December 31, 2017, prepaid expenses and other assets, net, include the following (in thousands):

	June 30, 2018	**December 31, 2017**
Trademarks and customer lists	$ 2,090	$ 2,090
Prepaid expenses	2,115	1,673
Lease commissions	1,302	1,297
Other	2,803	1,203
	8,310	6,263
Less: accumulated amortization	2,722	2,204
	$ 5,588	$ 4,059

Note 5 – Loans Payable and Secured Line of Credit

Loans Payable

237 11th Loans

On May 24, 2018, in connection with the acquisition of 237 11th, we entered into two-year interest-only financings with an aggregate principal amount of $67.8 million, comprised of a $52.4 million mortgage loan with Canadian Imperial Bank of Commerce and a $15.4 million mezzanine loan with RCG LV Debt VI REIT, LLC (the “237 11th Loans”), bearing interest at a blended average rate of 3.72% over the 30-day LIBOR, each with a one year extension option upon satisfaction of certain conditions. The 237 11th Loans are non-recourse to us except for certain non-recourse carve-out and carry guaranties covering among other things interest and operating expenses, and in the case of the mortgage loan, a guaranty of 25% of the principal amount, decreasing to 10% of the principal balance upon

the debt yield ratio becoming equal to or greater than 7.0%. The effective rate at June 30, 2018 was approximately 5.81%. The 237 11th Loans are prepayable at any time in whole, provided that prepayment of the mortgage loan must be accompanied by prepayment of the mezzanine loan, and under certain circumstances in part, upon payment, in the case of the mortgage loan, of a 0.50% deferred commitment fee (unless the loan is refinanced with the mortgage lender in which case no such fee is payable), and, in the case of the mezzanine loan, with no fee if prepaid after 12 months, and if prepaid prior to such date, subject to a make-whole fee equal to the interest that would have been paid through the balance of the 12-month period.

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The collateral for the 237 11th mortgage loan is the 470 4th Avenue Fee Owner LLC's fee interest in our 237 11th property and the collateral for the 237 11th mezzanine loan is the equity ownership interests in 470 4th Avenue Fee Owner LLC. The 237 11th Loans require us to comply with various customary affirmative and negative covenants and provide for certain events of default, the occurrence of which would permit the lenders to declare the 237 11th Loans due and payable, among other remedies. As of June 30, 2018, we were in compliance with all 237 11th Loans' covenants.

77 Greenwich Construction Facility

On December 22, 2017, a wholly-owned subsidiary of ours closed on a $189.5 million construction facility (the "77 Greenwich Construction Facility") with Massachusetts Mutual Life Insurance Company, as lender and administrative agent (the "Lender"). We will draw down proceeds available to us as costs related to the construction are incurred for 77 Greenwich over the next few years for the construction of our new mixed-use building containing approximately 300,000 square feet of gross floor area. The building is expected to include 90 luxury residential condominium apartments and a public elementary school, and includes the adaptive reuse of the landmarked Robert and Anne Dickey House, 7,500 square feet of street level retail space, and construction of a new handicapped accessible subway entrance on Trinity Place. There was an outstanding balance of approximately $39.2 million and $32.7 million on the 77 Greenwich Construction Facility at June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018, we were in compliance with all 77 Greenwich Construction Facility covenants.

The 77 Greenwich Construction Facility has a four-year term with one extension option for an additional year under certain circumstances. The collateral for the 77 Greenwich Construction Facility is the borrower's fee interest in 77 Greenwich, which is the subject of a mortgage in favor of the lender. The 77 Greenwich Construction Facility will bear interest on amounts drawn at a rate per annum equal to the greater of (i) LIBOR plus 8.25% and (ii) 9.25%. The effective interest rate on the 77 Greenwich Construction Facility was 10.34% as of June 30, 2018 and 9.81% at December 31, 2017. The 77 Greenwich Construction Facility provides for certain interest payments to be advanced as an interest holdback and to the extent that the cash flow from 77 Greenwich is insufficient to pay the interest payments then due and payable, funds in the interest holdback will be applied by the lender as a disbursement to the borrower to make the monthly interest payments on the 77 Greenwich Construction Facility, subject to certain conditions. The 77 Greenwich Construction Facility may be prepaid in part in certain circumstances such as in the event of the sale of residential and retail condominium units. Pursuant to the 77 Greenwich Construction Facility, we are required to achieve completion of the construction work and the improvements for the project on or before a completion date that is forty-two (42) months following the closing of the 77 Greenwich Construction Facility, subject to certain exceptions. The 77 Greenwich Construction Facility also includes additional customary affirmative and negative covenants for loans of this type and our agreements with the SCA. We also entered into certain completion and other guarantees with the Lender and the SCA in connection with the 77 Greenwich Construction Facility.

On December 22, 2017, we entered into an interest rate cap agreement as required under the 77 Greenwich Construction Facility. The interest rate cap agreement provides the right to receive cash if the reference interest rate rises above a contractual rate. We paid a premium of approximately $393,000 for the 2.5% interest rate cap on the 30-day LIBOR rate on a notional amount of $189.5 million. The fair value of the interest rate cap as of June 30, 2018 and December 31, 2017 was approximately $1.1 million and $344,000, respectively, and is recorded in prepaid expenses and other assets, net in our condensed consolidated balance sheets. We did not designate this interest rate cap as a hedge and are recognizing the change in estimated fair value in interest expense. During the six months ended June 30, 2018, the approximate $722,000 change in value of this instrument had been recorded as interest income and subsequently capitalized to real estate, net.

Prior 77 Greenwich Loan

On February 9, 2015, our wholly-owned subsidiary that owns 77 Greenwich and related assets entered into a loan agreement with Sterling National Bank, as lender and administrative agent, and Israel Discount Bank of New York, as lender, pursuant to which we borrowed $40.0 million (the “Prior 77 Greenwich Loan”). The Prior 77 Greenwich Loan, which was scheduled to mature on November 8, 2017, was extended to February 8, 2018 after having satisfied certain conditions. The Prior 77 Greenwich Loan was paid in full on December 22, 2017 in conjunction with the closing of the 77 Greenwich Construction Facility. The effective interest rate on the Prior 77 Greenwich Loan was 5.5% as of June 30, 2017.

West Palm Beach, Florida Loan

On May 11, 2016, our subsidiary that owns our West Palm Beach, Florida property, commonly known as The Shoppes at Forest Hill (the “TPH Forest Hill Borrower”), entered into a loan agreement with Citizens Bank, National Association, as lender (the “WPB Lender”), pursuant to which the WPB Lender agreed to provide a loan to the TPH Forest Hill Borrower in the amount of up to $12.6 million, subject to the terms and conditions as set forth in the loan agreement (the “WPB Loan”). TPH Forest Hill Borrower borrowed $9.1 million under the WPB Loan at closing. The WPB Loan requires interest-only payments and bears interest at 30-day LIBOR plus 230 basis points. The effective interest rate was 4.39% as of June 30, 2018 and 3.86% as of December 31, 2017. The WPB Loan matures on May 11, 2019, subject to extension until May 11, 2021, under certain circumstances. The TPH Forest Hill Borrower can prepay the WPB Loan at any time, in whole or in part, without premium or penalty.

The collateral for the WPB Loan is the TPH Forest Hill Borrower’s fee interest in our West Palm Beach, Florida property. The WPB Loan requires the TPH Forest Hill Borrower to comply with various customary affirmative and negative covenants and provides for certain events of default, the occurrence of which would permit the WPB Lender to declare the WPB Loan due and payable, among other remedies. As of June 30, 2018, the TPH Forest Hill Borrower was in compliance with all WPB Loan covenants.

On May 11, 2016, we entered into an interest rate cap agreement as required under the WPB Loan. The interest rate cap agreement provides the right to receive cash if the reference interest rate rises above a contractual rate. We paid a premium of $14,000 for the 3.0% interest rate cap on the 30-day LIBOR rate on a notional amount of $9.1 million. The fair value of the interest rate cap was approximately $3,000 and $5,000 as of June 30, 2018 and December 31, 2017, respectively, and is recorded in prepaid expenses and other assets, net in our condensed consolidated balance sheets. We did not designate this interest rate cap as a hedge and are recognizing the change in estimated fair value in interest expense. For both the six months ended June 30, 2018 and June 30, 2017, we recognized the change in value of approximately $2,000 in interest expense.

Secured Line of Credit

On February 22, 2017, we entered into two secured lines of credit for an aggregate of $12.0 million, with Sterling National Bank as the lender, which were secured by our properties located in Paramus, New Jersey, and Westbury, New York, respectively, and had an original maturity date of February 22, 2018. On August 4, 2017, in connection with the sale of the Westbury, New York property, the $2.9 million line of credit that was secured by this property, which was undrawn, matured on that date. The remaining $9.1 million line of credit, which is secured by the Paramus, New Jersey property, was increased to $11.0 million in September 2017, and we extended the maturity date to February 22, 2019. The line of credit bears interest, for drawn amounts only, at 100 basis points over Prime, as defined in the underlying credit agreement, with a floor of 3.75%, and is pre-payable at any time without penalty. This secured line of credit was undrawn at both June 30, 2018 and December 31, 2017.

Interest

Consolidated interest (income) expense, net includes the following (in thousands):

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Interest expense	$ 1,025	$ 613	$ 1,810	$ 1,188
Interest capitalized	(1,025)	(536)	(1,810)	(1,040)
Interest income	(93)	(36)	(146)	(39)
Interest (income) expense, net	$ (93)	$ 41	$ (146)	$ 109

Note 6 – Fair Value Measurements

The fair value of our financial instruments are determined based upon applicable accounting guidance. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance requires disclosure of the level within the fair value hierarchy in which the fair value measurements fall, including measurements using quoted process in active markets for identical assets or liabilities (Level 1), quoted process for similar instruments in active markets or quoted process for identical or similar instruments in markets that are not active (Level 2), and significant valuation assumptions that are not readily observable in the market (Level 3).

The fair values of cash and cash equivalents, receivables, prepaid expenses and other assets, accounts payable and accrued expenses, and other liabilities approximated their carrying value because of the short-term nature of these instruments. The fair value of each of the loans payable approximated their carrying value as all our loans are variable-rate instruments.

Note 7 – Pension Plans

Defined Benefit Pension Plan

Our predecessor, Syms, sponsored a defined benefit pension plan for certain eligible employees not covered under a collective bargaining agreement. The pension plan was frozen effective December 31, 2006. As of both June 30, 2018 and December 31, 2017, we had a recorded liability of $2.5 million, which is included in pension liabilities on the accompanying condensed consolidated balance sheets. This liability represents the estimated cost to us of terminating the plan in a standard termination, which would require us to make additional contributions to the plan so that the assets of the plan are sufficient to satisfy all benefit liabilities.

We had contemplated other courses of action, including a distress termination, whereby the Pension Benefits Guaranty Corporation ("PBGC") would take over the plan. On February 27, 2012, Syms notified the PBGC and other affected parties of its consideration to terminate the plan in a distress termination. However, the estimated total cost associated with a distress termination was approximately $15 million. As a result of the cost savings associated with the standard termination approach, Syms elected not to terminate the plan in a distress termination and formally notified the PBGC of this decision. We will maintain the Syms pension plan and make all contributions required under applicable minimum funding rules; provided, however, that we may terminate the Syms pension plan at any time. In the event that we terminate the Syms pension plan, we intend that any such termination shall be a standard termination. Although we have accrued the liability associated with a standard termination, we have not taken any steps to commence such a termination and have made no commitment to do so by a certain date. In accordance with minimum funding requirements and court ordered allowed claims distributions, we paid approximately $4.1 million to the Syms sponsored plan from September 17, 2012 through June 30, 2018. No amounts were funded to the Syms sponsored plan during each of the six months ended June 30, 2018 and June 30, 2017. Historically, we have funded this plan in the third quarter of the calendar year.

Multiemployer Pension Plans

Certain employees covered by collective bargaining agreements participate in multiemployer pension plans. Syms ceased to have an obligation to contribute to these plans in 2012, thereby triggering a complete withdrawal from the plans within the meaning of section 4203 of the Employee Retirement Income Security Act of 1974. Consequently, we are subject to the payment of a withdrawal liability to these pension funds. We have recorded a liability of $1.3 million and $1.7 million which is included in pension liabilities on the accompanying condensed consolidated balance sheets as of June 30, 2018 and December 31, 2017, respectively. We are required to make quarterly distributions in the amount of approximately $203,000 until this liability is completely paid to the multiemployer plan by the beginning of 2020. In accordance with minimum funding requirements and court ordered allowed claims distributions, we paid approximately $5.6 million to the multiemployer plans from September 17, 2012 through June 30, 2018.

Approximately $406,000 was funded to the multiemployer plan during each of the six months ended June 30, 2018 and June 30, 2017.

Note 8 – Commitments

a. ***Leases –*** As of June 30, 2018, our corporate office located at 340 Madison Avenue, New York, New York has a lease obligation of approximately $3.1 million payable through March 31, 2025. The rent paid for this operating lease for the three and six months ended June 30, 2018 was approximately $110,000 and $129,000, respectively.

b. ***Legal Proceedings -*** We are a party to routine litigation incidental to our business. Some of the actions to which we are a party are covered by insurance and are being defended or reimbursed by our insurance carriers.

Note 9 – Income Taxes

Effects of the Tax Cuts and Jobs Act

On December 22, 2017, the Act was signed into U.S. law. ASC 740 requires companies to recognize the effect of tax law changes in the period of enactment even though the effective date for most provisions is for tax years beginning after December 31, 2017, or in the case of certain other provisions of the law, January 1, 2018.

Given the significance of the legislation, the U.S. Securities and Exchange Commission (the "SEC") staff issued Staff Accounting Bulletin ("SAB") No. 118 (“SAB 118”), which allows registrants to record provisional amounts during a one year “measurement period” similar to that used when accounting for business combinations. However, the measurement period is deemed to have ended prior to the one year term when the registrant has obtained, prepared, and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared, or analyzed.

SAB 118 summarizes a three-step process to be applied at each reporting period to account for and qualitatively disclose: (1) the effects of the change in tax law for which accounting is complete; (2) provisional amounts (or adjustments to provisional amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with law prior to the enactment of the Act.

As part of the Act, the U.S. corporate income tax rate applicable to us decreased from 35% to 21%. This rate change resulted in the remeasurement of our net deferred tax asset (“DTA”) as of December 31, 2017. The effect was a

reduction of the DTA of approximately $33.7 million, which was completely offset by a change in our valuation allowance.

Pursuant to the Act, alternative minimum tax (“AMT”) credit carryforwards will be eligible for a 50% refund through tax years 2018 through 2020. Beginning in tax year 2021, any remaining AMT credit carryforwards would be 100% refundable. As a result of these new regulations, as of December 31, 2017, we had released our valuation allowance of $3.1 million formerly reserved against our AMT credit carryforwards and we had recorded a tax benefit and refund receivable of $3.1 million in connection with this valuation allowance release.

Our accounting for the above elements of the Act is complete.

Other significant provisions that are not yet effective but may impact income taxes in future years include, but are not limited to: an exemption from U.S. tax on dividends of future foreign earnings, limitation on the current deductibility of net interest expense in excess of 30% of adjusted taxable income and a limitation of net operating losses generated after fiscal 2018 to 80% of taxable income.

Other

At June 30, 2018, we had federal NOLs of approximately $234.0 million. These NOLs will expire in years through fiscal 2034. At June 30, 2018, we also had state NOLs of approximately $105.4 million. These NOLs expire between 2029 and 2034. We also had the New York State and New York City prior NOL conversion (“PNOLC”) subtraction pools of approximately $31.1 million and $25.5 million, respectively. The conversion to the PNOLC under the New York State and New York City corporate tax reforms does not have any material tax impact.

Based on management’s assessment, we believe it is more likely than not that the entire deferred tax assets will not be realized by future taxable income or tax planning strategy. In recognition of this risk, we have provided a valuation allowance of $60.4 million and $59.5 million as of June 30, 2018 and December 31, 2017, respectively. If our assumptions change and we determine we will be able to realize these NOLs, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets would be recognized as a reduction of income tax expense and an increase in equity.

Note 10 – Stockholders’ Equity

Capital Stock

Our authorized capital stock consists of 120,000,000 shares consisting of 79,999,997 shares of common stock, $0.01 par value per share, two (2) shares of preferred stock, $0.01 par value per share (which have been redeemed in accordance with their terms and may not be reissued), one (1) share of special stock, $0.01 par value per share, and 40,000,000 shares of a new class of blank-check preferred stock, $0.01 par value per share. As of June 30, 2018 and December 31, 2017, there were 37,146,068 shares and 36,803,218 shares of common stock issued, respectively, and 31,638,042 shares and 31,451,796 shares of common stock outstanding, respectively.

At-The-Market Equity Offering Program

In December 2016, we entered into an "at-the-market" equity offering program (the “ATM Program”), to sell up to an aggregate of $12.0 million of our common stock. We issued 2,492 shares of our common stock for aggregate gross proceeds of approximately $23,000 at a weighted average price of $9.32 per share during the six months ended March 31, 2017. We issued no stock through the ATM Program during the six months ended June 30, 2018. As of June 30, 2018, $10.8 million of common stock remained available for issuance under the ATM Program. The sale agreement with our broker, which expired in accordance with its term on December 31, 2017, was extended by an amendment on June 20, 2018, pursuant to which it will remain in effect until June 30, 2019, subject to extension upon mutual agreement, unless earlier terminated by the parties thereto.

Preferred Stock

We are authorized to issue two shares of preferred stock, (one share each of Series A and Series B preferred stock), one share of special stock and 40,000,000 shares of blank-check preferred stock. The share of Series A preferred stock was issued to a trustee acting for the benefit of our creditors. The share of Series B preferred stock was issued to the former Majority Shareholder, as defined in the Plan. The share of special stock was issued and sold to Third Avenue Trust, and enables Third Avenue or its affiliated designee to elect one member of the Board of Directors.

Upon the occurrence of the General Unsecured Claim Satisfaction, as defined in the Plan, in March 2016, the share of Series A Preferred Stock was automatically redeemed in accordance with its terms and may not be reissued. In addition, upon the final payment to the former Majority Shareholder in March 2016, the share of Series B Preferred Stock was automatically redeemed in accordance with its terms and may not be reissued.

Note 11 – Stock-Based Compensation

Stock Incentive Plan

We adopted the Trinity Place Holdings Inc. 2015 Stock Incentive Plan (the “SIP”), effective September 9, 2015. Prior to the adoption of the SIP, we granted restricted stock units (“RSUs”) to our executive officers and employees pursuant to individual agreements. The SIP, which has a ten year term, authorizes (i) stock options that do not qualify as incentive stock options under Section 422 of the Code, or NQSOs, (ii) stock appreciation rights, (iii) shares of restricted and unrestricted common stock, and (iv) RSUs. The exercise price of stock options will be determined by the compensation committee, but may not be less than 100% of the fair market value of the shares of common stock on the date of grant. The SIP authorizes the issuance of up to 800,000 shares of our common stock. Our SIP activity was as follows:

	Six Months Ended June 30, 2018		**Year Ended December 31, 2017**	
	Number of Shares	**Weighted Average Fair Value at Grant Date**	**Number of Shares**	**Weighted Average Fair Value at Grant Date**
Balance available, beginning of period	541,319	-	614,500	-
Granted to employees	(146,000)	$ 6.95	(48,600)	$ 7.34

Granted to non-employee directors	(10,223	)	$	6.78	(18,938	)	$	6.88
Deferred under non-employee director's deferral program	(13,503	)	$	6.78	(5,643	)	$	6.88
Balance available, end of period	371,593			-	541,319			-

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Restricted Stock Units

We grant RSUs to certain employees and executive officers as part of compensation. These grants have vesting dates ranging from immediate vest at grant date to five years, with a distribution of shares at various dates ranging from the time of vesting up to seven years after vesting.

During the six months ended June 30, 2018, we granted 146,000 RSUs to certain employees. These RSUs vest and settle at various times over a two year period, subject to each employee's continued employment. Approximately $190,000 and $381,000 in compensation expense related to these shares was amortized during the three and six months ended June 30, 2018, respectively, of which approximately $76,000 and $152,000 was capitalized into real estate under development.

Stock-based compensation expense recognized during the three months ended June 30, 2018 and June 30, 2017 totaled $286,000 and $243,000, respectively, which is net of $161,000 and $347,000 capitalized as part of real estate under development, respectively. Stock-based compensation expense recognized during the six months ended June 30, 2018 and June 30, 2017 totaled $636,000 and $554,000, respectively, which is net of $351,000 and $1.0 million capitalized as part of real estate under development, respectively.

Our RSU activity for the six months ended June 30, 2018 was as follows:

	Six Months Ended June 30, 2018	
	Number of Shares	Weighted Average Fair Value at Grant Date
Non-vested at beginning of period	677,734	$ 6.44
Granted RSUs	146,000	$ 6.95
Vested	(193,142)	$ 6.59
Non-vested at end of period	630,592	$ 6.40

As of June 30, 2018, there was approximately $1.6 million of total unrecognized compensation expense related to unvested RSUs, which is expected to be recognized through December 2020.

During the six months ended June 30, 2018, we issued 332,627 shares of common stock to employees and executive officers to settle vested RSUs from previous RSU grants. In connection with those transactions, we repurchased 156,604 shares to provide for the employees' withholding tax liabilities.

Director Deferred Compensation Program

We adopted our Non-Employee Director's Deferral Program (the "Deferral Program") on November 2, 2016. Under the Deferral Program, our non-employee directors may elect to defer receipt of their annual equity compensation. The non-employee directors' annual equity compensation, and any deferred amounts, are paid under the SIP. Compensation deferred under the Deferral Program is reflected by the grant of stock units under the SIP equal to the number of shares that would have been received absent a deferral election. The stock units, which are fully vested at grant, generally will be settled for an equal number of shares of common stock within 10 days after the participant ceases to be a director. In the event that we distribute dividends, each participant shall receive a number of additional stock units (including fractional stock units) equal to the quotient of (i) the aggregate amount of the dividend that the participant would have received had all outstanding stock units been shares of common stock divided by (ii) the closing price of a share of common stock on the date the dividend was issued.

As of June 30, 2018, 19,146 stock units were deferred under the Deferral Program.

Note 12 – Investment in Our Unconsolidated Joint Venture

Through a wholly-owned subsidiary, we own a 50% interest in a joint venture formed to acquire and operate 223 North 8th Street, Brooklyn, New York, a newly constructed 95-unit multi-family property, known as The Berkley, encompassing approximately 99,000 gross square feet. On December 5, 2016, the joint venture closed on the acquisition of The Berkley through a wholly-owned special purpose entity for a purchase price of $68.885 million, of which $42.5 million was financed through a 10-year loan (the "Loan") secured by The Berkley and the balance was paid in cash (half of which was funded by us). The non-recourse Loan bears interest at the 30-day LIBOR rate plus 216 basis points, is interest only for five years, is pre-payable after two years with a 1% prepayment premium and has covenants and defaults customary for a Freddie Mac financing. We and our joint venture partner are joint and several recourse carve-out guarantors under the Loan pursuant to Freddie Mac's standard form of guaranty. The effective interest rate was 4.25% at June 30, 2018 and 3.72% at December 31, 2017.

This joint venture is a voting interest entity. As we do not control this joint venture, we account for it under the equity method of accounting.

The balance sheets for the unconsolidated joint venture at June 30, 2018 and December 31, 2017 are as follows (in thousands):

	June 30, 2018 **(unaudited)**	December 31, 2017 **(audited)**	
ASSETS			&nb