

TRANS WORLD ENTERTAINMENT CORP
Form 10-Q
September 10, 2009

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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED AUGUST 1, 2009
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER: 0-14818

TRANS WORLD ENTERTAINMENT CORPORATION

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

14-1541629

(I.R.S. Employer
Identification Number)

38 Corporate Circle
Albany, New York 12203

(Address of principal executive offices, including zip code)

(518) 452-1242

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$.01 par value,
31,395,439 shares outstanding as of August 29, 2009

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
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TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
PART 1. FINANCIAL INFORMATION
Item 1 - Financial Statements
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)
(unaudited)

| | August 1, 2009 | January 31, 2009 | August 2, 2008 |
|---|-------------------|------------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 7,138 | \$ 30,055 | \$ 10,400 |
| Merchandise inventory | 320,413 | 378,188 | 399,193 |
| Income taxes receivable, net | | | 5,111 |
| Other current assets | 22,373 | 21,376 | 13,982 |
| Total current assets | 349,924 | 429,619 | 428,686 |
| NET FIXED ASSETS | 44,458 | 50,437 | 71,779 |
| OTHER ASSETS | 7,479 | 6,980 | 10,116 |
| TOTAL ASSETS | \$ 401,861 | \$ 487,036 | \$ 510,581 |
| LIABILITIES | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | \$ 94,675 | \$ 170,302 | \$ 115,121 |
| Borrowings under line of credit | 28,328 | | 35,465 |
| Accrued expenses and other current liabilities | 37,823 | 42,180 | 45,662 |
| Current portion of long-term debt | 584 | 570 | 554 |
| Current portion of capital lease obligations | 2,662 | 3,178 | 3,069 |
| Total current liabilities | 164,072 | 216,230 | 199,871 |
| LONG-TERM DEBT, less current portion | 2,693 | 2,986 | 3,273 |
| CAPITAL LEASE OBLIGATIONS, less current portion | 4,813 | 5,858 | 7,475 |
| OTHER LONG-TERM LIABILITIES | 25,612 | 26,947 | 31,786 |
| TOTAL LIABILITIES | 197,190 | 252,021 | 242,405 |
| SHAREHOLDERS EQUITY | | | |
| Preferred stock (\$0.01 par value; 5,000,000 shares authorized; none issued) | | | |
| Common stock (\$0.01 par value; 200,000,000 shares authorized; 56,498,429, 56,372,101 and 56,372,101 shares issued, respectively) | 565 | 564 | 564 |
| Additional paid-in capital | 307,306 | 306,159 | 305,442 |
| Treasury stock at cost (25,102,990, 25,102,990 and 25,102,990 shares, respectively) | (217,555) | (217,555) | (217,555) |
| Accumulated other comprehensive loss | 2,396 | 2,396 | (1,625) |
| Retained earnings | 111,959 | 143,451 | 181,350 |
| TOTAL SHAREHOLDERS EQUITY | 204,671 | 235,015 | 268,176 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | \$ 401,861 | \$ 487,036 | \$ 510,581 |

See Accompanying Notes to Condensed Consolidated Financial Statements.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|--|-----------------------------|---------------------------|-------------------------------|---------------------------|
| | August 1, 2009 | August 2, 2008 | August 1, 2009 | August 2, 2008 |
| Net sales | \$ 165,746 | \$ 215,226 | \$ 357,179 | \$ 447,778 |
| Cost of sales | 106,976 | 139,356 | 232,658 | 288,920 |
| Gross profit | 58,770 | 75,870 | 124,521 | 158,858 |
| Selling, general and administrative expenses | 75,767 | 94,533 | 155,126 | 188,331 |
| Loss from operations | (16,997) | (18,663) | (30,605) | (29,473) |
| Interest expense, net | 684 | 986 | 1,386 | 1,879 |
| Loss before income taxes | (17,681) | (19,649) | (31,991) | (31,352) |
| Income tax expense (benefit) | 74 | (419) | (499) | (296) |
| Net loss | \$ (17,755) | \$ (19,230) | \$ (31,492) | \$ (31,056) |
| | | | | |
| LOSS PER SHARE: | | | | |
| Basic and diluted loss per share | \$ (0.57) | \$ (0.62) | \$ (1.00) | \$ (1.00) |
| | | | | |
| Weighted average number of common shares outstanding basic and diluted | 31,394 | 31,212 | 31,345 | 31,188 |

See Accompanying Notes to Condensed Consolidated Financial Statements.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | Twenty-six Weeks Ended | |
|---|---------------------------|------------------|
| | August 1, 2009 | August 2 2008 |
| Net cash used by operating activities | \$ (47,039) | \$ (99,027) |
| Cash flows from investing activities: | | |
| Purchases of fixed assets | (2,366) | (5,169) |
| Net proceeds from sale of distribution facility | | 6,193 |
| Net cash (used) provided by investing activities | (2,366) | 1,024 |
| Cash flows from financing activities: | | |
| Proceeds from line of credit | 28,328 | 35,465 |
| Payments of long-term debt | (279) | (263) |
| Payments of capital lease obligations | (1,561) | (1,456) |
| Proceeds from the exercise of stock options | | 2 |
| Net cash provided by financing activities | 26,488 | 33,748 |
| Net decrease in cash and cash equivalents | (22,917) | (64,255) |
| Cash and cash equivalents, beginning of year | 30,055 | 74,655 |
| Cash and cash equivalents, end of period | \$ 7,138 | \$ 10,400 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Issuance of deferred shares | \$ 465 | \$ 719 |

See Accompanying Notes to Condensed Consolidated Financial Statements.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
AUGUST 1, 2009 and August 2, 2008

Note 1. Nature of Operations

Trans World Entertainment Corporation and subsidiaries (the Company) is one of the largest specialty retailers of entertainment software, including music, video, video games and related products in the United States. The Company operates a chain of retail entertainment stores, primarily under the names f.y.e. for your entertainment and Suncoast Motion Pictures, and e-commerce sites, www.fye.com, www.wherehouse.com, www.secondspin.com, www.samgoody.com and www.suncoast.com in a single industry segment. As of August 1, 2009, the Company operated 697 stores totaling approximately 4.5 million square feet in the United States, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands.

Liquidity and Cash Flows:

The Company's primary sources of working capital are cash provided by sales of merchandise inventory and borrowing capacity under its Credit Facility. The Company's cash flows fluctuate from quarter to quarter due to various items, including seasonality of sales and earnings, merchandise inventory purchases and returns and the related terms on the purchases and capital expenditures. We believe the cash generated from sales of merchandise inventory and borrowing capacity under our Credit Facility will be sufficient to finance our working capital and capital expenditure requirements for at least the next 12 months. The Company expects to replace its current Credit Facility prior to the expiration of the Credit Facility on January 6, 2011. Management has considered many initiatives as part of the development of its operating plan for 2009 and beyond that focus on the operation of a core base of stores, improved product selection based on customer preferences and industry changes, as well as further streamlining its operations. During Fiscal 2008, management carried out certain strategic initiatives in its efforts to reduce operating costs such as the closure of the Canton, OH distribution center, reduction of headcount at the home office and its distribution centers, the closing of 101 stores, as well as the elimination or curtailment of certain other general and administrative expenses. Also, during the first half of Fiscal 2009, management closed 15 stores and plans to continue its evaluation of store profitability of the remaining 697 stores in consideration of lease terms, conditions and expirations. As a result of these actions, the liquidation of the merchandise inventory from closed stores and management of overall merchandise inventory levels, management expects improvement in its operating cash flow during Fiscal 2009.

Seasonality:

The Company's business is seasonal in nature, with the fourth fiscal quarter constituting the Company's peak selling period. In Fiscal 2008, the fourth quarter accounted for approximately 35% of annual sales. In anticipation of increased sales activity during these months, the Company purchases additional inventory and hires additional, temporary employees to supplement its permanent store sales staff. If, for any reason, the Company's net sales were below seasonal norms during the fourth quarter (which the Company has experienced during its two most recent fourth quarters), the Company's operating results, particularly operating and net income, would be adversely affected. Additionally, quarterly sales results, in general, are affected by the timing of new product releases, store closings and the performance of existing stores.

Note 2: Basis of Presentation

The accompanying unaudited condensed consolidated financial statements consist of Trans World Entertainment Corporation, its wholly-owned subsidiary, Record Town, Inc. (Record Town), and Record Town's subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated.

The interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished in these unaudited condensed consolidated financial statements reflects all normal, recurring adjustments which, in the opinion of management, are necessary for the fair presentation of such financial statements. 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. Actual results could differ from those estimates. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to rules and regulations applicable to interim financial statements.

The information presented in the accompanying unaudited condensed consolidated balance sheet as of January 31, 2009 has been derived from the Company's January 31, 2009 audited consolidated financial statements. All other information has been derived from the Company's unaudited condensed consolidated financial statements as of and for the thirteen and twenty-six weeks ended August 1, 2009 and August 2, 2008. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009.

The Company's significant accounting policies are the same as those described in Note 1 to the Company's Consolidated Financial Statements on Form 10-K for the fiscal year ended January 31, 2009.

Note 3. Recently Adopted Accounting Pronouncements

Effective February 1, 2009, the Company adopted FSP Emerging Issues Task Force (EITF) No. 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP-EITF No. 03-6-1). Under FSP-EITF No. 03-6-1, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are considered participating securities and should be included in the two-class method of computing earnings per share. The adoption of FSP-EITF No. 03-6-1 did not have any impact on the determination or reporting of our earnings per share.

Effective February 1, 2009, the Company adopted FSP FAS No. 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS No. 142-3). FSP FAS No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets . The objective of FSP FAS No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the

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asset under SFAS No. 141 (revised 2007), Business Combinations and other U.S. GAAP. The adoption of FSP FAS No. 142-3 did not have any significant impact on our Consolidated Financial Statements.

Effective February 1, 2009, the Company adopted SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement No. 133 (SFAS No. 161). SFAS No. 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding their impact on financial position, financial performance and cash flows. To achieve this increased transparency, SFAS No. 161 requires (1) disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. The adoption of SFAS No. 161 did not have an impact on our Consolidated Financial Statements.

Effective February 1, 2009, the Company adopted SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51 , (SFAS No. 160). SFAS No. 160 was issued to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The adoption of SFAS No. 160 did not have an impact on our Consolidated Financial Statements.

In May 2009, the FASB issued FASB Statement No. 165, Subsequent Events (FAS 165) effective for interim financial periods ending after June 15, 2009. FAS 165 establishes principles and requirements for subsequent events. FAS 165 defines the period after the balance sheet date during which events or transactions that may occur would be required to be disclosed in a company s financial statements. Public entities are required to evaluate subsequent events through the date that financial statements are issued. FAS 165 also provides guidelines in evaluating whether or not events or transactions occurring after the balance sheet date should be recognized in the financial statements. FAS 165 requires disclosure of the date through which subsequent events have been evaluated. We have evaluated subsequent events through the date of issuance of this report.

Note 4. Stock Based Compensation

Total stock-based compensation expense recognized in the condensed consolidated statements of operations for the thirteen weeks ended August 1, 2009 and August 2, 2008 was \$0.7 million and \$0.4 million, respectively, before income taxes. No deferred tax benefit was recorded against stock-based compensation expense for the thirteen weeks ended August 1, 2009 and August 2, 2008.

Total stock-based compensation expense recognized in the condensed consolidated statements of operations for the twenty-six weeks ended August 1, 2009 and August 2, 2008 was \$1.4 million and \$0.7 million, respectively, before income taxes. No deferred tax benefit was recorded against stock-based compensation expense for the twenty-six weeks ended August 1, 2009 and August 2, 2008

As of August 1, 2009, there was approximately \$1.3 million of unrecognized compensation cost related to stock awards that is expected to be recognized as expense over a weighted average period of 1.0 years.

Stock awards authorized for issuance under the Company s plans total 20.6 million. As of August 1, 2009, of the awards authorized for issuance, 8.0 million were granted and are outstanding, 6.3 million of

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which were vested and exercisable. Awards available for future grants at August 1, 2009 were 2.9 million.

The table below outlines the assumptions that the Company used to estimate the fair value of stock based awards granted during the twenty-six weeks ended August 1, 2009:

| | Twenty-six weeks ended August 1, 2009 |
|---|--|
| Dividend yield | 0% |
| Expected stock price volatility | 76% |
| Risk-free interest rate | 3.3% |
| Expected award life (in years) | 6.7 |
| Weighted average fair value per share of awards granted during the period | \$ 0.69 |

The following table summarizes stock award activity during the twenty-six weeks ended August 1, 2009:

Employee and Director Stock Award Plans

| | <i>Number of Shares Subject To Award</i> | <i>Weighted Average Exercise Price</i> | <i>Weighted Average Remaining Contractual Term</i> |
|---|--|--|--|
| Balance January 31, 2009 | 8,458,465 | \$ 7.86 | 4.4 |
| Granted** | 297,398 | 0.06 | 9.7 |
| Grant of director deferred shares* | 50,866 | 0.00* | 9.8 |
| Exercised** | (11,363) | 0.00 | |
| Vested restricted/deferred shares issued* | (126,330) | 0.00* | |
| Forfeited | (46,786) | 2.98 | |
| Expired | (669,733) | 13.30 | |
| | | | |
| Balance August 1, 2009 | 7,952,517 | 7.23 | 4.5 |
| | | | |
| Exercisable at August 1, 2009 | 6,343,052 | \$ 8.21 | 3.6 |

* Restricted/deferred shares are exchangeable for common shares on a 1:1 basis and therefore have an exercise price of \$0.

** Equity awards granted and exercised during the period included restricted stock and restricted stock units which have an exercise price of \$0. During the quarter the Company granted 17,500 stock settled appreciation rights with an average exercise price of \$0.98.

The intrinsic value of stock awards exercised was \$7,954 during the twenty-six weeks ended August 1, 2009. The intrinsic value of stock awards outstanding as of August 1, 2009 was \$760,000. The intrinsic value of stock awards exercisable as of August 1, 2009 was \$56,000.

Note 5. Defined Benefit Plan

The Company maintains a non-qualified Supplemental Executive Retirement Plan (SERP) for certain executive officers of the Company. The SERP provides eligible executives defined pension benefits that supplement benefits under other retirement arrangements.

The Company had previously provided the Board of Directors with a noncontributory, unfunded retirement plan (Director Retirement Plan) that paid retired directors an annual retirement benefit. Directors who were not yet vested in their retirement benefits as of June 1, 2003 had the present value of

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benefits already accrued as of the effective date converted to deferred shares of the Company's Common Stock. Directors that were fully or partially vested in their retirement benefits were given a one time election to continue to participate in the current retirement program or convert the present value of their benefits to deferred shares.

The measurement date for the SERP and Director Retirement Plan is fiscal year end, using actuarial techniques which reflect estimates for mortality, turnover and expected retirement. In addition, management makes assumptions concerning future salary increases. Discount rates are generally established as of the measurement date using theoretical bond models that select high-grade corporate bonds with maturities or coupons that correlate to the expected payouts of the applicable liabilities.

The Company accounts for the SERP and the Director Retirement Plan in accordance with the provisions of SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*. Effective February 3, 2008, the Company adopted the measurement date provisions of SFAS No. 158 and, in accordance with the requirements of SFAS No. 158, recorded a reduction in retained earnings of \$362 thousand during the first quarter of Fiscal 2008, representing the increase in accrued benefits between the old measurement date of November 1, 2007 and February 2, 2008.

The following represents the components of the net periodic pension cost related to the Company's SERP and Director Retirement Plan for the respective periods:

| | Thirteen weeks ended | | Twenty-six weeks ended | |
|------------------------------------|-----------------------|-------------------|------------------------|-------------------|
| | August 1, 2009 | August 2, 2008 | August 1, 2009 | August 2, 2008 |
| | <i>(in thousands)</i> | | <i>(in thousands)</i> | |
| Service cost | \$ 49 | \$ 54 | \$ 98 | \$ 109 |
| Interest cost | 200 | 223 | 400 | 446 |
| Amortization of prior service cost | 85 | 86 | 170 | 171 |
| Amortization of net gain | (86) | (1) | (172) | (1) |
| | \$ 248 | \$ 362 | \$ 496 | \$ 725 |
| Net periodic pension cost | \$ 248 | \$ 362 | \$ 496 | \$ 725 |

During the twenty-six weeks ended August 1, 2009, the Company did not make any cash contributions to the SERP or the Director Retirement Plan, and presently expects to pay approximately \$35,000 in benefits relating to the SERP and \$16,000 in benefits relating to the Director Retirement Plan during Fiscal 2009.

Note 6. Line of Credit

The Company has a five-year, \$150 million secured revolving credit facility with Bank of America, N.A. (Credit Facility) that expires in January 2011. The Credit Facility contains provisions governing additional indebtedness and acquisitions and is secured by the Company's eligible inventory, proceeds from the sale of inventory and by the stock of the Company's subsidiaries. The availability under the Credit Facility is subject to limitations based on sufficient inventory levels. Based on inventory levels at the end of the quarter, the availability under the Credit Facility was \$133 million as of August 1, 2009. As of August 1, 2009, the Company had borrowed \$28.3 million under the Credit Facility, had \$0.7 million in outstanding letter of credit obligations under the Credit Facility and \$104 million was available for borrowing. The weighted average interest rate on outstanding borrowings for the thirteen weeks ended August 1, 2009 was 1.34%.

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As of August 2, 2008, the Company had borrowed \$35.5 million under the Credit Facility, had \$0.7 million in outstanding letter of credit obligations under the Credit Facility and \$113.8 million was available for borrowing. The weighted average interest rate on outstanding borrowings for the thirteen weeks ended August 2, 2008 was 3.52%.

Note 7. Comprehensive Loss

Other accumulated comprehensive loss that the Company reports in the condensed consolidated balance sheets represents the excess of accrued pension liability over accrued benefit cost, net of taxes, associated with the Company's defined benefit plans. Comprehensive loss was equal to net loss for the thirteen and twenty-six weeks ended August 1, 2009 and August 2, 2008.

Note 8. Depreciation and Amortization

Depreciation and amortization of fixed assets included in the Condensed Consolidated Statements of Operations is as follows:

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|--|-----------------------|-------------------|------------------------|-------------------|
| | August 1, 2009 | August 2, 2008 | August 1, 2009 | August 2, 2008 |
| | <i>(in thousands)</i> | | <i>(in thousands)</i> | |
| Cost of sales | \$ 372 | \$ 391 | \$ 756 | \$ 794 |
| Selling, general and administrative expenses | 3,653 | 5,482 | 7,314 | 10,998 |
| Total | \$ 4,025 | \$ 5,873 | \$ 8,070 | \$ 11,792 |

The decline in depreciation expense during the thirteen and twenty-six weeks ended August 1, 2009, compared to the same periods last year, is primarily due to lower store count and the write-down of fixed assets at underperforming locations during the fourth quarter of 2008.

Note 9. Earnings Per Share

Basic earnings(loss) per share is calculated by dividing net loss by the weighted average common shares 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 or resulted in the issuance of common stock (net of any assumed repurchases) that then shared in the earnings of the Company, if any, computed by dividing net earnings by the sum of the weighted average shares outstanding and additional common shares that would have been outstanding if the dilutive potential common shares had been issued for the Company's common stock awards from the Company's Stock Award Plans.

Weighted average shares are calculated as follows:

| | | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|--|---------|-----------------------|-------------------|------------------------|-------------------|
| | | August 1, 2009 | August 2, 2008 | August 1, 2009 | August 2, 2008 |
| | | <i>(in thousands)</i> | | <i>(in thousands)</i> | |
| Weighted average common shares outstanding | basic | 31,394 | 31,212 | 31,345 | 31,188 |
| Dilutive effect of stock based awards | | | | | |
| Weighted average common shares outstanding | diluted | 31,394 | 31,212 | 31,345 | 31,188 |
| Anti-dilutive stock options | | 6,523 | 6,965 | 7,186 | 6,124 |

For the thirteen and twenty-six week periods ended August 1, 2009 and August 2, 2008, the impact of outstanding stock options was not considered because the Company reported a net loss and such impact would be anti-dilutive. Accordingly, basic and diluted loss per share is the same.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
Item 2 - Management's Discussion and Analysis of Financial Condition and
Results of Operations
August 1, 2009 and August 2, 2008

Management's Discussion and Analysis of Financial Condition and Results of Operations provides information that the Company's management believes necessary to achieve an understanding of its financial statements and results of operations. To the extent that such analysis contains statements which are not of a historical nature, such statements are forward-looking statements, which involve risks and uncertainties. These risks include, but are not limited to, changes in the competitive environment for the Company's merchandise, including the entry or exit of non-traditional retailers of the Company's merchandise to or from its markets; releases by the music, home video and video games industries of an increased or decreased number of hit releases; general economic factors in markets where the Company's merchandise is sold; and other factors discussed in the Company's filings with the Securities and Exchange Commission. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this report and the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009.

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires that management apply accounting policies and make estimates and assumptions that affect results of operations and the reported amounts of assets and liabilities in the financial statements. Management continually evaluates its estimates and judgments including those related to merchandise inventory and return costs, valuation of long-lived assets, income taxes, stock-based compensation and accounting for gift card liability. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Note 1 of Notes to the Consolidated Financial Statements on Form 10-K for the year ended January 31, 2009 includes a summary of the significant accounting policies and methods used by the Company in the preparation of its condensed consolidated financial statements. There have been no material changes or modifications to the policies since January 31, 2009.

At August 1, 2009, the Company operated 697 stores totaling approximately 4.5 million square feet in the United States, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands. The Company's stores offer predominantly entertainment software, including music, video and video games and related products. In total, these categories represented 87% of the Company's sales in the twenty-six weeks ended August 1, 2009. The balance of categories, including software accessories, electronics and trend products represented 13% of the Company's sales in the twenty-six weeks ended August 1, 2009.

The Company's results have been, and will continue to be, dependent upon management's ability to understand general economic and business trends and to manage the business in response to those trends. Management monitors a number of key performance indicators to evaluate its performance, including:

Sales: The Company measures the rate of comparable store sales change. A store is included in comparable store sales calculations at the beginning of its thirteenth full month of operation. Mall stores relocated in the same shopping center after being open for at least thirteen months are considered

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comparable stores. Closed stores that were open for at least thirteen months are included in comparable store sales through the month immediately preceding the month of closing. The Company further analyzes sales by store format and by product category.

Cost of Sales and Gross Profit: Gross profit is impacted primarily by the mix of products sold, by discounts negotiated with vendors and discounts offered to customers. The Company records its distribution and product shrink expenses in cost of sales. Distribution expenses include those costs associated with purchasing, receiving, shipping, inspecting and warehousing product and costs associated with product returns to vendors. Cost of sales further includes obsolescence costs and is reduced by the benefit of vendor allowances, net of direct reimbursements of expense.

Selling, General and Administrative (SG&A) Expenses: Included in SG&A expenses are payroll and related costs, occupancy charges, general operating and overhead expenses and depreciation charges (excluding those related to distribution operations, as disclosed in Note 8 to the condensed consolidated financial statements). SG&A expenses also include asset impairment charges and write-offs, if any, and miscellaneous items, other than interest.

Balance Sheet and Ratios: The Company views cash, net inventory investment (merchandise inventory less accounts payable) and working capital (current assets less current liabilities) as indicators of its financial position. See Liquidity and Capital Resources for further discussion of these items.

RESULTS OF OPERATIONS Thirteen and Twenty-six Weeks Ended August 1, 2009 Compared to the Thirteen and Twenty-six Weeks Ended August 2, 2008

The following table sets forth a period over period comparison of the Company's sales for the thirteen weeks and twenty-six weeks ended August 1, 2009 and August 2, 2008, by category:

| | Thirteen weeks ended | | | | Twenty-six weeks ended | | | | | |
|---------------------|-----------------------|-------------------|------------|-------|------------------------|-----------------------|-------------------|-------------|--------------|------------------------|
| | August 1, 2009 | August 2, 2008 | Change | % | Comp Store Sales | August 1, 2009 | August 2, 2008 | Change | % | Comp Store Sales |
| | <i>(in thousands)</i> | | | | | <i>(in thousands)</i> | | | | |
| Net sales | \$165,746 | \$215,226 | \$(49,480) | (23)% | (15)% | \$357,179 | \$447,778 | \$(90,599) | (20)% | (12)% |
| As a % of sales | | | | | | | | | | |
| Music | 38% | 39% | | | (18)% | 37% | 38% | | | (15)% |
| Home Video | 41% | 39% | | | (11)% | 42% | 40% | | | (7)% |
| Video Games | 8% | 8% | | | (23)% | 8% | 8% | | | (18)% |
| Other | 13% | 14% | | | (17)% | 13% | 14% | | | (13)% |
| Store Count: | | | | | | 697 | 789 | (92) | (12)% | |

Sales. Sales decreased 23% and 20% in the thirteen and twenty-six week periods ending August 1, 2009, respectively. The decrease in total sales is due to comparable store sales decline of 15% and 12% for the thirteen and twenty-six week periods ended August 1, 2009, respectively and a decline of 12% in the number of stores in operation as compared to the same periods last year.

Music:

The Company's stores and Internet websites offer a wide range of compact discs (CDs) and music DVDs across most music genres, including new releases from current artists as well as an extensive catalog of music from past periods and artists. The music category represented 38% and 37% of total net sales for the thirteen and twenty-six weeks ended August 1, 2009, respectively.

During the thirteen and twenty-six weeks ended August 1, 2009, music sales in comparable stores decreased 18% and 15%, respectively, versus the thirteen and twenty-six weeks ended August 2, 2008. The decrease is related to continued industry declines. Total CD unit sales industry-wide were down 23% during the corresponding period to the Company's second fiscal quarter.

Home Video:

The Company offers DVDs and high definition DVDs (Bluray) in all of its stores. Comparable store sales in the video category decreased 11% and 7% during the thirteen and twenty-six week periods ending August 1, 2009, respectively. For the quarter, the industry was down 19%.

Video Games:

The Company offers video game hardware and software in approximately half of its stores. Comparable store net sales decreased 23% and 18% and for the thirteen and twenty-six weeks ended August 1, 2009, respectively. Video games represented 8% of our business for the thirteen and twenty-six weeks ended August 1, 2009. For the quarter, the industry was down 28%.

Other:

The Company offers accessory items for the use, care and storage of entertainment software, along with electronics and trend products. For the thirteen and twenty-six weeks ended August 1, 2009, comparable store net sales decreased 17% and 13% for these categories, respectively.

Gross Profit. The following table sets forth a period over period comparison of the Company's gross profit:

| | Thirteen weeks ended (in thousands) | | Change | | Twenty-six weeks ended (in thousands) | | Change | |
|-----------------|--|-------------------|-------------|-------|--|-------------------|------------|-------|
| | August 1, 2009 | August 2, 2008 | \$ | % | August 1, 2009 | August 2, 2008 | \$ | % |
| Gross Profit | \$ 58,770 | \$ 75,870 | \$ (17,100) | (23)% | \$ 124,521 | \$ 158,858 | \$(34,337) | (22)% |
| As a % of sales | 35.5% | 35.3% | | | 34.9% | 35.5% | | |

The decrease in gross profit dollars of 23% and 22% in the thirteen and twenty-six weeks ended August 1, 2009 as compared to the same period last year is due to the decline in total sales.

The decrease in gross profit as a percentage of sales for the twenty-six week periods ended August 1, 2009 reflects lower vendor allowances this year versus last year.

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Selling, General & Administrative Expenses (SG&A). The following table sets forth a period over period comparison of the Company's SG&A:

| | Thirteen weeks ended (in thousands) | | Change | | Twenty-six weeks ended (in thousands) | | Change | |
|--|--|-------------------|-----------|-------------|--|-------------------|------------|-------------|
| | August 1, 2009 | August 2, 2008 | \$ | % | August 1, 2009 | August 2, 2008 | \$ | % |
| | SG&A | \$ 75,767 | \$ 94,533 | \$ (18,766) | (20)% | \$ 155,126 | \$ 188,331 | \$ (33,205) |

As a % of sales 45.7% 43.9%

The \$19 million, or 20%, decrease in SG&A expenses for the thirteen weeks ended August 1, 2009 compared to prior year is due to the Company operating an average of 12% fewer stores. Despite the decrease, SG&A as a percentage of sales increased to 45.7% from 43.9% due to the sales decline of 23% in the quarter. The increase in SG&A expenses as a percentage of sales from 42.1% for the twenty-six week period ended August 2, 2008 to 43.4% for the twenty-six week period ended August 1, 2009 is due primarily to the overall sales decline of 20%.

Included in SG&A for the twenty-six weeks ended August 2, 2008, is a gain of approximately \$3.1 million from the sale of the Canton, Ohio distribution facility.

Interest Expense, net. Interest expense, net was \$0.7 million and \$1.4 million during the thirteen and twenty-six week periods ended August 1, 2009 compared to \$1.0 million and \$1.9 million for the thirteen and twenty-six week periods ended August 2, 2008, respectively. The decrease is due to lower average borrowings and average interest rates under the Company's Credit Facility.

Income Tax Expense (Benefit). As of January 31, 2009 and February 2, 2008, the Company had incurred cumulative three-year losses. Based on the cumulative three-year losses and other available objective evidence, management concluded that a full valuation allowance should be recorded against the Company's deferred tax assets. Due to the recognition of a full valuation allowance as of January 31, 2009, the projected net loss for the year ending January 30, 2010 and the net loss incurred for the twenty-six weeks ended August 1, 2009, the Company did not provide a current tax benefit for the net loss incurred for the thirteen week period.

For the thirteen weeks ended August 1, 2009, the tax expense is attributed to the net impact of the FIN 48 interest accrual and state taxes based on modified gross receipts incurred during this period.

For all other periods presented, the tax benefit is primarily attributed to the net impact of the FIN 48 interest accrual and the reduction of tax reserves due to a tax examination settlement and state taxes based on modified gross receipts incurred during this period.

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Net Loss. The following table sets forth a period over period comparison of the Company's net loss:

| | Thirteen weeks ended | | Twenty-six weeks ended | |
|------------------------------|----------------------|-------------------|------------------------|-------------------|
| | August 1, 2009 | August 2, 2008 | August 1, 2009 | August 2, 2008 |
| <i>(in thousands)</i> | | | | |
| Loss before income tax | \$ (17,681) | \$ (19,649) | \$ (31,991) | \$ (31,352) |
| Income tax expense (benefit) | 74 | (419) | (499) | (296) |
| Net loss | \$ (17,755) | \$ (19,230) | \$ (31,492) | \$ (31,056) |

Loss before income tax benefit decreased \$2.0 million to \$17.7 million for the second quarter of 2009, from \$19.6 million last year. For the thirteen weeks ended August 1, 2009, the Company's net loss decreased \$1.5 million, to \$17.8 million from \$19.2 million for the thirteen weeks ended August 2, 2008.

For the twenty-six weeks ended August 1, 2009, the loss before income taxes increased \$0.6 million to \$32.0 million from \$31.4 million last year. The Company's net loss increased \$0.4 million to \$31.5 million from \$31.1 million for the twenty-six weeks ended August 2, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Flows: The Company's primary sources of working capital are cash provided by sales of merchandise inventory and borrowing capacity under its Credit Facility. The Company's cash flows fluctuate from quarter to quarter due to various items, including seasonality of sales and earnings, merchandise inventory purchases and returns and the related terms on the purchases and capital expenditures. We believe the cash generated from sales of merchandise inventory and borrowing capacity under our Credit Facility will be sufficient to finance our working capital and capital expenditure requirements for at least the next 12 months. The Company expects to replace its current Credit Facility prior to the expiration of the Credit Facility on January 6, 2011. Management has considered many initiatives as part of the development of its operating plan for 2009 and beyond that focus on the operation of a core base of stores, improved product selection based on customer preferences and industry changes, as well as further streamlining of its operations. During Fiscal 2008, management carried out certain strategic initiatives in its efforts to reduce operating costs such as the closure of the Canton, OH distribution center, reduction of headcount at the home office and its distribution centers, the closing of 101 stores, as well as the elimination or curtailment of certain other general and administrative expenses. Also, during the first half of Fiscal 2009, management closed 15 stores and plans to continue its evaluation of store profitability of its remaining 697 stores in consideration of lease terms, conditions and expirations. As a result of these actions, the liquidation of the merchandise inventory from closed stores and management of overall merchandise inventory levels, management expects improvement in its operating cash flow during Fiscal 2009.

The following table sets forth a summary of key components of cash flow and working capital for each of the twenty-six weeks ended August 1, 2009 and August 2, 2008:

| <i>(in thousands)</i> | Twenty-six weeks ended | | Change |
|---|------------------------|----------------|-----------|
| | August 1, 2009 | August 2, 2008 | \$ |
| Operating Cash Flows | \$ (47,039) | \$ (99,027) | \$ 51,988 |
| Financing Cash Flows | 26,488 | 33,748 | (7,260) |
| Proceeds from sale of distribution facility | | 6,193 | (6,193) |
| Capital Expenditures | (2,366) | (5,169) | 2,803 |
| Cash and Cash Equivalents | 7,138 | 10,400 | (3,262) |
| Merchandise Inventory | 320,413 | 399,193 | (78,780) |
| Working Capital | 185,852 | 228,815 | (42,963) |

The Company had cash and cash equivalents of \$7.1 million at August 1, 2009, compared to \$30.1 million at January 31, 2009 and \$10.4 million at August 2, 2008. Merchandise inventory was \$72 per square foot at August 1, 2009, compared to \$81 per square foot at August 2, 2008.

Cash used by operating activities was \$47.0 million for the twenty-six weeks ended August 1, 2009. The primary uses of cash during the twenty-six weeks ended August 1, 2009 were a seasonal reduction of accounts payable, resulting in a \$17.9 million increase in net inventory (inventory less accounts payable) and losses from operation. The Company's merchandise inventory and accounts payable are heavily

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influenced by the seasonality of its business. A significant reduction of accounts payable occurs annually in the fiscal first quarter, reflecting payments for merchandise inventory sold during the prior year's holiday season.

During the twenty-six weeks ended August 2, 2008, the Company sold its Canton, Ohio distribution facility, receiving net proceeds of \$6.2 million.

Cash provided by financing activities was \$26.5 million for the twenty-six weeks ended August 1, 2009. The primary source of cash of \$28.3 million was from borrowings under the Company's Credit Facility.

The Company has a five-year, \$150 million secured Credit Facility with Bank of America, N.A. that expires in January 2011. The Credit Facility contains provisions governing additional indebtedness and acquisitions and is secured by the Company's eligible inventory, proceeds from the sale of inventory and by the stock of the Company's subsidiaries. The availability under the Credit Facility is subject to limitations based on sufficient inventory levels. Based on inventory levels at the end of the quarter, the availability under the Credit Facility was \$133 million as of August 1, 2009. As of August 1, 2009, the Company had borrowed \$28.3 million under the Credit Facility, had \$0.7 million in outstanding letter of credit obligations under the Credit Facility and \$104 million was available for borrowing. The weighted average interest rate on outstanding borrowings for the thirteen weeks ended August 1, 2009 was 1.34%.

Capital Expenditures. During the twenty-six weeks ended August 1, 2009, the Company made capital expenditures of \$2.4 million. The Company plans to spend a total of \$10 million for capital expenditures in 2009.

Recently Issued Accounting Pronouncements:

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles* a replacement of FASB Statement No. 162 (SFAS 168). SFAS 168 provides for the FASB Accounting Standards Codification™ (the *Codification*) to become the single official source of authoritative, nongovernmental U.S. GAAP. Rules and interpretative releases of the SEC under authority of Federal Securities laws are also sources of U.S. GAAP for SEC registrants. The Codification is not intended to change existing U.S. GAAP and as such will not have a significant impact on the Company's financial statements, but reorganizes the literature. SFAS 168 is effective for interim and annual periods ending after September 15, 2009.

In June 2009, the FASB issued FAS 166, *Accounting for Transfers of Financial Assets* an amendment of FAS 140. FAS 140 is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets: the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. The Company does not expect the adoption of FAS 166 to have an impact on the Company's results of operations, financial condition or cash flows.

In June 2009, the FASB issued FAS 167, *Amendments to FASB Interpretation No. 46(R)*. FAS 167 is intended to (1) address the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, as a result of the elimination of the qualifying special-purpose entity concept in FAS 166, and (2) constituent concerns about the application

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of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provided timely and useful information about an enterprise's involvement in a variable interest entity. This statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. The Company does not expect the adoption of FAS 167 to have an impact on the Company's results of operations, financial condition or cash flows.

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. 107-1(FSP FAS 107-1) and APB 28-1 (APB 28-1), which amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments, and APB Opinion No. 28, Interim Financial Reporting, to require disclosures about the fair value of financial instruments for interim reporting periods. FSP FAS 107-1 and APB 28-1 will be effective for interim reporting periods ending after June 15, 2009. The adoption of this staff position is not expected to have a material impact on the Company's financial position or results of operations.

In April 2009, the FASB issued FASB Staff Position No. 157-4 (FSP FAS 157-4), which provides additional guidance in accordance with FASB No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability has significantly decreased. This FSP does not change the requirements in paragraphs 24-27 of Statement 157, which provide guidance on the use of Level 1 inputs. FSP FAS 157-4 shall be effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this staff position is not expected to have a material impact on the Company's financial position or results of operations.

In April 2009, the FASB issued FASB Staff Position No. 115-2 (FSP FAS 115-2) and FASB Staff Position No. 124-2 (FSP FAS 124-2), which amends the other-than-temporary impairment guidance for debt and equity securities. FSP FAS 115-2 and FSP FAS 124-2 shall be effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this staff position is not expected to have a material impact on the Company's financial position or results of operations.

In April 2009, the FASB issued FSP FAS 141R-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies, which amends and clarifies SFAS No. 141 (Revised) to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This FSP shall be effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is during or after fiscal 2010. After the effective date, the Company will apply the requirements of SFAS No. 141R-1 to any future business combinations.

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS No. 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets (FSP FAS No. 132(R)-1) which amends SFAS No. 132(revised 2003) Employers Disclosures about Pensions and Other Postretirement Benefits an Amendment of FASB Statements No. 87, 88, and 106 (SFAS No. 132(R)). FSP FAS No. 132(R)-1 requires more detailed disclosures about the assets of a defined benefit pension or other postretirement plan and is effective for fiscal years ending after December 15, 2009. We are in the process of evaluating FSP FAS No. 132(R)-1 and do not expect it will have a significant impact on our Consolidated Financial Statements.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

To the extent the Company borrows under its Credit Facility, the Company is subject to risk resulting from interest rate fluctuations since interest on the Company's borrowings under its Credit Facility can be variable. Interest on the Credit Facility is payable monthly in arrears at a variable rate of either the prime rate or LIBOR plus 0.75%. If interest rates on the Company's Credit Facility were to increase by 25 basis points, and to the extent borrowings were outstanding, for every \$1,000,000 outstanding on the facility, income before income taxes would be reduced by \$2,500 per year. For a discussion of the Company's accounting policies for financial instruments and further disclosures relating to financial instruments, see "Nature of Operations and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended January 31, 2009. The Company does not hold any derivative instruments and does not engage in hedging activities.

Item 4 - Controls and Procedures

(a) Evaluation of disclosure controls and procedures. The Company's Chief Executive Officer and Chief Financial Officer after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of August 1, 2009, have concluded that as of such date the Company's disclosure controls and procedures were adequate and effective and designed to ensure that material information relating to the Company and its subsidiaries would be made known to such officers on a timely basis.

(b) Changes in internal controls. There have been no changes in the Company's internal controls over financial reporting that occurred during the fiscal quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1 Legal Proceedings

The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated. Although there can be no assurance as to the ultimate disposition of these matters, it is management's opinion, based upon the information available at this time, that the expected outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the results of operations and financial condition of the Company.

Item 1A Risk Factors

Risks relating to the Company's business and Common Stock are described in detail in Item 1A of the Company's most recently filed Annual Report on Form 10-K for the year ended January 31, 2009.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 Defaults Upon Senior Securities

None.

Item 4 - Submission of Matters to a Vote of Security Holders

- A) An Annual Meeting of Shareholders of Trans World Entertainment Corporation was held on Wednesday, June 17, 2009.
- B) In the case of each individual nominee named below, authority to vote was withheld with respect to the number of shares shown opposite their name in Column 1, and each nominee received the number of votes set opposite their name in Column 2 for election as director of the Corporation.

| <u>Names of Nominees</u> | <u>Column 1 Withheld</u> | <u>Column 2 Votes for</u> |
|--------------------------|------------------------------|-------------------------------|
| Bryant Riley | 392,514 | 27,821,916 |
| Michael Solow | 3,560,956 | 24,653,474 |

- C) A proposal to adopt the Trans World Entertainment Corporation Executive Bonus Plan was approved as follows:

| | |
|----------|------------|
| FOR- | 27,528,689 |
| AGAINST- | 671,204 |
| ABSTAIN- | 14,537 |
| NO-VOTE- | 3,177,486 |

Item 5 Other Information

None.

Item 6 - Exhibits

(A) Exhibits -

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 31.1 | Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
