

TRANS WORLD ENTERTAINMENT CORP
Form DEF 14A
June 06, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant
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Trans World Entertainment Corporation

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

TRANS WORLD ENTERTAINMENT CORPORATION
38 Corporate Circle
Albany, New York 12203
(518) 452-1242

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date and Time Thursday, July 14, 2011, at 10:00 A.M., EDT

Place Albany Country Club
300 Wormer Road
Voorheesville, New York 12186

Items of Business (1) To elect two Directors to serve three year terms and until their successors are chosen and qualified;
(2) To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Record Date Shareholders of record as of May 27, 2011 are eligible to vote.

Proxy Voting A proxy and return envelope, requiring no postage if mailed in the United States, are enclosed for your convenience. Please complete and return your proxy card as promptly as possible. All shareholders are cordially invited to attend the Annual Meeting. Whether or not you plan to attend the meeting, your vote is important. Prompt return of the proxy will assure a quorum and save the Company expense.

By order of the Board of Directors,

John J. Sullivan,
Secretary

June 6, 2011

TRANS WORLD ENTERTAINMENT CORPORATION
38 Corporate Circle
Albany, New York 12203
(518) 452-1242

PROXY STATEMENT

This Proxy Statement is furnished to the shareholders of Trans World Entertainment Corporation, a New York corporation (the Company), in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Shareholders of the Company to be held on July 14, 2011 (the Annual Meeting), and any adjournment or adjournments thereof. A copy of the notice of meeting accompanies this Proxy Statement. It is anticipated that the mailing of this Proxy Statement and the form of proxy/voting instruction card will commence on June 6, 2011.

As permitted by rules of the Securities and Exchange Commission (SEC), we are making our proxy material, which includes our notice of annual meeting, proxy statement and Annual Report on Form 10-K, available to our shareholders over the Internet. An electronic version of this proxy statement and the Company's Annual Report on Form 10-K are available at <http://bnymellon.mobular.net/bnymellon/TWMC>.

VOTING SECURITIES

The Company has only one class of voting securities, its common stock, par value \$.01 per share (the Common Stock). On May 27, 2011, the record date, 31,454,529 shares of Common Stock were outstanding. Each shareholder of record at the close of business on the record date will be entitled to one vote for each share of Common Stock owned on that date as to each matter presented at the Annual Meeting.

QUORUM AND TABULATION OF VOTES

The By-Laws of the Company provide that a majority of the shares of our Common Stock entitled to vote at the Annual Meeting, present in person or by proxy, shall constitute a quorum at the Annual Meeting of Shareholders of the Company. An inspector from Bank of New York Mellon Shareowner Services; appointed by the Company will determine the presence of a quorum and will certify and tabulate the votes. Shares of Common Stock represented by a properly signed and returned proxy are considered as present at the Annual Meeting for purposes of determining a quorum. Shareholders of record who are present at the Annual Meeting, in person or by proxy, and who abstain from voting, including brokers holding customers' shares of record who cause abstentions to be recorded at the Annual Meeting, will be included in the number of shareholders present at the Annual Meeting for purposes of determining whether a quorum is present. However, these shares will not be taken into account in determining the outcome of any of the proposals and these shareholders are in effect casting a negative vote. A shareholder (including a broker) who does not give authority to a proxy to vote, or withholds authority to vote, on a certain proposal will not be considered present and entitled to vote on that proposal. A broker non-vote occurs when a bank or broker holding shares of a beneficial stockholder does not vote on a particular proposal because it has not received instructions from the beneficial stockholder and the bank or broker does not have discretionary voting power for that particular item.

If you are a beneficial owner and hold your shares in the name of a bank, broker or other holder of record and do not return the voting instruction card, the broker or other nominee will vote your shares on each matter at the Annual Meeting for which he or she has the requisite discretionary authority. If a shareholder does not give instructions to its broker as to how to vote the shares, the broker has authority under New York Stock Exchange rules to vote those shares for or against routine proposals. Brokers cannot vote on their customers' behalf on non-routine proposals. Under these rules, Item 1 ELECTION OF DIRECTORS is considered a non-routine proposal. These rules apply to us even though the shares of our common stock are traded on the NASDAQ

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Global Select Market. If a broker votes shares that are unvoted by its customers for or against a routine proposal, these shares are counted for the purpose of establishing a quorum and also will be counted for the purpose of determining the outcome of routine proposals. If a broker does not receive voting instructions as to a non-routine proposal, or chooses to leave shares unvoted on a routine proposal, a broker non-vote occurs and those shares will be counted for the purpose of establishing a quorum, but not for determining the outcome of those proposals. Shares that are subject to broker non-votes are considered not entitled to vote on the particular proposal, and effectively reduce the number of shares needed to approve that proposal.

Pursuant to the Company's By-Laws, Item 1 Election of Directors is determined by the affirmative vote of a plurality of the shares of our Common Stock present at the Annual Meeting, in person or by proxy, and entitled to vote on the proposal. Under applicable New York law, in determining whether such nominees have received the requisite number of affirmative votes, abstentions will have no effect on the outcome of the vote. With respect to the election of directors, votes may be cast for all nominees, withheld from all nominees, or withheld specifically from identified nominees. Brokers do not have discretionary voting power on this proposal.

A proxy may be revoked at any time prior to the voting at the Annual Meeting by submitting a later dated proxy (including a proxy by telephone), by giving timely written notice of such revocation to the Secretary of the Company or by attending the Annual Meeting and voting in person. However, if you hold any shares of Common Stock in street name, (that is through a bank, broker or other nominee) you may not vote these shares in person at the Annual Meeting unless you bring with you a legal proxy from the holder of record of such shares.

The Company will pay the costs of soliciting, preparing, printing and mailing this Notice of Annual Meeting of Stockholders and Proxy Statement, the enclosed proxy card and the Company's 2010 Annual Report to Stockholders. In accordance with the regulations of the SEC, we also reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable expenses incurred in connection with their forwarding of proxies and proxy solicitation materials to beneficial owners of our Common Stock as of the record date. The solicitation of proxies will be conducted primarily by mail, but may also include the Internet, telephone, facsimile or oral communications by directors, officers or regular employees of the Company acting without special compensation. The Company will also request persons, firms and corporations holding shares in their names, or in the names of their nominees, which are beneficially owned by others, to send or cause to be sent proxy materials to, and obtain proxies from, such beneficial owners, and, on request, will reimburse such holders for their reasonable expenses in so doing.

PRINCIPAL SHAREHOLDERS

The only persons known to the Board of Directors to be the beneficial owners of more than five percent of the outstanding shares of the Common Stock as of May 27, 2011, the record date, are indicated below:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Robert J. Higgins 38 Corporate Circle Albany, New York 12203	17,663,888 ⁽¹⁾	51.2%
Lloyd I. Miller, III 4550 Gordon Drive Naples, Florida 34102	5,727,596 ⁽²⁾	18.2%
PNC Financial Services Group, Inc One PNC Plaza 249, Fifth Avenue Pittsburgh, PA 15222-2707	2,819,584 ⁽³⁾	9.0%
Dimensional Fund Advisors Inc. 1299 Ocean Avenue, 11th Floor Santa Monica, California 90401	2,450,135 ⁽⁴⁾	7.8%

(1) Information is as of May 27, 2011, as provided by the holder. Includes 3,025,000 shares that may be acquired within 60 days of May 27, 2011, 50,550 shares owned by the wife of Robert J. Higgins and 137,500 shares owned by a foundation controlled by Robert J. Higgins, and excludes 817,761 shares owned by certain other family members of Robert J. Higgins who do not share his residence. Mr. Higgins disclaims beneficial ownership with respect to those shares owned by family members other than his wife.

(2) Based on Form 4, filed March 4, 2011, by Lloyd Miller, III.

(3) Based on Form 13G/A, filed February 11, 2011 by PNC Financial Services Group.

(4) Based on Form 13G/A, filed February 11, 2011, by Dimensional Fund Advisors Inc.

Mr. Higgins, who beneficially owns 17,663,888 shares of Common Stock as of the record date (approximately 51.2% of all outstanding shares), has advised the Company that he presently intends to vote all of his shares for the election of the nominees for Director named under Item 1 ELECTION OF DIRECTORS.

**MATTERS TO BE PRESENTED TO THE STOCKHOLDERS
AT THE 2011 ANNUAL MEETING**

Item 1. Election of Directors

The Board of Directors (also referred to herein as the Board) currently intends to present to the meeting the election of two Class II Directors, each to hold office (subject to the Company's By-Laws) until the 2014 Annual Meeting of Shareholders (the 2014 Meeting) and until his or her respective successor has been elected and qualified Director of the Company will be elected by a plurality vote of the outstanding shares of Common Stock present and entitled to vote at the Annual Meeting.

If any nominee listed below should become unavailable for any reason, which management does not anticipate, the proxy will be voted for any substitute nominee or nominees who may be selected by the Nominating and Corporate Governance Committee of the Board prior to or at the Annual Meeting or if no substitute is selected prior to or at the Annual Meeting, for a motion to reduce the membership of the Board to the number of nominees available. The information concerning the nominees and their security holdings has been furnished by them to the Company.

The biographies of each of the Directors contain information regarding the person's service as a director, business, educational, and other professional experience, director positions held currently or at any time during the last five years, and the experiences, qualifications, attributes or skills that cause the Board to determine that the person should serve as a director for the Company. The Company believes that the backgrounds and qualifications of its Directors, considered as a group, should provide the Company and Board with diverse business and professional capabilities, along with the experience, knowledge and other abilities that will allow the Board to fulfill its responsibilities.

Nominees for Election as Directors Class II Directors

Isaac Kaufman, a Certified Public Accountant, has been Chief Financial Officer and Senior Vice President of Advanced Medical Management Inc., a manager of medical practices and an outpatient surgical center, since September 1998. Mr. Kaufman serves as a Director of Kindred Healthcare, Inc., which operates nursing centers and long-term acute care hospitals and Hangar Orthopedics, which operates Orthotics and Prosthesis patient care centers. Mr. Kaufman's key experience, qualifications and skills include accounting, disclosure, risk management, auditing and finance matters specifically his experience as the chairperson of the audit committee of Kindred Healthcare, Inc. and Hangar Orthopedics, as well as his experience in specialty retailing. Mr. Kaufman brings over 45 years of cumulative board experience.

Michael Nahl was Executive Vice President and Chief Financial Officer of Albany International Corp. from April 2005 until his retirement in September 2009. Mr. Nahl joined Albany International Corp. in 1981 as Group Vice President, Corporate, and, prior to appointment his most recent to that position, he was Senior Vice President and Chief Financial Officer. Mr. Nahl is currently a director of Lindsay Corporation and of Graftech International LTD. and was a member of JPMorgan Chase and Company's Regional Advisory Board from 1996 through 2010. He is Managing Director of MCN Asset Management, LLC. Mr. Nahl has broad and thorough knowledge on accounting, disclosure, risk management, auditing and finance matters, as well as operational and strategic experience to share with our Board.

Continuing Class III Directors (terms expiring in 2012)

Bryant R. Riley founded B. Riley & Co., LLC; a Southern California based brokerage firm providing research and trading ideas primarily to institutional investors in 1997 and has served as Chairman since its founding. Mr. Riley is also the founder and Chairman of Riley Investment Management, LLC, an investment adviser which provides investment management services. Prior to 1997, Mr. Riley held a variety of positions in the brokerage industry, primarily as an institutional salesman and trader. From October 1993-January 1997 he was a co-head of Equity at Dabney-Resnick, Inc., a Los Angeles based brokerage firm. From 1991-1993 he was a co-founder of Huberman-Riley, a Texas based brokerage firm. Mr. Riley graduated from Lehigh University in 1989 with a B.S. in finance. He also serves on the board of directors of Alliance Semiconductor

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Corporation, DDi Corp., Great American Group, and Strasbaugh. Mr. Riley's tenure in investment banking and private equity, as well as his management experience and significant experience on other public company boards, brings extensive knowledge to our Board in executive management and finance matters including mergers and acquisitions, securities and debt offerings.

Michael B. Solow is the Co-Chairman and Managing Partner of the Chicago office of Kaye Scholer LLP, an international law firm based in New York City, where he has practiced since January 2001 and is currently a member of the firm's Executive Committee and Co-Chairman of the Corporate Restructuring Practice Group. Prior to joining Kaye Scholer LLP, Mr. Solow was a Partner and Practice Manager for the Financial Services Practice at Hopkins & Sutter, a Chicago, Illinois law firm. Mr. Solow has previously served on other corporate boards, including Camelot Music, Inc. Mr. Solow provides the Board with extensive legal and management experience, particularly his expertise in corporate finance and his experience in law firm management.

Continuing Class I Directors (terms expiring in 2013)

Robert J. Higgins, Chairman of the Board, founded the Company in 1972, and he has participated in its operations since 1973. Mr. Higgins has served as Chairman and Chief Executive Officer of the Company for more than the past five years. He is also the Company's principal shareholder. See PRINCIPAL SHAREHOLDERS. As founder and Chief Executive Officer of the Company for nearly 40 years, Mr. Higgins brings an extraordinary understanding of our company's business, history and organization. With his day-to-day leadership and intimate knowledge of our business and operations, Mr. Higgins provides the board with invaluable insight into the operations of our company.

Dr. Joseph G. Morone has been the President and CEO of Albany International Corp since January 2006 and President since August 2005. From August 1997 to July 2005 he was the President of Bentley College. Previously, Dr. Morone was the Dean of Rensselaer Polytechnic Institute's Lally School of Management and Technology from July 1993 to July 1997. Prior to his appointment as dean, Dr. Morone held the Andersen Consulting Professorship of Management and was Director of the School of Management's Center for Science and Technology Policy. Before joining the School of Management in 1988, Dr. Morone was a senior associate for the Keyworth Company, a consulting firm specializing in technology management and science policy. Dr. Morone also served in the White House Office of Science and Technology Policy and spent seven years at General Electric Company's Corporate Research and Development. Dr. Morone also serves on the Board of Directors of Albany International Corp. Dr. Morone has executive leadership experience at public companies and academic institutions, with an expertise in risk management and strategic planning.

Executive Officers

The Company's executive officers (other than Mr. Higgins whose biographical information is included under Election of Directors herein) are identified below.

Michael J. Honeyman was named President and Chief Operating Officer of the Company in May 2010. Prior to joining the Company he served as President and Chief Operating Officer of Bernie's TV and Appliances from 2006 to 2010. Previously, Mr. Honeyman spent nine years at Bed Bath and Beyond in various positions, including Chief Operating Officer of Christmas Tree Shops from 2003 to 2006.

Bruce J. Eisenberg has been Executive Vice President of Real Estate since May 2001. He added the title of Executive Vice President of Store Operations in 2011. He joined the Company in August of 1993 as Vice President of Real Estate and was named Senior Vice President of Real Estate in May 1995. Prior to joining the Company, Mr. Eisenberg was responsible for leasing, finance and construction of new regional mall development at The Pyramid Companies.

John J. Sullivan has been Executive Vice President and Chief Financial Officer of the Company since May 2001. He added the title of Secretary in May 2002. Mr. Sullivan joined the Company in June 1991 as the Corporate Controller and was named Vice President of Finance and Treasurer in June of 1994, Senior Vice President of Finance, Treasurer and Chief Financial Officer in May 1995. Prior to joining the Company, Mr. Sullivan was Vice President and Controller for Ames Department Stores, a discount department store chain.

EQUITY OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the beneficial ownership of Common Stock as of May 27, 2011, by each Director and Named Executive Officer of the Company and all Directors and executive officers as a group. All shares listed in the table are owned directly by the named individuals, unless otherwise indicated therein. The Company believes that the beneficial owners have sole voting and investment power over their shares, except as otherwise stated or as to shares owned by spouses.

Name	Positions With the Company	Age	Year First Elected as Director/ Officer	Direct Ownership	Shares that may be acquired within 60 days of May 27, 2011	Total Shares Beneficially Owned	Percent of Class
Robert J. Higgins	Chairman of the Board and Chief Executive Officer	70	1973	14,638,838	3,025,000	17,663,838 ⁽¹⁾	51.2%
Isaac Kaufman	Director	64	1991	34,500	75,391	109,891	*
Dr. Joseph G. Morone	Director	58	1997	124,088	2,500	126,588	*
Michael Nahl	Director	68	2011				*
Bryant Riley	Director	44	2009	204,632	7,500	212,132 ⁽²⁾	*
Michael B. Solow	Director	52	1999	82,089	9,741	91,830	*
Michael J. Honeyman	President and Chief Operating Officer	53	2010	34,255 ⁽³⁾	75,000	109,255	*
Bruce J. Eisenberg	Executive Vice President Real Estate	51	1995	19,924	470,000	489,924	1.5%
John J. Sullivan	Executive Vice President Chief Financial Officer and Secretary	58	1995	114,583	445,000	559,583	1.8%
All Directors and Officers as a group (9 persons)				15,252,909	4,110,132	19,363,041	54.4%

* Less than 1% of issued and outstanding common shares

- (1) Includes 3,025,000 shares that may be acquired within 60 days of May 27, 2011, 50,550 shares owned by the wife of Robert J. Higgins and 137,500 shares owned by a foundation controlled by Robert J. Higgins, and excludes 817,761 shares owned by certain other family members of Robert J. Higgins who do not share his residence. Mr. Higgins disclaims beneficial ownership with respect to those shares owned by family members other than his wife.
- (2) Includes 203,632 shares held in management accounts by Riley Investment Management LLC that Mr. Riley in his role as the sole manager of Riley Investment Management LLC has voting power and deemed to beneficially own.
- (3) Includes 4,255 shares held by Mr. Honeyman's son who resides at his residence.

CORPORATE GOVERNANCE

The Board of Directors

Meetings and Attendance

The Board of Directors held six meetings during the 2010 fiscal year. All of the Directors attended greater than 75% of the aggregate of: (i) the total number of meetings of the Board of Directors, and (ii) the total number of meetings held by all committees of the Board on which such Director served.

Code of Business Ethics

The Board of Directors has adopted a Code of Conduct applicable to the Company's officers, employees, Directors and Consultants. The Code of Ethics is available on the Company's website, www.twec.com. A copy of the Code of Ethics is available in print to any stockholder who requests them, in writing to the Company's Corporate Secretary, Trans World Entertainment Corporation, 38 Corporate Circle, Albany, NY, 12203.

Guidelines for Evaluating Independence of Directors

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A majority of the Board are independent directors in accordance with the standards of the NASDAQ Stock Market and as described below. The Nomination and Governance Committee as well as the Board annu-

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ally reviews relationships that Directors may have with the Company to make a determination of whether there are any material relationships that would preclude a Director being independent.

The standards relied upon by the Board in affirmatively determining whether a director is independent, in compliance with the rules of the NASDAQ Stock Market, are comprised, in part, of those objective standards set forth in the NASDAQ rules. The Board is responsible for ensuring that independent directors do not have a material relationship with the Company or its affiliates or any executive officer of the Company or his or her affiliates. These guidelines are consistent with the independence requirements of the NASDAQ listing standards.

Presiding Director

The Board of Directors does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board of Directors as the Board of Directors believes it is in the best interest of the Company to make that determination through an ongoing evaluation of the position and direction of the Company and the membership and composition of the Board of Directors. The current Board of Directors has determined that having the roles of Chief Executive Officer and Chairman of the Board combined is in the best interest of the Company and its shareholders at this time. The current Chairman and Chief Executive Officer, Robert J. Higgins, is the founder of the Company and has been the CEO for nearly 40 years. The Board of Directors believes that the current structure makes the best use of the Chief Executive Officer's extensive knowledge of the Company and its industry, and fosters greater communication between the Company's management and the Board of Directors.

The non-management directors annually elect one independent director to be the Presiding Director. Dr. Morone currently serves as the Presiding Director. The Presiding Director's responsibilities are to:

Preside over executive sessions of the non-management directors and at all meetings at which

the Chairman is not present;

Call meetings of the non-management directors as he or she deems necessary;

Serve as liaison between the Chairman and the non-management directors;

Approve agendas and schedules for Board meetings;

Advise the Chairman of the Board's informational needs;

Communicate goals and objectives to the Chairman and Chief Executive Officer and the results of the evaluation of his performance;
and

Be available for consultation and communication if requested by major stockholders.

Committees of the Board of Directors

The Audit Committee

The Board of Directors has an Audit Committee whose current members are: Isaac Kaufman (Chairman), Dr. Joseph Morone, Michael Nahl and Bryant Riley. These Directors are, in the opinion of the Board of Directors, independent (as defined under the standards of the NASDAQ Stock Market) of management and free of any relationship that would interfere with their exercise of independent judgment as members of the Audit Committee. The Board of Directors has determined that Isaac Kaufman is both independent and qualified as Audit Committee financial expert as such term is defined under the rules and regulations promulgated by the Securities and Exchange Commission and applicable to this Proxy Statement. The Audit Committee held four meetings during the 2010 fiscal year. The Audit Committee's responsibilities consist of recommending the selection of independent accountants, reviewing the scope of the audit conducted by such accountants, as well as the audit itself, and reviewing the Company's audit activities and matters concerning financial reporting, accounting and audit procedures, related party transactions and policies generally. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is attached as Exhibit B to the 2009 Proxy Statement.

The Compensation Committee

The Board of Directors has a Compensation Committee, consisting solely of independent Directors, whose current members are: Michael Solow (Chairman), Isaac Kaufman, Dr. Joseph Morone and Bryant Riley. The Compensation Committee held three meetings during the 2010 fiscal year. The Compensation Committee formulates and gives effect to policies concerning salary, compensation, stock options and other matters concerning employment with the Company. The processes and procedures used for the consideration and determination of executive compensation are described in the section of this Proxy captioned Compensation Discussion and Analysis. The Board of Directors has adopted a written charter for the Compensation Committee, a copy of which is attached as Appendix A to the 2010 proxy. A copy of the report of the compensation committee is on page 12 of this Proxy Statement.

The Nominating and Corporate Governance Committee

The Board of Directors has a Nominating and Corporate Governance Committee, consisting of independent Directors, whose current members are: Dr. Joseph Morone (Chairman), Isaac Kaufman, Michael Nahl, Bryant Riley, and Michael Solow. The Nominating and Corporate Governance Committee held two meetings during the 2010 fiscal year. The Nominating Committee develops qualification criteria for Board members; interviews and screens individuals qualified to become Board members in order to make recommendations to the Board; and oversees the evaluation of executive management. The Committee seeks to select a Board that is strong in its collective knowledge of and diversity of skills and experience concerning retail operations, accounting and finance, management and leadership, vision and strategy, risk assessment and corporate governance. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, a copy of which is attached as Appendix B to the 2010 Proxy.

The Nominating and Corporate Governance Committee will consider nominations submitted by Shareholders. To recommend a nominee, a Shareholder should write to the Company's Secretary. To be considered by the Nominating and Corporate Governance Committee for nomination and inclusion in the Company's Proxy Statement for its 2012 Annual Meeting of Shareholders, a Shareholder recommendation for a Director must be received by the Company's Secretary no later than January 15, 2012. Any recommendation must include (i) the name and address of the candidate, (ii) a brief biographical description, including his or her occupation for at least the last five years, and a statement of the qualifications of the candidate, taking into account the qualification requirements summarized above, and (iii) the candidate's signed consent to be named in the Proxy Statement and to serve as a Director if elected. The Nominating and Corporate Governance Committee may seek additional biographical and background information from any candidate which, to be considered must be received on a timely basis.

The process followed by the Nominating and Corporate Governance Committee to identify and evaluate candidates includes requests to Board members and others for recommendations, including a search firm or outside consultant, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Nominating and Corporate Governance Committee and the Board. Assuming the appropriate biographical and background material is provided for candidates submitted by Shareholders, the Nominating and Corporate Governance Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members. While the Company does not have a formal diversity policy for Board of Director membership, the Nominating and Corporate Governance Committee and the Board of Directors, as a whole, seeks nominees or candidates to serve as directors that represent a variety of backgrounds and experience that will enhance the quality of the Board of Director's deliberations and decisions. The Nominating and Corporate Governance Committee considers, among other factors, diversity with respect to viewpoint, skills and experience in its evaluation of candidates for Board of Director membership. Such diversity considerations are discussed by the Nominating and Corporate Governance Committee in connection with the general qualifications of each potential nominee. The Nominating and Corporate Governance Committee did not receive any nominations from Shareholders for the 2011 Annual Meeting.

Board's Role in Risk Oversight

The Board has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. The Board regularly reviews information regarding the Company's credit, liquidity, and operations, as well as the risks associated with each. The Compensation Committee is responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements. The Audit Committee oversees management of financial risks and potential conflicts of interest. The Nominating and Corporate Governance Committee manages risks associated with the independence of the Board. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks.

Communications with the Board of Directors

The Board has established a process for Shareholders to communicate with members of the Board. The Chairman of the Nominating and Corporate Governance Committee, with the assistance of the Company's Secretary, will be primarily responsible for monitoring communications from Shareholders and providing copies or summaries of such communications to the other Directors, as he or she considers appropriate. Communications will be forwarded to all Directors if they relate to appropriate matters and may include suggestions or comments from the Chairman of the Nominating and Corporate Governance Committee. Any such communication must state the number of shares beneficially owned by the shareholder making the communication. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to personal grievances and matters as to which the Company tends to receive repetitive or duplicative communications. Shareholders who wish to send communications to the Board may do so by writing to:

Dr. Joseph Morone
Chairman of the Nominating and Corporate Governance Committee
c/o the Company's Secretary
Trans World Entertainment Corporation
38 Corporate Circle
Albany, New York 12203

Compensation of Directors

Name	Fees Earned or Paid in Cash (\$)⁽²⁾	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)	Total Compensation (\$)
Robert J. Higgins ⁽¹⁾					
Isaac Kaufman	137,000				137,000
Dr. Joseph G. Morone	127,000				127,000
Michael Nahl	13,875				13,875
Bryant Riley	120,000				120,000
Michael B. Solow	122,500				122,500

(1) Although Mr. Higgins also serves as a member of the Board, he does not receive any additional compensation for such service.

(2) Fees earned reflect the amount of cash received for the annual retainer, Board and committee meeting fees and cash received in lieu of Deferred Shares.

Cash Compensation. Each Director who is not a salaried employee of the Company receives a \$25,000 retainer per annum plus a \$2,000 attendance fee for each Board meeting attended and a \$1,000 attendance fee for each committee meeting attended, except that the compensation for telephone conference meetings is \$1,000 and \$500 for board and committee telephone conference meetings, respectively. A committee chairperson receives an additional \$5,000 retainer per year and the Audit Committee chairperson receives a \$15,000 annual retainer. The Company may, in its discretion, determine to pay all or a portion of any annual retainer in shares of Common Stock, in lieu of cash and to make discretionary grants of Common Stock to non employee Directors from time to time. The Company has not elected to pay the annual retainer in shares or make discretionary grants during the past three years. For 2011, the annual retainer has been reduced to \$12,500 per annum.

Directors Equity Awards. Currently, each Director is eligible to participate in the 2005 Long Term Incentive Plan, but no stock options or other stock-based awards were granted to Directors in Fiscal 2010. As of May 27,

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2011, stock awards covering 45,000 shares of Common Stock have been granted to Directors and are outstanding under the 2005 Long Term Incentive Plan. Previously, each outside Director was entitled to participate in the Company's 1990 Stock Option Plan for Non-Employee Directors (the Directors Plan), which expired in 2010. As of May 27, 2011, Director Options covering 75,046 shares of Common Stock have been granted and are outstanding under the Directors Plan.

An initial grant of 15,000 Director Options is made to each new Director. In addition, on or about May 1 of each year, Directors receive grants of deferred shares of Common Stock (Deferred Shares) under the Directors Plan representing \$80,000 in market value of Common Stock as of the date of grant. The Deferred Share grants vest on the date of grant. Prior to December 31, 2009, each Director elected to either receive cash in lieu of the deferred shares, Common Stock with respect to the Deferred Shares upon grant or to defer the receipt of such Common Stock until such person is no longer a Director, except that a cash election could be made only if the Board member held 4x the value of the annual retainer (\$50,000) in Common Stock, including Deferred Shares, based on the 120 day average closing price as of the prior December 1st. During Fiscal 2010, each outside Director received cash in lieu of Deferred Shares. The Board of Directors is authorized, in its discretion, to grant additional Director Options or Common Stock awards to Directors Plan participants.

Retirement Plan. Prior to June 1, 2003, the Company provided the Board of Directors with a noncontributory, unfunded retirement plan that paid a retired Director an annual retirement benefit equal to 60% of the annual retainer at the time of retirement plus a 3% annual increase through the final payment. Payments began at age 62 or retirement, whichever was later, and continued for 10 years or the life of the Director and his or her spouse, whichever period is shorter. Partial vesting in the retirement plan began after six years of continuous service. Participants became fully vested after 12 years of continuous service on the Board.

As of June 1, 2003, new Directors were not covered by the retirement plan. Directors who were not yet vested in their retirement benefits at such time had the present value of benefits already accrued converted to Deferred Shares under the Directors Plan. Directors that were fully or partially vested in their retirement benefits on June 1, 2003 were given a one time election to continue to participate in the retirement program or convert the present value of benefits already accrued to Deferred Shares under the Directors Plan as of June 1, 2003. As of the completion of the last fiscal year, only Mr. Kaufman participated in the retirement plan.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis describes the material elements of compensation for the Company's executive officers identified in the Summary Compensation Table below (who are referred to below as the named executive officers), the process by which such elements are determined and established by the Compensation Committee for the respective individuals and the principles and considerations underlying such determinations.

The compensation decisions for the named executive officers relating to 2010 took into account, among other things, the Company's unfavorable consolidated financial results and the decline in the market price of the Company's stock. Discussions relating to the Company's consolidated financial results and operating performance for the year are contained in the Management's Discussion and Analysis section of the Company's 2010 Annual Report on Form 10-K.

Compensation Objectives and Approach

The objectives of our compensation programs are to attract, motivate, retain and reward executives and employees who will make substantial contributions toward the Company's meeting the financial, operational and strategic objectives that we believe will build substantial value for the Company's stockholders. In an effort to achieve these objectives, the key elements of such programs consist of base salary, annual performance-based cash bonuses and share-based compensation.

Compensation Determination Process and Considerations

Mr. Higgins makes proposals to the Compensation Committee regarding the elements of compensation for each of the named executive officers, including his own compensation, and the Compensation Committee has full authority and discretion to accept, reject or modify these proposals. The Compensation Committee's compensation determinations regarding the named executive officers are reviewed by the full Board. Generally, these determinations are made annually and occur at the Compensation Committee's first regular meeting of each calendar year occurring in April, at which cash bonuses and share-based awards, if any, relating to the named executive officers' performance during the preceding calendar year are granted, and any base salary adjustments for the current year are implemented. In preparation for these meetings, Mr. Higgins meets with the Compensation Committee Chairman to present his preliminary compensation proposals relating to the named executive officers to be addressed in the April meeting, based on the anticipated full-year financial results for the Company and its subsidiaries.

The Compensation Committee reviews and approves each element of compensation of the named executive officers. In establishing the levels and components of compensation to the named executive officers, the Compensation Committee, as a threshold matter, evaluates the overall performance for the year.

Key elements considered in the Compensation Committee's performance evaluations include corporate performance compared to the financial, operational and strategic goals for the applicable period, the officer's contributions to such performance and the officer's other accomplishments for the benefit of the Company during such period. In these evaluations, the Compensation Committee does not apply rigid formulas with respect to amount of compensation paid or the allocation between cash and non cash compensation, and it does not necessarily react to short-term changes in financial performance. Such evaluations also take into account the nature, scope and level of the named executive officer's responsibilities and the officer's level of experience, past levels of compensation and changes in such levels, tenure with the Company and other opportunities potentially available to such officer. In addition, the members of the Compensation Committee interact with each of the named executive officers in connection with the regular meetings of the Company's Board of Directors, which provides the committee with an additional basis for evaluating such officer and his performance. Based on all of these general evaluative factors and the additional factors described below that vary among the named executive officers, the Compensation Committee makes its assessments and determines the components and levels of compensation for each such officer.

The Company has sought to structure its overall compensation program to contain an appropriate mix of long-term and short-term incentives that balance risk and potential reward in a manner that is appropriate to the circumstances and in the best interest of the Company's stockholders. In particular, equity-based awards and deferred cash awards have been structured to vest over a number of years, which encourages employees to focus on long-term results. Moreover, both annual incentive bonus and performance-based equity awards are subject to discretionary reduction if determined appropriate by the Compensation Committee. The Company believes that these factors reduce any incentive that employees may have to take inappropriate risks. Accordingly, the Company believes that its compensation policies and practices encourage and incentivize the employees to grow the Company in a disciplined, focused manner, with a view toward long-term success.

Cash Compensation

The Company pays base salaries at levels it believes will attract and retain key employees and ensure that our compensation program is competitive. Base salaries for the named executive officers are established by the Compensation Committee, and reviewed by such committee for potential adjustment on an annual basis, based on the considerations described in the preceding section. The base salary amounts paid to the named executive officers during 2010 are shown in the Summary Compensation Table at page 13. For fiscal 2011, the named executive officers base salary amounts were reduced 10% effective February 1, 2011. Effective May 1, 2011, Mr. Honeyman's salary will increase to \$495,000.

The annual incentive bonus plan, whose results are shown in the Summary Compensation Table in the Non-Equity Incentive Compensation columns, provides for a cash bonus, dependent upon the level of achievement of the stated corporate goals, calculated as a percentage of the officer's base salary, with higher ranked executive officers being compensated at a higher percentage of base salary. The Compensation Committee approves the target annual incentive award for the Chief Executive Officer and for each officer below the Chief Executive Officer level, bases the target on the Chief Executive Officer's recommendations. For Fiscal 2010, the performance goal adopted for annual bonuses was based on the achievement of a loss before interest, taxes, depreciation and amortization of no more than \$6.8 million. Based on 2010 results, the Company did not achieve the targeted loss before interest, taxes, depreciation and amortization. Therefore, the executives did not receive an annual bonus. The Company's loss before interest, taxes, depreciation and amortization was \$14.2 million. Pursuant to the terms of the offer of employment to him, Mr. Honeyman was guaranteed a minimum bonus of \$100,000 for 2010, the initial year of his employment by the Company.

For 2010, the target bonus awards (as a percentage of base salary) were as follows: Chief Executive Officer, 50%; Chief Operating Officer, 40%; and Executive Vice President, 25%. Depending on the achievement of the predetermined targets, the annual bonus may be less than or greater than the target bonus. Maximum payout (as a percentage of base salary) for officers is as follows: Chief Executive Officer, 125%; Chief Operating Officer and Executive Vice President, 100%.

Share-Based Compensation

General Objectives and Overview

The Company believes that a component of its officers' compensation should consist of share-based incentive compensation, which appreciates or depreciates in value in relation to the market price of our common stock. Accordingly, the Compensation Committee has in recent years made, and intends in the future continue to make, grants of share-based awards to the named executive officers and other key employees in such amounts as the Committee believes will accomplish the objectives of our compensation programs. As discussed below, the holder's ability to realize any financial benefit from these awards typically requires the fulfillment of substantial vesting requirements that are performance contingency-related in some cases and time-related in others. Accordingly, the Company believes that these awards provide substantial benefit to the Company in creating appropriate performance incentives and in facilitating the long-term retention of employees who add significant value.

Share Units

Share Units give the holder the right to receive the cash equivalent of one share of Company Common Stock for each unit held and to receive dividend equivalents while the units are outstanding. Share Units are subject to vesting requirements that provide the Company with benefits from the standpoint of employee retention. All of the share units vest ratably over three years, with the exception of performance based share units granted to Mr. Higgins. For Fiscal 2010, the performance goal adopted for Mr. Higgins Share Units was based on the achievement of a loss before interest, taxes, depreciation and amortization of no more than \$6.8 million. Based on 2010 results, the Company did not achieve the targeted loss before interest, taxes, depreciation and amortization. Therefore, the share units did not vest. The Company's loss before interest, taxes, depreciation and amortization was \$14.2 million.

On October 10, 2008, the Compensation Committee of the Company approved the grant of cash-settled restricted share units under the 2005 Long Term Incentive and Share Award Plan and deferred cash grants to Mr. Eisenberg and Mr. Sullivan. The restricted share units were granted on November 3, 2008, and 68,807 Share Units were granted with a fair market value of \$150,000 on that date, based on the closing price of the Company stock. On November 3, 2010, 50% of the Share Units vested and a cash payment of \$61,237 was made to each holder of the restricted share units. The remaining 50% of Share Units will vest on November 3, 2011 and will be settled in cash on that date. Each of the deferred cash grants provided for a \$150,000 cash payment that was paid on November 3, 2009, a \$75,000 cash payment that was paid on November 3, 2010 and a \$75,000 cash payments that will be payable on November 3, 2011. The named executive officers must remain employed by the Company at the time of payment to receive payment.

2010 Grants

During 2010, the Company granted Mr. Honeyman 700,000 options effective with his hiring on May 6, 2010. The options vest based on service period with 75,000 vesting after each of the first two years of service and 275,000 vesting after three and four years of service. Also, Mr. Eisenberg received 200,000 options upon accepting the additional responsibilities of Executive Vice President of Stores in May 2011. Mr. Eisenberg's options vest based on service period with 25,000 vesting after each of the first three years of service and 125,000 vesting after four years of service.

Retirement and Other Benefits

The Company's benefits program includes retirement plans and group insurance plans. The objective of the program is to provide select named executive officers with reasonable and competitive levels of protection against the four contingencies (retirement, death, disability and ill health) which could interrupt their employment and/or income received as an active employee. Retirement plans, including the supplemental executive retirement plan, are designed to provide a competitive level of retirement income to named executive officers and to reward them for continued service with the Company. The retirement program consists of a supplemental executive retirement plan and the 401(k) plan. Mr. Higgins, Mr. Eisenberg and Mr. Sullivan are participants in the supplemental executive retirement plan.

The group insurance program consists of life, disability and health insurance benefit plans that cover all full-time management and administrative employees and the supplemental long-term disability plan, which covers the named executive officers and other officers.

Other Compensation

The Company continues to maintain modest executive benefits and perquisites for officers; however, the Compensation Committee in its discretion may revise, amend or add to the officer's executive benefits and perquisites if it deems it advisable. We believe these benefits and perquisites are currently below median competitive levels for comparable companies. See The Summary Compensation Table for a summary of such benefits.

Deductibility of Compensation Expenses

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to a public corporation for annual compensation over \$1 million for its Chief Executive Officer or any of its three other highest paid Executive Officers (other than the Chief Executive Officer and Chief Financial Officer). Qualifying performance based compensation will not be subject to the deduction limit if certain requirements are met. Executive compensation is structured to avoid limitations on deductibility where this result can be achieved consistent with the Company's compensation goals.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee is responsible for the oversight of the Company's compensation programs on behalf of the Board of Directors. In fulfilling this responsibility, we have reviewed and discussed with management the Compensation Analysis and Discussion set forth in this Proxy.

Based on this review and discussion we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy for the Annual Meeting and filed with the Securities and Exchange Commission.

Compensation Committee of the Board of Directors

Michael Solow, Chairman

Isaac Kaufman

Dr. Joseph Morone

Bryant Riley

Summary Compensation Table

The following table sets forth information regarding compensation earned by our Chief Executive Officer, our Chief Financial Officer and two other most highly compensated Executive Officers:

Name	Principal Position	Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Stock Awards (\$) ⁽⁴⁾	Option Awards (\$) ⁽³⁾	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$) ⁽⁵⁾	Total Compensation (\$)
Robert J. Higgins	Chairman of the Board and Chief Executive Officer	2010	1,000,000		515,012			180,626	1,695,638
		2009	1,000,000		232,315			178,397	1,410,712
Michael J. Honeyman	President and Chief Operating Officer	2010	400,521	100,000		958,300		44,016	1,502,837
		2009							
Bruce J. Eisenberg	Executive Vice President Real Estate and Stores	2010	396,442	75,000		273,800			745,242
		2009	355,000	250,000					605,000
John J. Sullivan	Executive Vice President Chief Financial Officer and Secretary	2010	370,019	75,000				6,202	451,221
		2009	355,000	250,000					605,000

- (1) Salary represents amounts earned during fiscal year. Mr. Honeyman joined the Company effective May 6th. His annual salary during 2010 was \$500,000. See page 11 Cash Compensation for further description of Mr. Honeyman's salary.
- (2) Amount represent cash incentive payouts made to certain named executive officers. Pursuant to the terms of the offer of employment to him, Mr. Honeyman was guaranteed a minimum bonus of \$100,000 for 2010, the initial year of his employment by the Company. For the other named executive officers, amounts represent deferred cash grants made in fiscal 2009 and fiscal 2010. Each of the deferred cash grants provided for a \$150,000 and a \$75,000 cash payment that was paid on November 3, 2009 and November 3, 2010, respectively and a \$75,000 cash payments that will be payable on November 3, 2011. In addition, Mr. Eisenberg and Mr. Sullivan received \$100,000 incentive bonuses in fiscal 2009.
- (3) Amounts represent the grant date fair value as computed in accordance with Accounting Standards Codification Topic 718, relating to the grant of stock options to the respective executives in 2010. See Note 1 to the Consolidated Financial Statements in the Company's 2010 Annual Report on Form 10-K for the assumptions made in determining values. Effective May 16, 2010, 700,000 and 200,000 options were awarded to Mr. Honeyman and Mr. Eisenberg, respectively. No grants of options were made in 2008 or 2009. The amounts set forth in the table above do not necessarily reflect the values that will ultimately be realized with respect to these awards.
- (4) Amounts represent the grant date fair value, as computed in accordance with Accounting Standards Codification Topic 718, relating to Share Units and restricted shares awarded to the Mr. Higgins during fiscal 2010 and fiscal 2009. Effective April 12, 2010 and March 26, 2009, Mr. Higgins was granted 279,898 performance based restricted stock units. The restricted stock units did not vest and were forfeited. These amounts set forth in the table above do not necessarily reflect the values that will ultimately be realized with respect to these awards.
- (5) Includes the following payments made by the Company to the named executive officers

Name	Year	Perquisites and Other Personnel Benefits (\$)	Tax Reimbursements (\$)	Insurance Premiums (\$)	Company Contributions to Retirement and 401(K) Plans (\$)	Severance Payments / Accruals (\$)	Change in Control Payments / Accruals (\$)	Total (\$)
Robert J. Higgins ⁽¹⁾	2010	30,626		150,000				180,626
	2009	28,397		150,000				178,397
Michael J. Honeyman ⁽²⁾	2010	44,016						44,016

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	2009		
Bruce J. Eisenberg	2010		
	2009		
John J. Sullivan	2010	6,202	6,202
	2009		

-
- (1) Perquisites for Mr. Higgins include club dues (\$6,376) and fees paid for a personal assistant (\$24,250). The cost of perquisites was determined on the basis of aggregate incremental cost to the Company.
 - (2) Perquisites for Mr. Honeyman include housing expenses (\$22,933), auto expense (\$18,219) and reimbursement for Mr. Honeyman's personal health insurance policy (\$2,864)

Employment Agreement

On December 26, 2008, the Company entered into a new employment agreement with Mr. Higgins pursuant to which Mr. Higgins continued to serve as Chief Executive Officer of the Company. The term of the agreement expires on December 31, 2012, unless earlier terminated in accordance with its terms. The term is subject to automatic one year extensions starting on the second anniversary of the effective date unless prior written notice is given by the Mr. Higgins or the Company.

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Under the agreement, Mr. Higgins will receive an annual base salary of \$1,000,000 (or such larger amount as the Company's Board of Directors may determine from time to time). For 2011, Mr. Higgins has agreed to reduce his salary to \$900,000. Under the Agreement Mr. Higgins will be eligible for bonuses under the Company's executive bonus plan, under which Mr. Higgins will have an annual bonus opportunity of zero to 200% of his base salary based on the achievement of certain performance criteria as approved by the Board of Directors or Compensation Committee. He is entitled to participate in all incentive, savings, retirement, welfare and such other employee benefit programs as are generally in effect for the Company's executive employees and is also entitled to reimbursement for or payment of certain travel and other expenses. The agreement provides for the award of performance based restricted stock units which will have a fair market value on the date of grant equal to \$1,100,000. This obligation is satisfied by grants of 279,898 units issued in 2009 (which were forfeited because applicable performance goals were not met), 279,898 units issued in 2010 and 279,898 units issued in 2011. The 279,898 granted in 2010 were also forfeited due to failure to meet the applicable performance targets. For 2011, the number of units that will vest and the value of such units will depend on the Company achieving certain EBITDA goals set by the Board and the stock price on the date of vesting.

Mr. Higgins has agreed to certain confidentiality, non-competition and non-solicitation provisions. In addition, he shall be entitled to gross-up payments in the event excise taxes on payments or benefits made to him are imposed under Section 4999 of the Internal Revenue Code or any similar state or local tax law. The agreement also provides for indemnification during the contract period and for a period of five years thereafter.

Grants of Equity and Incentive Plan-Based Awards

The following table provides information with respect to Share Unit, option and annual incentive bonus plan awards, as applicable, to the named executive officers during the year ended January 29, 2011:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Equity Incentive Plan Awards (#) ⁽²⁾	All Other Option Awards; Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards (\$ s)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Robert J. Higgins	4/25/2010	500,000	1,000,000	1,250,000	279,898			
Michael J. Honeyman ⁽³⁾	5/6/2010	200,000	400,000	500,000		700,000	\$ 2.11	958,300
Bruce J. Eisenberg	4/25/2010	88,750	248,500	355,000		200,000	\$ 2.11	273,800
John J. Sullivan	4/25/2010	88,750	248,500	355,000				

* The amounts indicated reflect the possible payouts for the 2010 annual incentive bonus plan. Incentive plan awards for 2010 were based on achieving an EBITDA loss of \$6.5 million. Based on 2010 results (\$14.2 million EBITDA loss), the Company did not achieve the targeted EBITDA, therefore no annual incentive bonus was paid.

- (1) The amount represents performance based restricted stock units granted in 2010. Based on 2010 results, the performance targets were not met and none of the units vested.
- (2) Pursuant to the terms of the offer of employment to him, Mr. Honeyman was guaranteed a minimum bonus of \$100,000 for 2010, the initial year of his employment by the Company.

Outstanding Equity Awards at Fiscal Year-End

The table below summarizes the named executive officers' equity awards that were unvested or unexercised, as applicable, as of January 29, 2011.

Name	Grant Date	Option Awards			Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable					
Robert J. Higgins	5/1/2001	500,000			8.95	5/1/2011		
	5/1/2002	550,000			8.02	5/1/2012		
	5/1/2003	1,000,000			3.50	5/1/2013		
	4/30/2004	550,000			10.31	4/30/2014		
	5/2/2005	475,000			14.32	5/2/2015		
	5/1/2006 ⁽¹⁾	450,000			5.32	5/1/2016		
Michael J. Honeyman	5/6/2010 ⁽³⁾		700,000		2.11	5/6/2020		
Bruce J. Eisenberg	5/1/2001	50,000			8.95	5/1/2011		
	5/1/2002	60,000			8.02	5/1/2012		
	5/1/2003	150,000			3.50	5/1/2013		
	4/30/2004	60,000			10.31	4/30/2014		
	5/2/2005	50,000			14.32	5/2/2015		
	5/1/2006	50,000			5.32	5/1/2016		
	5/1/2007 ⁽¹⁾	25,000	25,000		5.50	5/1/2017		
	11/3/2008 ⁽²⁾						34,404	62,959
5/6/2010 ⁽⁴⁾		200,000		2.11	5/6/2020			
John J. Sullivan	5/1/2001	50,000			8.95	5/1/2011		
	5/1/2002	60,000			8.02	5/1/2012		
	5/1/2003	150,000			3.50	5/1/2013		
	4/30/2004	60,000			10.31	4/30/2014		
	5/2/2005	50,000			14.32	5/2/2015		
	5/1/2006	50,000			5.32	5/1/2016		
	5/1/2007 ⁽¹⁾	25,000	25,000		5.50	5/1/2017		
	11/3/2008 ⁽²⁾						34,404	62,959

(1) Represents SSARS which vest 50% after three years of grant and 50% after four years of grant.

(2) Represents Share Units which vest 50% two years after grant and 50% three years after grant.

(3) Mr. Honeyman's options vest based on service period with 75,000 vesting after each of the first two years of service and 275,000 vesting after three and four years of service.

(4) Mr. Eisenberg's options vest based on service period with 25,000 vesting after each of the first three years of service and 125,000 vesting after four years of service.

Pension Benefits

The Company maintains a non-qualified Supplemental Executive Retirement Plan (SERP) for certain executive officers of the Company. The SERP, which is a nonqualified plan, provides eligible executives defined pension benefits that supplement benefits under other retirement arrangements. The annual benefit amount is equal to 50% of the average of the participant's base compensation for the five years prior to retirement plus the average of the three largest bonus payments for the last five years prior to retirement, to the extent vested. Participants vest

35% after 10 years, 75% after 20 years and 100% after 20 years of service and

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retirement at the age of 65. In addition, the benefits become vested in full upon a change in control of the Company prior to the participant's termination of employment or a termination of employment due to the participant's death or disability. Additionally, all benefits under the Supplemental Executive Retirement Plan will be forfeited in the event of any of the following: competitive conduct during the 5 years following termination of employment or at any time while in receipt of benefits; solicitation for employment or employment of company employees during the 5 years following termination or at any time while in receipt of benefits (this clause is waived in the event of a change in control); disclosure of confidential information; or termination for cause.

Payments are made in equal installments over 20 years. The Company has established a rabbi trust whose purpose is to be a source of funds to pay benefits to participants in the SERP. As of January 29, 2011, total assets related to the Rabbi Trust were \$5.6 million related to the cash surrender value of trust owned life insurance policies. The following table illustrates pension benefits accrued under the SERP:

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$) ⁽¹⁾	Payments During Last Fiscal Year (\$)
Robert J. Higgins	Supplemental Executive Retirement Plan	38	8,259,779	
Michael J. Honeyman ⁽²⁾	Supplemental Executive Retirement Plan			
Bruce J. Eisenberg	Supplemental Executive Retirement Plan	17	753,823	
John J. Sullivan	Supplemental Executive Retirement Plan	19	1,220,460	

(1) The amounts shown in this column are based on the same assumptions used in preparation of the Company's 2010 Consolidated Financial Statements, which are described in Notes 1 and 8 to the Company's 2010 Consolidated Financial Statements.

(2) Mr. Honeyman is not a participant in the SERP.

Potential Payments Upon Termination or Change of Control

The following table illustrates potential payments upon termination or change of control as of January 29, 2011:

	<u>Involuntary</u>				<u>Change of Control⁽⁶⁾</u>
	<u>Voluntary</u>	<u>For Cause</u>	<u>W/O Cause</u>	<u>Death</u>	
Retirement Benefits ⁽¹⁾					
Mr. Higgins					
Mr. Honeyman					
Mr. Eisenberg				445,319	445,319
Mr. Sullivan				494,423	494,423
Equity ⁽²⁾					
Mr. Higgins					
Mr. Honeyman					
Mr. Eisenberg				62,959	62,959
Mr. Sullivan				62,959	62,959
Severance Benefits					
Mr. Higgins ⁽³⁾			3,833,333		1,000,000
Mr. Honeyman ⁽⁴⁾			375,000		
Mr. Eisenberg ⁽⁵⁾			130,769		
Mr. Sullivan ⁽⁵⁾			140,635		
Health and Welfare Benefits ⁽⁷⁾					
Mr. Higgins			135,473		35,371
Mr. Honeyman			6,122		
Mr. Eisenberg			11,564		
Mr. Sullivan			13,604		

- (1) Under provisions of the Trans World Entertainment Supplemental Executive Retirement Plan, a participant would be fully vested in their pension benefit in the event of death, disability or of a change in control of the Company. The estimated present value of the accelerated vesting due to the death, disability or change in control provisions as presented are as of January 29, 2011. (2) Value as of January 29, 2011 of unvested equity awards. These awards vest upon death, disability or a change in control pursuant the terms of the 2005 Long Term Incentive Plan and applicable award agreement.
- (2) Value as of January 29, 2011 of unvested equity awards. These awards vest pursuant the terms of the 2005 Long Term Incentive Plan and applicable award agreement.
- (3) Severance provisions as provided by Mr. Higgins employment agreement, as described below.
- (4) Severance provisions as provided by Mr. Honeyman s offer of employment.
- (5) Severance provisions as provided by the Company s severance guidelines, as described below.
- (6) Severance payments are not triggered by a change of control. Severance amounts for termination following a change in control are the same as for terminations absent a change in control.
- (7) Anticipated costs of continuing life insurance, disability, medical, dental and hospitalization benefits for estimated severance period.

Severance

Other than the employment agreement entered into between the Company and Mr. Higgins and Mr. Honeyman s offer letter, the Company has not entered into any agreements with the named executive officers which provide severance or other benefits upon a termination of employment or a change in control.

Mr. Higgins employment agreement provides that, in the event of his termination by reason of death or disability (as defined in the agreement), the executive (or in the case of death, the executive s spouse or estate) shall be entitled to receive: (i) earned but unpaid base salary; (ii) reimbursement for expenses incurred prior to termination; (iii) payment for accrued but unused vacation; and (iv) the annual bonus for the fiscal year of termination in an amount determined by the Compensation Committee based on the achievement of performance goals for the fiscal year but pro-rated to reflect the number of days in the fiscal year through the date of termination. Following a termination by reason of disability, the he will also receive an amount equal to two times his base salary for the period from the date of termination through the six month anniversary of the date of termination.

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In the event of his termination by the Company for cause (as defined in the agreement) or by the executive for any reason other than good reason (as defined in the agreement), the Company's remaining obligations under the agreement shall terminate.

In the event of his termination by the Company for any reason other than cause, death or disability or by the executive for good reason, Mr. Higgins shall be entitled to receive: (i) earned but unpaid base salary and accrued but unused vacation; (ii) reimbursement for expenses incurred prior to termination; and (iii) an amount equal to two times his base salary for the period from the date of termination until the latest of (A) the third anniversary of the effective date of the agreement, (B) the end of the contract period or (C) one year after the date of termination, payable over such period in accordance with the regular payroll practices of the Company. In addition, the Mr. Higgins (and his dependants) will be entitled to continue participation in the Company's medical, dental and vision care plans until the latest of (x) the third anniversary of the effective date; (y) the end of the contract period or (z) one year after the date of termination, provided, however, that such participation shall cease on any earlier date that Mr. Higgins becomes eligible for substantially similar benefits from a subsequent employer.

The Company has severance guidelines that are applicable to Officers, including the named executive officers, who are not party to an employment agreement. Under those guidelines, which are subject to review and amendment by the Committee from time to time, an Officer whose employment is terminated by the Company as a result of a reduction in force, position elimination or a failure to keep pace with the strategic demands of his or her position and who executes a release in the form requested by the Company is generally entitled to continue to receive one week of salary continuation, and continued participation in other benefit plans, for each year of service, with a minimum of 13 weeks and a maximum of 26 weeks for Vice President level officers.

Compensation Committee Interlocks and Insider Participation

There were no Compensation Committee interlocks, with the meaning of the Securities Act of 1933, during fiscal 2010. None of the Committee's members was an officer or employee of the Company, a former officer of the Company, or a party to any relationship requiring disclosure under Item 404 of Regulation S-K.

Compensation Committee of the Board of Directors

Michael Solow, Chairman

Isaac Kaufman

Dr. Joseph Morone

Bryant Riley

RELATED PARTY TRANSACTIONS

The Company leases its 181,300 square foot distribution center/office facility in Albany, New York from Robert J. Higgins, its Chairman, Chief Executive Officer and largest shareholder, under three capital leases that expire in the year 2015. The original distribution center/office facility was occupied in 1985.

Under the three capital leases, dated April 1, 1985, November 1, 1989 and September 1, 1998, the Company paid Mr. Higgins an annual rent of \$2.2 million in Fiscal 2010. Pursuant to the terms of the lease agreements, effective January 1, 2002 and every two years thereafter, rental payments will increase in accordance with the biennial increase in the Consumer Price Index. Under the terms of the lease agreements, the Company is responsible for property taxes, insurance and other operating costs with respect to the premises. During 2010, Mr. Higgins paid \$0.8 million for principal and interest on his underlying indebtedness relating to the real property. Mr. Higgins doesn't have any future obligation for principal and interest. None of the leases contain any real property purchase options at the expiration of its term.

The Company leases one of its retail stores from Mr. Higgins under an operating lease. Annual rental payments under this lease were \$40,000 in Fiscal 2010. Under the terms of the lease, the Company pays property taxes, maintenance and a contingent rental if a specified sales level is achieved. Total additional charges for the store, including contingent rent, were approximately \$6,800 in Fiscal 2010.

Mark Higgins, the son of Robert J. Higgins was employed with the Company as Vice President - Merchandising Video, Video Games, Electronics and Accessories. During 2009, Mark Higgins received \$237,000 in cash compensation.

The Board has assigned responsibility for reviewing related party transactions to its Audit Committee. The Audit Committee has adopted a written policy pursuant to which all transactions between the Company or its subsidiaries and any Director or Officer must be submitted to the Audit Committee for consideration prior to the consummation of the transaction. The transaction will then be evaluated by the Audit Committee to determine if the transaction is in our best interests and whether, in the Committee's judgment, the terms of such transaction are at least as beneficial to us as the terms we could obtain in a similar transaction with an independent third party. In order to meet these standards, the Committee may conduct a competitive bidding process, secure independent consulting advice, engage in its own fact-finding, or pursue such other investigation and fact-finding initiatives as may be necessary and appropriate in the Committee's judgment. The Audit Committee reports to the Board, for its review, on all related party transactions considered. The transactions that were entered into with an interested Director were approved by a majority of disinterested Directors of the Board of Directors, either by the Audit Committee or at a meeting of the Board of Directors.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 generally requires the Company's Directors, Executive Officers and persons who own more than ten percent of the registered class of the Company's equity securities to file reports of beneficial ownership and changes in beneficial ownership with the Securities and Exchange Commission. Based solely upon its review of the copies of such reports received by it, or upon written representations obtained from certain reporting persons, the Company believes that all Section 16(a) filing requirements applicable to its officers, Directors, and greater than ten percent stockholders were complied with.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors and monitors the Company's efforts to comply with certain aspects of the Sarbanes-Oxley Act of 2002. The Audit Committee of the Board has reviewed and discussed the Company's audited financial statements with the Company's Management and its independent accountants, KPMG LLP. Management is responsible for the financial statements and the underlying financial reporting processes, including the system of internal controls. The Audit Committee has discussed with KPMG LLP, the Company's independent accountants, the matters required to be discussed under professional standards. The Audit Committee also has

received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees) and has discussed with KPMG LLP the independence of such independent accounting firm. The Committee has also considered whether the independent accountants' provision of information technology and other non-audit services to the Company is compatible with the accountants' independence.

The Audit Committee also discussed with the Company's internal auditors and with KPMG LLP the overall scope and plans for their respective audits. The Audit Committee meets periodically with the Company's internal auditors and with KPMG LLP, with and without management present, to discuss the results of their examinations, the evaluation of the Company's internal controls and the overall quality and transparency of the Company's financial reporting. Based on its review and discussions referred to above, The Audit Committee recommended to the Board that the audited financial statements for the fiscal year ended January 29, 2011 be included in the Company's Annual Report on Form 10-K for the Company's fiscal year ended January 29, 2011.

Audit Committee of the Board of Directors

Isaac Kaufman (Chairman)

Dr. Joseph Morone

Bryant Riley

OTHER MATTERS

Other Items. Management knows of no other items or matters that are expected to be presented for consideration at the meeting. If other matters properly come before the meeting, however, the persons named in the accompanying proxy intend to vote thereon in their discretion.

Proxy Solicitation. The Company will bear the cost of the meeting and the cost of soliciting proxies, including the cost of mailing the proxy materials. In addition to solicitation by mail, Directors, officers, and regular employees of the Company (none of whom will be specifically compensated for such services) may solicit proxies by telephone or otherwise. Arrangements will be made with brokerage houses and other custodians, nominees, and fiduciaries to forward proxies and proxy materials to their principals, and the Company will reimburse them for their ordinary and necessary expenses.

Independent Accountants. The Board of Directors currently intends to select KPMG LLP as independent accountants for the Company for the fiscal year ending January 28, 2012. KPMG LLP has acted as accountants for the Company since 1994, when it purchased the Albany practice of Ernst & Young, the Company's accountants since 1985. Representatives of KPMG LLP will be present at the Annual Meeting and available to make statements to and respond to appropriate questions of shareholders.

The appointment of independent accountants is approved annually by the Board of Directors. The decision of the Board is based on the recommendation of the Audit Committee, which reviews and approves in advance the audit scope, the types of non-audit services, and the estimated fees for the coming year. The Audit Committee also reviews and approves non-audit services to ensure that they will not impair the independence of the accountants.

Before making its recommendation to the Board for appointment of KPMG LLP, the Audit Committee carefully considered that firm's qualifications as independent accountants for the Company. This included a review of its performance in prior years, as well as its reputation for integrity and competence in the fields of accounting and auditing. The Audit Committee has expressed its satisfaction with KPMG LLP in all of these respects. The Audit Committee's review included inquiry concerning any litigation involving KPMG LLP and any proceedings by the Securities and Exchange Commission (the "SEC") against the firm. In this respect, the Audit Committee has concluded that the ability of KPMG LLP to perform services for the Company is in no way adversely affected by any such investigation or litigation. The following is a description of the fees billed to the Company by KPMG LLP for fiscal years 2009 and 2008.

Audit Fees. Audit fees include fees paid by the Company to KPMG LLP in connection with the annual audit of the Company's consolidated financial statements and KPMG LLP's review of the Company's interim financial statements. Audit fees also include fees for services performed by KPMG LLP that are closely related to the audit and in many cases could only be provided by independent accountants. Such services include comfort letters and consents related to SEC registration statements and certain reports relating to the Company's regulatory filings. The aggregate fees billed to the Company by KPMG LLP for audit services rendered to the Company and its subsidiaries for fiscal years 2010 and 2009 totaled \$515,000 and \$595,000, respectively.

Audit Related Fees. Audit related services include due diligence and audit services related to employee benefit plan audits and certain attest services. The aggregate fees billed to the Company by KPMG LLP for audit related services rendered to the Company and its subsidiaries for fiscal years 2010 and 2009 totaled \$19,500 and \$28,000, respectively.

Tax fees. Tax fees include corporate tax compliance and counsel and advisory services. Deloitte and Touche LLP was the Company's primary tax advisor in 2010. KPMG didn't receive any fees for tax services in the last two years.

Each year, the Company reviews its existing practices regarding the use of its independent accountants to provide non-audit and consulting services, to ensure compliance with recent SEC proposals. The Company has a policy which provides that the Company's independent accountants may provide certain non-audit services which do not impair the accountants' independence. In that regard, the Audit Committee must pre-approve all audit services provided to the Company, as well as non-audit services provided by the Company's independent

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accountants. This policy is administered by the Company's senior financial management, which reports throughout the year to the Audit Committee.

Financial Statements. The Company's 2010 Annual Report to Shareholders (which does not form a part of the proxy solicitation material), including financial statements for the fiscal year ended January 29, 2011 is being sent concurrently to shareholders. If you have not received or had access to the 2010 Annual Report to Shareholders, you may request a copy by writing to: Trans World Entertainment Corporation, Attention: Treasurer, 38 Corporate Circle, Albany, NY 12203, and a copy will be sent to you free of charge.

SUBMISSION OF SHAREHOLDER PROPOSALS

Shareholders of the Company wishing to include proposals in the proxy material relating to the Annual Meeting of the Company to be held in 2012 must submit the same in writing so as to be received at the executive offices of the Company on or before January 15, 2012. Such proposals must also meet the other requirements of the rules of the Securities and Exchange Commission relating to shareholders' proposals. Proposals should be addressed to John J. Sullivan, Secretary, Trans World Entertainment Corporation, 38 Corporate Circle, Albany, NY 12203. No such proposals were received with respect to the Annual Meeting scheduled for July 14, 2011.

By Order of the Board of Directors,

John J. Sullivan,
Secretary

June 6, 2011

Trans World Entertainment Corporation

WO#
00384

FOLD AND DETACH HERE

Please mark your votes as indicated in this example

X

The Board of Directors recommends a vote FOR Item 1.

**WITHHELD
FOR FOR ALL *EXCEPTIONS**

Item 1 - ELECTION OF DIRECTORS

Item 2 - In their discretion, the Proxies are authorized to vote upon all other matters that properly may be presented at the meeting.

Nominees:
01 Isaac Kaufman
02 Michael Nahl

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the Exceptions box and write that nominee's name in the space provided below.)

*Exceptions

Plan to Attend Meeting

Mark Here for Address Change or Comments
SEE REVERSE

NOTE: Please sign as name appears herein. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Signature

Signature

Date



You can now access your Trans World Entertainment, account online.

Access your Trans World Entertainment, account online via Investor ServiceDirect® (ISD).

BNY Mellon Shareowner Services, the transfer agent for Trans World Entertainment, now makes it easy and convenient to get current information on your shareholder account.

View account status	View payment history for dividends
View certificate history	Make address changes
View book-entry information	Obtain a duplicate 1099 tax form

**Visit us on the web at www.bnymellon.com/shareowner/equityaccess
For Technical Assistance Call 1-877-978-7778 between 9am-7pm
Monday-Friday Eastern Time**

**Investor ServiceDirect®
Available 24 hours per day, 7 days per week
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Choose **MLinkSM** for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect®** at www.bnymellon.com/shareowner/equityaccess where step-by-step instructions will prompt you through enrollment.

Important notice regarding the Internet availability of proxy materials for the Annual Meeting of shareholders. The Proxy Statement and the 2010 Annual Report to Stockholders are available at: <http://bnymellon.mobular.net/bnymellon/twmc>

FOLD AND DETACH HERE

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

TRANS WORLD ENTERTAINMENT CORPORATION

The undersigned hereby appoints Robert J. Higgins and John J. Sullivan to be its proxies (the Proxies), with power to act without the other and with power of substitution, and hereby authorizes them to represent and vote, as designated on the reverse hereof, all the shares of stock of Trans World Entertainment Corporation standing in the name of the undersigned with all powers which the undersigned would possess if present at the Annual Meeting of Stockholders of the Company to be held July 14, 2011 or any adjournment thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED. IF NO DIRECTION IS GIVEN, THIS PROXY WILL NOT BE VOTED FOR ITEM 1. SAID ITEMS BEING FULLY DESCRIBED IN THE NOTICE OF SUCH MEETING DATED JUNE 6, 2011, AND THE ACCOMPANYING PROXY STATEMENT RECEIPT OF WHICH ARE ACKNOWLEDGED.

Address Change/Comments
(Mark the corresponding box on the reverse side)

BNY MELLON SHAREOWNER SERVICES
P.O. BOX 3550
SOUTH HACKENSACK, NJ 07606-9250

(Continued and to be marked, dated and signed, on the other side)

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