

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-06-12**
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FILER

TRANS WORLD ENTERTAINMENT CORP

CIK: **795212** | IRS No.: **141541629** | State of Incorporation: **NY** | Fiscal Year End: **0131**
Type: **10-Q** | Act: **34** | File No.: **000-14818** | Film No.: **95546717**
SIC: **5735** Record & prerecorded tape stores

Business Address
38 CORPORATE CIRCLE
ALBANY NY 12203
5184521242

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED APRIL 29, 1995

OR

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

COMMISSION FILE NUMBER: 0-14818

TRANS WORLD ENTERTAINMENT CORPORATION
(Exact name of registrant
as specified in its charter)

New York	14-1541629
(State or other jurisdiction of incorporation or organization)	(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 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 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,
9,732,814 shares outstanding as of June 9, 1995

=====
TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

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TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)
(unaudited)

<TABLE>
<CAPTION>

ASSETS	April 29, 1995	January 28, 1995	April 30, 1994
-----	-----	-----	-----
<S>	<C>	<C>	<C>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 27,632	\$ 90,091	\$ 8,061
Merchandise inventory	217,870	222,358	226,828
Other current assets	17,756	16,527	12,167
	-----	-----	-----
Total current assets	263,258	328,976	247,056

VIDEOCASSETTE RENTAL INVENTORY, net	7,695	7,472	6,670
DEFERRED TAX ASSET	505	505	---
FIXED ASSETS:			
Property, plant and equipment	180,297	182,262	171,782
Less: Fixed asset write-off reserve	9,175	10,485	---
Accumulated depreciation and amortization	87,842	85,620	76,628
	83,280	86,157	95,154
OTHER ASSETS	3,957	3,829	1,968
TOTAL ASSETS	\$358,695	\$426,939	\$350,848
LIABILITIES AND SHAREHOLDERS' EQUITY			

CURRENT LIABILITIES:			
Accounts payable	\$ 76,506	\$ 135,493	\$ 72,603
Notes payable	74,947	74,947	62,995
Store closing reserve	7,244	9,276	---
Current portion of long-term debt and capital lease obligations	6,559	6,618	3,501
Other current liabilities	6,202	9,211	10,250
Total current liabilities	171,458	235,545	149,349
LONG-TERM DEBT, less current portion	59,716	59,770	65,976
CAPITAL LEASE OBLIGATIONS, less current portion	6,653	6,671	6,952
OTHER LIABILITIES	5,476	5,476	4,379
TOTAL LIABILITIES	243,303	307,462	226,656
SHAREHOLDERS' EQUITY			
Common stock (\$.01 par value; 20,000,000 shares authorized; 9,731,208 issued)	97	97	97
Additional paid-in capital	24,236	24,236	24,236
Treasury stock, at cost (48,394, 48,394 & 12,000 shares, respectively)	(503)	(503)	(162)
Retained earnings	91,562	95,647	100,021
Total shareholders' equity	115,392	119,477	124,192
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$358,695	\$426,939	\$350,848

See Notes to Condensed Consolidated Financial Statements.
</TABLE>

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

<TABLE>
 <CAPTION>

	Thirteen Weeks Ended	
	April 29, 1995	April 30, 1994
<S>	<C>	<C>
Sales	\$111,912	\$109,200
Cost of sales	72,258	68,370
	-----	-----
Gross profit	39,654	40,830
Selling, general and administrative expenses	38,733	37,562
Depreciation and amortization	4,246	4,168
	-----	-----
Income (Loss) from operations	(3,325)	(900)
Interest expense	3,474	2,232
	-----	-----
Loss before income taxes	(6,799)	(3,312)
Income tax benefit	(2,713)	(1,250)
	-----	-----
NET LOSS	\$ (4,086)	\$ (1,882)
	=====	=====
LOSS PER SHARE	\$ (0.42)	\$ (0.19)
	=====	=====
Weighted average number of common shares outstanding	9,688 =====	9,719 =====

See Notes to Condensed Consolidated Financial Statements.

</TABLE>

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

<TABLE>
 <CAPTION>

Thirteen Weeks Ended

	April 29, 1995	April 30, 1994
	-----	-----
<S>	<C>	<C>
NET CASH USED BY OPERATING ACTIVITIES	\$(60,521)	\$(74,547)
	-----	-----
INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,584)	(5,565)
Purchases of videocassette rental inventory, net of amortization	(223)	(504)
	-----	-----
Net cash used by investing activities	(1,807)	(6,069)
	-----	-----
FINANCING ACTIVITIES:		
Payments of long-term debt and capital lease obligations	(131)	(364)
Net increase in revolving line of credit	---	62,995
Other	---	---
	-----	-----
Net cash provided by financing activities	(131)	62,631
	-----	-----
Net decrease in cash and cash equivalents	(62,459)	(17,985)
Cash and cash equivalents, beginning of period	90,091	26,046
	-----	-----
Cash and cash equivalents, end of period	\$27,632	\$ 8,061
	=====	=====

See Notes to Condensed Consolidated Financial Statements.
</TABLE>

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements consist of Trans World Entertainment Corporation and its subsidiaries (the "Company"), all of which are wholly owned. All significant intercompany accounts and transactions have been eliminated. Joint venture investments and income, none of which are material, are accounted for using the equity method.

The unaudited 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 consolidated financial statements reflects all normal, recurring adjustments which, in the

opinion of management, are necessary for a fair presentation of such financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations applicable to interim financial statements.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1995.

Note 2. Restructuring Reserve

During the fourth quarter of 1994 the Company recorded a pre-tax restructuring charge of \$21 million to reflect the anticipated costs associated with a program to close 143 stores through the first quarter of 1996. The restructuring charge included the write-down of fixed assets, estimated cash payments to landlords for early termination of operating leases and the cost of returning product to the Company's distribution center and vendors. The charge also included estimated legal and consulting fees, including those that the Company is obligated to pay on behalf of its lenders while working to renegotiate its credit agreements.

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Total costs charged to the restructuring reserves during the first quarter of 1995 are summarized as follows:

	First Quarter Beginning Reserve Balance	First Quarter Charges Against Reserve	First Quarter Ending Reserve Balance

(in thousands)			
Non-cash write-offs			
- - - - -			
Leasehold improvements	\$ 7,077	\$ 393	\$ 6,684
Furniture and fixtures	3,408	917	2,491
Excess inventory shrinkage	944	0	944

Total non-cash	11,429	1,310	10,119

Cash outflows			
- - - - -			
Lease obligations	4,250	568	3,682
Return penalties and related costs	2,725	325	2,400
Termination benefits	200	135	65
Consulting and legal fees	1,157	1,004	153

Total cash outflows	8,332	2,032	6,300

Total	\$19,761	\$3,342	\$16,419
	=====		

Note 3. Seasonality

The Company's business is seasonal in nature, with the highest sales and earnings occurring in the fourth fiscal quarter. In the past three years, the fourth fiscal quarter has represented substantially all of the Company's net income for the year.

Note 4. Earnings (Loss) Per Share

Earnings (Loss) per share is based on the weighted average number of common shares outstanding during each fiscal period. Common stock equivalents, relating to stock options, are excluded from the calculations, as their inclusion would have an anti-dilutive impact on the loss per share.

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TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Thirteen Weeks Ended April 29, 1995 Compared to Thirteen Weeks Ended April 30, 1994

Sales. The Company's total sales increased 2.5% for the thirteen weeks ended April 29, 1995 over the thirteen weeks ended April 30, 1994. The \$2.7 million sales increase is attributable to the sales generated from new stores opened by the Company since April 30, 1994. During the past 12 months, the Company opened 41 stores and closed or relocated 69 stores resulting in a 80,000 net increase in retail square footage. Comparable store sales declined 2% from the prior year. The decrease is due primarily to a weak new release schedule and lower traffic in the retail malls.

Comparable store sales for mall stores decreased 3.4%, while non-mall stores increased 1.0%. By product category, comparable store sales in audio decreased 2.4% while video sell-through increased 2.4%.

Gross Profit. Gross profit, as a percentage of sales, decreased from 37.4% to 35.4% in the thirteen week period ended April 29, 1995, when compared to 1994. The lower gross margin is primarily due to increased promotional markdowns in the period. To a lesser extent, the continued shift in sales mix from prerecorded audio cassettes to compact discs and prerecorded videocassettes also contributed to the decline. Compact discs and prerecorded

videocassettes carry a lower gross profit than prerecorded audio cassettes.

Selling, General and Administrative Expenses. Selling, general and administrative expenses ("SG&A"), as a percentage of sales, increased from 34.4% to 34.6% in the thirteen week period ended April 29, 1995 when compared to 1994. The \$1.2 million or 0.2% increase in SG&A, as a percent of sales, was due primarily to a 3.1% increase in SG&A expenses while total sales increased 2.5%. The decline in comparable store sales impacted the increase in SG&A as a percentage of sales.

Interest Expense. The \$1.2 million increase in interest expense for the thirteen week period ended April 29, 1995, compared to 1994, was primarily attributed to an increase in the Company's weighted average borrowing rate.

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TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Sources of Capital. During the first quarter, funds available under revolving credit facilities have typically been the Company's primary source of liquidity. Unlike previous years, the Company accumulated cash balances in December 1994 and January 1995 instead of repaying the balances under its \$75 million revolving credit facilities (the "Revolver"). The credit facilities did not require the Company to pay down the outstanding balances under the Revolver at year end. Accordingly, the Company ended fiscal year 1994 with cash balances of approximately \$90.1 million. During the first quarter of 1995, the Company used the accumulated cash balances to satisfy the \$59.0 million seasonal reduction in accounts payable, its most significant use of cash in the thirteen week period ended April 29, 1995.

During the first quarter of 1995, the Company was operating under temporary waivers from its lenders relating to non-compliance with two financial covenants at January 28, 1995. The aggregate amount of the senior debt, totaling a maximum available amount of \$140 million, including the Revolver and \$65 million in outstanding long-term notes (the "Notes") ranks pari passu and is unsecured. The nine lenders (the "Lending Group") that are party to the applicable credit agreements granted waivers to the Company effective through March 31, 1995 and subsequently extended through May 15, 1995. During this waiver period the Company was required to remain fully borrowed on all senior debt instruments pending negotiation and restructuring of the modified credit agreements.

On April 28, 1995 the Company entered into an agreement in principle with

the Lending Group to restructure all of the Company's \$140 million aggregate principal amount of senior debt. Under the provisions of the modified credit agreements, the Company will be required to make principal repayment on the Notes of \$2.3 million on June 30, 1995 and \$3.7 on January 31, 1996. The maximum borrowings available on the Company's Revolver will be reduced to \$72.3 million on June 30, 1995 and to \$68.0 million on January 31, 1996. Final maturity of the Notes and the Revolver is July 31, 1996. Effective April 28, 1995, interest rates for the Notes and the Revolver were converted to a floating rate equal to the greater of 10.5% or 1-1/2% over the prime lending rate.

The modified credit agreements contain restrictive provisions governing dividends, capital expenditures and acquisitions, and modified covenants as to working capital, cash flow and consolidated tangible net worth to reflect the \$21 million restructuring charge recorded in 1994 and lower earnings levels than expected when the credit agreements were amended in January 1994. In the past, the Company has violated its fixed charge ratio covenant, which requires a specified pretax earnings coverage of the aggregate of interest expense and real estate rent. The modified fixed charge ratio covenant now aggregates depreciation and amortization with pre-tax earnings for the coverage test. The Company will be in compliance with the modified covenant if it is profitable for the 1995 fiscal year. The Revolver as modified requires the Company to pay down the outstanding balances for a 15 day period between December 25, 1995 and January 31, 1996.

The Company's ability to continue to meet its liquidity requirements on a long-term basis is dependent on its ability to successfully obtain new financing to replace the senior debt maturing in July 1996. In the interim period, cash flow from operations, continued reductions in absolute inventory levels, and reduced capital expenditures should assure that the Company has ample liquidity to meet its operating requirements.

Capital Expenditures.

During the first quarter of 1995, the Company had capital expenditures of \$1.6 million of the planned total capital expenditures of approximately \$11 million, net of construction allowances, for fiscal 1995. The Company opened 3 of the 14 new stores planned to open in fiscal 1995 and closed 23 of the 80 stores anticipated to close in 1995. On a net basis, retail square footage was reduced by 40,000 square feet since January 28, 1995. The new stores averaged 5,800 square feet of retail space. This is larger than the average store size of the Company.

Capital expenditures and new store growth will continue to be curtailed throughout 1995 while management's strategy continues to be concentrated on closing underperforming stores. Some limitations on capital expenditures have also been imposed by the Company's lending agreements. The Company does not expect to continue the rapid growth experienced in the past and any excess cash flow will be used primarily to retire debt.

Provision for Business Restructuring.

During the fourth quarter of 1994 the Company undertook a comprehensive examination of store profitability and adopted a business restructuring plan that included the closing of 143 stores out of 712 stores then open and operating. Management concluded that select retail entertainment markets had begun to reflect an overcapacity of retail outlets, and large discount-priced electronics stores and other superstores were having an adverse impact on certain of the Company's retail stores. As a result of the restructuring plan, the Company recorded a pre-tax charge of \$21 million against earnings, leading to a loss for the 1994 fiscal year. The components of the restructuring charge included approximately \$8.7 million in reserves for future cash outlays, and approximately \$12.3 million in asset write-offs.

Twenty-three stores were closed in the first quarter of 1995 bringing total closures to 51 through the end of the first quarter of 1995. Fixed asset write-offs charged to the reserve account totaled \$1.3 million in the first quarter of 1995 and \$2.2 million since the inception of the business restructuring plan. Cash expenditures for lease obligations, termination benefits and other expenditures charged to the store closing reserve totaled \$2.0 million in the first quarter of 1995 and \$2.4 million since the inception of the business restructuring plan.

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Remaining cash outlays relating to lease obligations, termination benefits and other expenditures are anticipated to total approximately \$3.5 million in fiscal 1995 and \$4.8 million in fiscal 1996. The cash outflows for store closings in the first quarter and outflows for the remainder of the year have been financed and will continue to be financed through disposition of merchandise inventory from the closed stores. The timing of continued store closures will depend somewhat on the Company's ability to negotiate reasonable lease termination agreements and continued review of the opportunities to accelerate the closing of underperforming stores.

Annual sales associated with the stores closed in the first quarter of 1995 totaled \$10.2 million in 1994. Because the store closures will be phased out over 1995 and early 1996, the Company will not receive most of the earnings or cash flow benefits from the restructuring program until fiscal 1996.

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TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES

PART II: OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(A) Exhibits

Exhibit No. -----	Description -----	Page No. -----
10.1	Form of Restricted Stock Agreement dated 2/1/95 between the Company and Edward W. Marshall, Jr., Executive Vice President-Operations and 5/1/95 Bruce J. Eisenberg, Senior Vice President-Real Estate	14
10.2	Form of Indemnification Agreement dated May 1, 1995 between the Company and its officers and directors	19
27	Financial Data Schedule	31

(B) Reports on Form 8-K.

The Company filed a report on form 8-K on announcing a restructuring charge for closing underperforming stores and debt restructuring.

Omitted from this Part II are items which are not applicable or to which the answer is negative for the periods covered.

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TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRANS WORLD ENTERTAINMENT CORPORATION

JUNE 13, 1995

By: /s/ ROBERT J. HIGGINS

Robert J. Higgins,
President and Director
(Principal Executive Officer)

JUNE 13, 1995

By: /s/ JOHN J. SULLIVAN

John J. Sullivan

Senior Vice President
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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TRANS WORLD ENTERTAINMENT
CORPORATION
FORM OF RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement, dated as of , 1995 (the "Agreement"), is made by and between Trans World Entertainment Corporation, a New York corporation (the "Company"), and (the "Employee").

WHEREAS, the Employee has been designated by the Compensation Committee of the Company's Board of Directors (the "Committee") to participate in the Trans World Entertainment Corporation 1990 Restricted Stock Plan (the "Plan"), which the Employee acknowledges receipt of;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto agree as follows.

Capitalized terms used herein and not defined shall have the meanings set forth in the Plan.

1. Award of Shares. Pursuant to the provisions of the Plan, the terms of -----
which are incorporated herein by reference, the Employee is hereby awarded
shares of Restricted Stock (the "Award"), subject to the terms and

conditions herein set forth.

2. Terms and Conditions. It is understood and agreed that the Award

evidenced hereby is subject to the following terms and conditions.

(a) Vesting of Award. Subject to the other terms and conditions of this Agreement and the Plan, this Award shall become vested in one installment on -----, expressly conditioned on complete years of continuous

employment (such yearly periods to be measured beginning -----, 1995); provided, however, that in accordance with and subject to the Plan, the

Committee may in its sole discretion accelerate the vesting of the Award or remove any restrictions relating thereto.

(b) Vesting on Death or Disability. In the event of the termination of

the Employee's employment with the Company for any reason whatsoever, all shares of Restricted Stock subject to the Award that have not vested in accordance with Section 2(a) or 2(b) above shall be forfeited by the Employee and become the property of the Company. If the Restricted Stock is forfeited, the Company shall be entitled to have the certificates

representing the shares of Restricted Stock redelivered to it out of the escrow provided for in Section 2(d) hereof.

(c) Forfeiture of Unvested Shares. In the event of the termination of the

Employee's employment with the Company for any reason whatsoever, all shares of Restricted Stock subject to the Award which have not vested in accordance with Section 2(a) above and do not become vested under section 2(a) or 2(b) above shall be forfeited by the Employee and become the property of the Company. If the Restricted Stock is forfeited, the Company shall be entitled to have the certificates representing the shares of Restricted Stock redelivered to it out of the escrow provided in Section 2(d) hereof.

(d) Certificates. Each certificate issued in respect of Restricted Stock

awarded hereunder shall be deposited in escrow with the Company or its designee, selected by the Company in the Company's sole discretion, together with a stock power executed in blank by the Employee, and shall bear a legend disclosing the restrictions on transferability imposed on such Restricted Stock by this Agreement. Upon the vesting of Restricted Stock pursuant to Section 2(a) or 2(b) hereof, and the satisfaction of any withholding tax liability pursuant to Section 5 hereof, the certificates evidencing such vested Restricted Stock shall be delivered to the Employee.

(e) Rights of a Shareholder. Subject to Section 3 hereof, prior to the

time a share of Restricted Stock is fully vested hereunder, the Employee shall have all the rights of a shareholder of the Company, including the right to vote such shares of Restricted Stock; provided, however, that unless and until the vesting restrictions and other terms and conditions applicable to the Award have lapsed or are otherwise satisfied, the dividends applicable to such Restricted Stock shall be held by the Company for the Employee's account, and interest may be paid on any such dividends, at a rate and subject to such terms as determined by the Committee in its sole and absolute discretion. If Restricted Stock is forfeited pursuant to the terms of this Agreement, the related dividends and interest, if any, shall likewise be forfeited to the Company.

(f) No Right to Continued Employment. Neither the Plan, this Agreement,

this Award nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that the Employee has a right to continue as an employee for any period of time, or at any rate of compensation, and shall not in any way interfere with the right of the Company to terminate the Employee's employment at any time.

3. Restrictions on Transfer of Shares. Neither the shares of Restricted

Stock delivered hereunder nor any interest in them may be sold, assigned, disposed of, pledged, hypothecated, encumbered or in any other manner transferred, in whole or in part, until the vesting provisions herein and in the Plan have been satisfied, and thereafter only if all of the following conditions have been satisfied:

(a) The listing, or approval for listing upon notice of issuance, that may be required of such shares on any securities exchange as may at the time be the principal market for the shares;

(b) Any registration or other qualification of such shares under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification or an exemption therefrom supported by an opinion of counsel, which the board of directors shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable, including expiration of any requisite holding period under Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"); and

(c) The obtaining of any other consent, approval or permit for any state or federal governmental agency which the board of directors shall, in its absolute discretion based upon the advice of counsel, determine to be necessary or advisable.

4. Legend on Restricted Stock. All certificates representing shares of Restricted Stock, unless such shares are registered under the Securities Act, shall bear the following legend or such other legend as the Company deems appropriate:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED OR SOLD IN THE ABSENCE OF SUCH REGISTRATION OR THE AVAILABILITY OF AN EXEMPTION FROM SUCH REGISTRATION.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS AND VESTING CONDITIONS SET FORTH IN A RESTRICTED STOCK AGREEMENT MAINTAINED WITH THE SECRETARY OF THE COMPANY.

Any certificate issued at any time in exchange or substitution for any certificate bearing such legend or such other legend deemed appropriate by the Company shall also bear such legend unless, in the opinion of counsel for the Company, the securities represented thereby need no longer be subject to the restriction contained herein. The provisions of this Section 4 shall be binding upon all subsequent holders of certificates bearing the above legend.

5. Acquisition for Investment. The Employee represents and warrants that

he is acquiring the shares of Restricted Stock distributed hereby as an investment and not with a view to distribution thereof. The Company also reserves the right to place any legend or other symbol on the share certificates issued or transferred pursuant to this Agreement and the Plan and to furnish any stop transfer or similar instructions to the transfer agent for its shares which the Company, in its sole discretion, may deem necessary and proper to ensure compliance with the above representation and warranty.

6. Adjustment Provisions. If the shares of Common Stock outstanding are

changed, such that its effect in any fiscal year is greater than 5% of the Company's Common Stock capitalization, in number or class, by reason of a split-up, merger, consolidation, reorganization, reclassification, recapitalization, or any capital adjustment, including a stock dividend, or if any distribution is made to the holders of Common Stock other than a cash dividend, or other similar change is made in the corporate structure, appropriate adjustments shall be made in the aggregate number and kind of shares or other securities or property subject to this Agreement and the Plan.

7. Withholding. The Employee agrees that there shall be deducted from

any distribution of Restricted Stock under this Agreement the amount of any tax required by any governmental authority to be withheld and paid over by the Company to such governmental authority for the account of the Employee. With respect to any distribution of Restricted Stock, the Company shall have the right to sell without notice, such number of shares of the Restricted Stock distributable to the Employee as will provide funds for the payment of any tax so required to be paid by the Company for the Employee's account, unless prior to such sale, the Employee shall have paid to the Company the amount of such tax. Any balance of the proceeds of such sale shall be paid to the Employee. In effecting any such sale, the Company shall be deemed to be acting on behalf, and for the account of, the Employee.

8. Designation of Beneficiary. The Employee may, with the consent of the

Committee, designate a person or persons to receive, in the event of his death, any shares of Restricted Stock distributable hereunder. Such designation shall be made upon forms supplied by and delivered to the Company and may be revoked in writing. If the Employee fails effectively to designate a beneficiary, then his estate shall be deemed to be his beneficiary.

9. References. References herein to rights and obligations of the

Employee shall apply, where appropriate, to the Employee's legal representative, designated beneficiary or estate without regard to whether

specific reference to such legal representative, designated beneficiary or estate is contained in a particular provision of this Agreement.

10. Notices. Any notice required or permitted to be given under this

Agreement shall be in writing and shall be deemed to have been given when delivered personally or by courier, or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the party concerned at the address indicated below or to such changed address as such party may subsequently by similar process give notice of:

If to the Company:

If to the Employee:

Trans World Entertainment Corporation
38 Corporate Circle
Albany, New York 12203
Attn.: Secretary

11. Governing Law. This Agreement shall be governed by and construed in

accordance with the laws of the State of New York, without regard to principles regarding conflict of laws.

12. Counterparts. This Agreement may be executed in two counterparts

each of which shall constitute one and the same instrument.

13. Severability. If any provision or any term or condition of this

Agreement or any application thereof to any person or circumstances is invalid, such provision, term, condition or application shall to that extent be void (or, in the discretion of the Committee, such provision, term or condition may be amended to avoid such invalidity), and shall not affect other provisions, terms or conditions or applications thereof, and to this extent such provisions, terms and conditions are severable.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

Trans World Entertainment
Corporation

[Print Name of Employee]

By: /s/Robert J. Higgins

Robert J. Higgins, Chairman
and Chief Executive Officer

Following are the officers and directors of the Company which executed the indemnification agreement attached herein as exhibit 10.2:

Robert J. Higgins, Chairman of the Board, President, CEO & Director
Matthew H. Mataraso, Secretary and Director
George W. Dougan, Director
Charlotte G. Fischer, Director
Isaac Kaufman, Director
Edward W. Marshall, Jr., Executive Vice President-Operations
John J. Sullivan, Senior Vice President, Chief Financial Officer
Bruce J. Eisenberg, Senior Vice President-Real Estate
Paul A. Cardinal, General Counsel
Scott Schoendorf, Vice President-Management Information Systems

TRANS WORLD ENTERTAINMENT CORPORATION
INDEMNIFICATION AGREEMENT

This Indemnification Agreement, dated as of May 1, 1995 (the "Agreement"), is made by and between Trans World Entertainment Corporation, a New York corporation (the "Company"), and _____ (the "Indemnitee").

WHEREAS, the Indemnitee is currently serving as an officer or director of the Company and the Company wishes the Indemnitee to continue in such capacity; and

WHEREAS, the Company believes that it is unfair for its directors and officers to assume the risk of huge judgments and other expenses which may occur in cases in which the director or officer received no personal profit and in cases where the director or officer was not culpable; and

WHEREAS, the Company recognizes that the issues in controversy in litigation against a director or officer of a corporation such as the Company are often related to the knowledge of the essential facts and exculpatory circumstances regarding such matters, and that the long period of time which usually elapses before the trial or other disposition of such litigation often extends beyond the time that the director or officer can reasonably recall such matters; and may extend beyond the normal time for retirement for such director or officer with the result that he, after retirement or in the event of his death, his spouse, heirs, executors or administrators, may be faced with limited ability and undue hardship in maintaining an adequate defense, which may discourage such a director or officer from serving in that position; and

WHEREAS, based upon their experience as business managers, the Board of Directors of the Company has concluded that, to retain and attract talented and experienced individuals to take the business risks necessary for the

success of the Company, it is necessary for the Company to contractually indemnify its directors and officers, and to assume for itself maximum liability for expenses and damages in connection with claims against such directors and officers in connection with their service to the Company, and has further concluded that the failure to provide such contractual indemnification could result in great harm to the Company and the Company's shareholders; and

WHEREAS, the Board of Directors of the Company has adopted by-laws (the "By-Laws") providing for the indemnification of the officers and directors of the Company to the fullest extent permitted by the Business Corporation Law of the State of New York, as amended from time to time (the "BCL"); and

WHEREAS, in recognition of the Indemnitee's need for substantial protection against personal liability and the Indemnitee's reliance on the aforesaid By-Laws, and in part to provide the Indemnitee with specific contractual assurance that the protection promised by such By-Laws will be available to the Indemnitee (regardless of, among other things, any amendment to or revocation of such By-Laws or any change in the composition of the Company's Board of Directors or change of control of the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to the Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement; and

WHEREAS, Section 721 of the BCL specifically provides that the indemnification provisions of the BCL are not exclusive and contemplates that agreements may be entered into between the Company and its directors or officers with respect to their indemnification, and this Agreement is entered into pursuant to such Section 721.

NOW, THEREFORE, in consideration of the Indemnitee's service as an officer or director of the Company after the date hereof, the parties hereto agree as follows:

1. Certain Definitions. In this Agreement, the following terms shall

have the meaning set forth below:

"Board" shall mean the Board of Directors of the Company.

"Change of Control" shall mean any of the following events as determined in good faith by the Indemnitee:

(a) the merger or consolidation of the Company with, or the sale of all or substantially all of the assets of the Company to, any Person or entity or group of Persons or entities acting in concert; or

(b) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

(c) a Person or group of Persons acting in concert (other than a Permitted Holder) becomes the beneficial owner of 35% or more of the Voting Stock of the Company, unless at such time a Permitted Holder beneficially owns an amount of Voting Stock of the Company greater than the amount so held by such Person or group; or

(d) a majority of the Board is replaced within any two-year period, excluding replacements due to resignations initiated by the incumbent Board or resignations due to the death or disability of any members of the incumbent Board.

"Corporate Status" shall mean the status of a person who is or was a director, officer, employee, agent or fiduciary of the Company or of any other Enterprise which such person is or was serving at the request of, for the convenience of, or to represent the interests of the Company or a Subsidiary of the Company as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; or the status of a person who was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the Company or a Subsidiary of the Company, or the status of a person who was a director, officer, employee or agent of another enterprise at the request of, for the convenience of, or to represent the interests of such predecessor corporation.

"Dispute" shall mean any of the following events:

(a) a determination is made pursuant to Section 4 that the Indemnitee is not entitled to indemnification under this Agreement;

(b) the determination of entitlement to be made pursuant to Section 4 has not been made within 60 days after receipt by the Company of the request for indemnification; or

(c) payment of indemnification or advancement of Expenses is not made pursuant to Section 6 within 20 days after receipt by the Company of a written request therefor.

"Enterprise" shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise of which the Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary.

"Expenses" shall mean all direct and indirect costs of any type or nature whatsoever actually and reasonably incurred by the Indemnitee including but not limited to all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery fees, costs associated with the procurement of surety bonds or loans or other costs associated with the stay of a judgment, penalty or fine, and all other disbursements or expenses of the type customarily incurred in connection with

prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

"Good Faith" shall mean the Indemnitee having acted in good faith for a purpose which he reasonably believed to be in, or, in the case of service for any other Enterprise, not opposed to, the best interests of the Company and, in criminal Proceedings, in addition, having had no reasonable cause to believe that his conduct was unlawful.

"Indemnified Amounts" shall have the meaning set forth in Section 6.

"Independent Counsel" shall mean a law firm that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or the Indemnitee in any matter or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights under this Agreement.

"Non-Party Director" shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

"Permitted Holder" shall mean collectively Robert J. Higgins and his estate, spouse, his four children on the date hereof, his heirs, legatees, and legal representatives, and any bona fide trust of which one or more of the foregoing are the sole beneficiaries or the grantors thereof and over which trust one or more of the foregoing acts as trustee and possess the power to direct the management thereof.

"Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Proceeding" shall include any action (including an action by or in the right of the Company), suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other actual, threatened or completed proceeding whether civil, criminal, administrative or investigative, other than one initiated by the Indemnitee.

"Subsidiary" shall mean, for the purpose of this Agreement, any corporation of which more than 50% of the outstanding voting securities is owned directly or indirectly by the Company, by the Company and one or more other subsidiaries of the Company, or by one or more other subsidiaries of the Company.

"Voting Stock" shall mean securities or other interests which entitle the holders thereof ordinarily, in the absence of contingencies, to elect the

directors of the Company (or Persons performing similar functions).

2. Agreement to Serve. The Indemnitee agrees to serve or continue to

serve as agent of the Company, at its will (or under separate agreement, if such agreement exists), in the Corporate Status that the Indemnitee currently serves as an agent of the Company, so long as he is duly appointed or elected and qualified in or until such time as he tenders his resignation in writing; provided, however, that nothing contained in this Agreement is intended to create any right to continued employment by the Indemnitee.

3. Indemnity. (a) General. In connection with any Proceeding, the

Company hereby agrees to indemnify and advance Expenses to the Indemnitee in accordance with the terms of this Agreement to the fullest extent permitted by the BCL as in effect on the date hereof and to such greater extent as the BCL may thereafter from time to time permit. The right to indemnification or advancement of Expenses under this Agreement is intended to be retroactive and shall be available with respect to Proceedings which relate to events occurring prior to the effective date of this Agreement.

(b) Third Party Actions. The Company hereby agrees to indemnify, defend

and hold the Indemnitee harmless from and against all Expenses, judgments, penalties, fines (including excise taxes assessed on the Indemnitee with respect to an employee benefit plan) and amounts paid in settlement incurred by, or on behalf of, the Indemnitee if, by reason of the Indemnitee's Corporate Status, the Indemnitee is, or is threatened to be made, a party to any Proceeding other than an action by or in the right of the Company, or any related claim, issue or matter therein, provided that the Indemnitee acted in Good Faith.

(c) Indemnification of a Party who has a Successful Defense. If the

Indemnitee is, by reason of the Indemnitee's Corporate Status, a party to and is successful on the merits or otherwise in any Proceeding involving an action by or in the right of the Company, then the Company shall indemnify the Indemnitee to the maximum extent permitted by the BCL as in effect on the date hereof and to such greater extent as the BCL may thereafter from time to time permit, from and against all Expenses, judgments, penalties, fines, and amounts paid in settlement actually incurred by or on behalf of the Indemnitee

in connection therewith. The termination of any claim, issue or matter in such Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter, provided that there is a finding (either adjudicated or pursuant to Section 4 or 7) that the Indemnitee acted in Good Faith and is fairly and reasonably entitled to indemnity for such portion of the settlement amount and expenses as a court of competent jurisdiction deems proper.

(d) Indemnification of Witnesses. Notwithstanding any other provision of

this Agreement, to the extent that the Indemnitee is by reason of the Indemnitee's current or former Corporate Status a witness in any Proceeding, the Indemnitee shall be indemnified to the maximum extent permitted by the BCL as in effect on the date hereof and to such greater extent as the BCL may thereafter from time to time permit against all Expenses incurred by or on behalf of the Indemnitee in connection therewith.

4. Procedures for Determination of Entitlement to Indemnification.

(a) Initial Request. To obtain indemnification under this Agreement, the

Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary for the purpose of determining whether and to what extent the Indemnitee is entitled to indemnification.

(b) Method of Determination. A determination with respect to the

Indemnitee's entitlement to indemnification shall be made as follows:

(i) If a Change of Control has occurred, unless the Indemnitee shall, in the Indemnitee's sole discretion, request in writing that such determination be made in accordance with clause (ii) of this Section 4(b), the determination shall be made by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee;

(ii) If a Change of Control has not occurred, subject to Section 4(d), the determination shall be made by the Board acting by a majority vote of a quorum consisting of Non-Party Directors. In the event that a quorum consisting of Non-Party Directors is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, the determination shall be made by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee.

(c) Selection, Payment, Discharge of Independent Counsel. In the event

the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 4(b), the Independent Counsel shall be selected, paid, and discharged in the following manner:

(i) If a Change of Control has not occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to the Indemnitee advising the Indemnitee of the identity of the Independent Counsel which has been selected.

(ii) If a Change of Control has occurred, the Independent Counsel shall be selected by the Indemnatee and the Indemnatee shall give written notice to the Company advising it of the identity of the Independent Counsel which has been selected.

(iii) Following the initial selection described above, the Indemnatee or the Company, as the case may be, may, within seven days after such written notice of selection has been given, deliver to the other party a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel selected does not meet the requirements of "Independent Counsel" (as defined in Section 1), and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person, persons or entity selected shall act as Independent Counsel. If such written objection is made, the Independent Counsel selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit.

(iv) Either the Company or the Indemnatee may petition any court of competent jurisdiction if the parties have been unable to agree on the selection of Independent Counsel within 20 days after submission by the Indemnatee of a written request for indemnification pursuant to Section 4(a). Such petition may request a determination as to whether an objection to the party's selection is without merit or seek the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate. A person so appointed shall act as Independent Counsel under Section 4(b).

(v) The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to this Agreement, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 4(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(vi) Upon the due commencement of any judicial proceeding pursuant to Section 7, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(d) Cooperation. The Indemnatee shall cooperate with the person, persons

or entity making the determination with respect to the Indemnatee's entitlement to indemnification under this Agreement, including providing to such person, persons or entity, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnatee and reasonably necessary to such determination. Any expenses and costs (including attorney's fees and expenses) incurred by the Indemnatee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to the Indemnatee's

entitlement to indemnification) and the Company hereby indemnifies and agrees to hold the Indemnitee harmless therefrom.

(e) Exceptions. Any other provision herein to the contrary

notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(i) Claims Initiated by Indemnitee. To indemnify or advance Expenses

to the Indemnitee with respect to proceedings or claims initiated or brought voluntarily by the Indemnitee and not by way of defense unless: (A) such indemnification is expressly required to be made by law, (B) the proceeding was authorized by the Board, (C) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the BCL or (D) the proceeding is brought to establish or enforce a right to indemnification under this Agreement, subject to Section 7 hereof, or any other statute or law or otherwise as required under Section 722 of the BCL; or

(ii) Unauthorized Settlements. To indemnify the Indemnitee under this

Agreement for any amounts paid in settlement of a Proceeding unless the Company consents to such settlement, which consent shall not be unreasonably withheld.

5. Advancement of Expenses. The Company shall advance all Expenses

which by reason of the Indemnitee's Corporate Status were incurred by or on behalf of the Indemnitee in connection with any Proceeding prior to the final disposition of such Proceeding, upon the receipt of an undertaking by or on behalf of the Indemnitee to repay such amount if, or to the extent that, it shall ultimately be determined (either by adjudication or pursuant to Section 4 or 7) that he is not entitled to be indemnified by the Company pursuant to this Agreement. Any advance and undertaking to repay pursuant to this Section 5 shall be unsecured and interest-free.

6. Payment of Indemnity Claims. Any amounts which the Indemnitee may

claim hereunder, including Expenses (the "Indemnified Amounts"), shall be paid promptly and in no event later than 20 days after the receipt by the Company of a written request therefor by the Indemnitee. In making any written request for Indemnified Amounts, the Indemnitee shall submit to the Company an itemized list setting forth in detail the dollar amount expended or incurred or expected to be expended for each Indemnified Amount. Each such listing of Indemnified Amounts shall be supported by the bills, agreements or other documentation relating thereto, each of which shall be appended to the itemized list as an exhibit. In addition, any request for advancement of Expenses shall be accompanied by an undertaking of the Indemnitee as provided in Section 5.

7. Remedies of Indemnitee. (a) Adjudication. In the event of a

Dispute, the Indemnitee shall be entitled to an adjudication in an appropriate court of competent jurisdiction of the Indemnitee's entitlement to such indemnification or advancement of Expenses. Alternatively, the Indemnitee, at the Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. The Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which the Indemnitee first

had the right to commence such proceeding pursuant to this Section 7. The Company shall not oppose the Indemnitee's rights to seek any such adjudication or award in arbitration. In any such proceeding or arbitration, all of the provisions of Section 8 shall apply.

(b) De Novo Review. In the event that a determination shall have been

made pursuant to Section 4 that the Indemnitee is not entitled to indemnification hereunder, any judicial proceeding or arbitration commenced pursuant to this Section 7 shall be conducted in all respects as a de novo

trial or arbitration on the merits and the Indemnitee shall not be prejudiced by reason of that adverse determination.

(c) Company Bound. In the event that a determination shall have been made

that the Indemnitee is entitled to indemnification hereunder, the Company shall be bound by such determination in any judicial proceeding or arbitration absent: (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact, necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a final decision by a court having jurisdiction in the matter that such indemnification is unlawful.

(d) Expenses of Adjudication. In the event that the Indemnitee, pursuant

to this Section 7, seeks a judicial adjudication to enforce the Indemnitee's rights under, or to recover damages for breach of, this Agreement, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses incurred by the Indemnitee in such adjudication or arbitration, but only if the Indemnitee prevails therein. If it shall be determined in such adjudication that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Expenses incurred by the Indemnitee in connection with such adjudication or arbitration shall be appropriately pro-rated.

8. Presumptions and Effect of Certain Proceedings.

(a) Burden of Proof. In making a determination with respect to

entitlement to indemnification hereunder, the Person or Persons or entity making such determination shall presume that the Indemnitee is entitled to indemnification under this Agreement and the Company shall have the burden of proof to overcome that presumption in connection with the making by any Person, Persons or entity of any determination contrary to that presumption.

(b) Effect of Other Proceedings. The termination of any Proceeding or of

any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not of

itself create a presumption that the Indemnitee did not act in Good Faith.

(c) Reliance as Safe Harbor. For purposes of any determination of Good

Faith, the Indemnitee shall be deemed to have acted in Good Faith if the Indemnitee's action is based in good faith reliance on the records or books of account of the Enterprise including financial statements, or on information supplied to the Indemnitee by the officers of the Enterprise in the course of their duties or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. The provisions of this Section 8(c) shall not be deemed to be exclusive or to limit in any respect the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(d) Actions of Others. The knowledge or actions or failure to act of any

director, officer, agent, fiduciary or employee of the Enterprise shall not be imputed to the Indemnitee for purposes of determining the right to indemnification under this Agreement.

9. Notification and Defense of Claim. The Indemnitee agrees promptly

to notify the Company upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter in respect of which indemnification or advancement of Expenses may be sought hereunder, describing in reasonable detail, if known, the facts pertaining thereto and the amount or an estimate of the amount of the liability arising therefrom. The Company shall have the right to participate in, assume any defense of, and control any such Proceeding relating to an asserted liability at its own expense. If the Company elects to assume or participate in such defense or to pay or compromise any asserted liability, it shall promptly notify the Indemnitee of its intent to do so. If the Company elects to assume such defense, the Company shall not be liable to the Indemnitee for any legal fees incurred by the Indemnitee after notification by the Company of such assumption unless: (i) the employment of

counsel by the Indemnitee has been authorized in writing by the Company, (ii) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of such defense, or (iii) the Company shall not in fact have employed counsel to assume such defense, in each of which cases the reasonable fees and expenses of counsel shall be at the expense of the Company. If the Company elects not to assume or participate in such defense, the Indemnitee may pay, settle, or assume such defense; provided that the Indemnitee may not pay, settle or

compromise any claim without the prior written consent of the Company, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, the Company may not settle or compromise any claim over the objection of the Indemnitee if such settlement or compromise would result in the incurrence of any liability by the Indemnitee for which no indemnification is provided hereunder. Whether or not the Company chooses to defend any claim, the parties hereto shall fully cooperate in the defense thereof and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith.

10. Amendments; Waiver. No supplement, modification, amendment,

termination or cancellation of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof nor shall such waiver constitute a continuing waiver.

11. Subrogation; Duplicative Payment. (a) In the event of payment

under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all instruments and documents required and shall do everything that may be necessary to secure such rights, including the execution of such instruments and documents as may be necessary to enable the Company effectively to bring suit to enforce such rights.

(b) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that the Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

12. Binding Effect; Survival. (a) This Agreement shall be binding

upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company, and the heirs, executors and administrators of the Indemnitee.

(b) All agreements and obligations of the Company contained herein shall

continue during the period Indemnitee is an agent of the Company and shall continue thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative, by reason of the fact that indemnitee was serving in the capacity referred to herein.

(c) The Company shall require any successor to the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

13. Non-exclusivity. The provisions for indemnification and

advancement of expenses set forth in this Agreement shall not be deemed exclusive of any other rights which the Indemnitee may have under any provision of law (including the BCL), the Company's charter or By-Laws, the vote of the Company's shareholders or disinterested directors, other agreements, or otherwise, both as to action in his official capacity and to action in another capacity while occupying his position as an agent of the Company, and the Indemnitee's rights hereunder shall continue after the Indemnitee has ceased acting as an agent of the Company and shall inure to the benefit of the heirs, executors and administrators of the Indemnitee.

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14. Notices. For purposes of this Agreement, notices and all other

communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, as follows:

If to the Company to:

Trans World Entertainment Company
38 Corporate Circle
Albany, New York 12203

Attention: President

with copies to:

Matthew Mataraso, Esq.
111 Washington Avenue
Albany, New York 12210

If to the Indemnitee, to the address shown
under the Indemnitee's signature below,

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that change of addresses shall be

effective only upon receipt.

15. Counterparts. This Agreement may be executed in counterparts,

each of which shall be deemed to be an original but both of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

16. Severability. The provisions of this Agreement shall be

severable in the event that any of the provisions hereof (including any provision within a single Section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law.

17. Liability Insurance. (a) The Company hereby covenants and agrees

that, so long as the Indemnitee continues in his Corporate Status with the Company, the Indemnitee shall be named as an insured on any directors and officers' liability insurance ("D&O Insurance") then in force and effect. The Company shall provide the Indemnitee the same rights and benefits accorded to the most favorably insured of the Company's directors, if the Indemnitee is a Director; or of the Company's officers if the Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, if the Indemnitee is not a director or officer but is a key employee.

(b) The Company shall use its best efforts to establish and maintain D&O Insurance in reasonable amounts from established and reputable insurers, but the Company's obligation shall not be enforceable against it if the Company

determines in good faith that such insurance is not reasonably available, that the premium costs for such insurance are disproportionate to the amount of coverage provided or to the premiums paid by other corporations similarly situated, that the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or that the Indemnitee is covered by similar insurance maintained by a subsidiary of the Company or other party. The Company shall be under no obligation to notify the Indemnitee that D&O Insurance may not be in force at any particular time.

18. Governing Law. This Agreement shall be governed by and construed

and enforced in accordance with the laws of the State of New York applicable to contracts made and to be performed in such State.

19. Entire Agreement. This Agreement constitutes the entire

agreement and understanding between the parties hereto in reference to all matters herein agreed upon. This Agreement replaces in full all prior

indemnification agreements or understandings of the parties hereto, and any and all such prior agreements or understandings are hereby rescinded by mutual agreement; provided that nothing in this Section shall be deemed to replace or

limit any rights to which the Indemnitee may be entitled under the Company's charter or By-Laws.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Trans World Entertainment Corporation

By: /s/Robert J. Higgins

Robert J. Higgins, Chairman of the Board and Chief Executive Officer

INDEMNITEE

Address:

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THIS SCHEDULE CONTAINS DATA EXTRACTED FROM THE CONSOLIDATED
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AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS.

<CIK>

0000795212

<NAME>

TRANS WORLD ENTERTAINMENT CORPORATION

<MULTIPLIER>

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<CAPTION>

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(in thousands, except per share data)		
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