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 NOVEMBER 3, 2007

OR

__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT FOR THE TRANSITION PERIOD FROM . . . . TO . . . .

COMMISSION FILE NUMBER: 0-14818

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

New York	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 shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No[_]

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

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]

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

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

Common Stock, $.01 par value,
31,097,822 shares outstanding as of November 30, 2007

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

	November 3, 2007	February 3, 2007	October 28, 2006
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 15,539	$ 118,630	$ 13,543
Merchandise inventory	569,087	504,860	656,187
Income taxes receivable, net	26,726	---	3,544
Deferred taxes	10,020	9,039	17,000
Other current assets	27,757	13,827	15,559
Total current assets	649,129	646,356	705,833
NET FIXED ASSETS	119,913	138,252	134,731
DEFERRED TAXES	33,440	32,715	33,133
OTHER ASSETS	11,391	12,367	14,441
TOTAL ASSETS	$ 813,873	$ 829,690	$ 888,138
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	$ 264,540	$ 306,377	$ 333,652
Borrowings under line of credit	81,755	---	71,605
Income taxes payable, net	---	13,646	---
Accrued expenses and other current liabilities	52,031	56,736	64,306
Current portion of long-term debt	529	506	499
Current portion of capital lease obligations	2,913	2,887	2,958
Total current liabilities	401,768	380,152	473,020
LONG-TERM DEBT, less current portion	3,688	4,085	4,212
CAPITAL LEASE OBLIGATIONS, less current portion	9,797	12,000	12,710
OTHER LONG-TERM LIABILITIES	35,438	40,248	43,963
TOTAL LIABILITIES	450,691	436,485	533,905
SHAREHOLDERS' EQUITY			
Preferred stock ($0.01 par value; 5,000,000 shares authorized; none issued)	---	---	---
Common stock ($0.01 par value; 200,000,000 shares authorized; 56,182,124, 55,998,109 and 55,968,838 shares issued, respectively)	562	560	560
Additional paid-in capital	303,267	301,526	300,562
Treasury stock at cost (25,102,990, 25,103,990 and 25,103,990 shares, respectively)	(217,555)	(217,560)	(217,560)
Accumulated other comprehensive loss	(1,888)	(1,888)	(2,048)
Retained earnings	278,796	310,567	272,719
TOTAL SHAREHOLDERS' EQUITY	363,182	393,205	354,233
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 813,873	$ 829,690	$ 888,138

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 3, 2007	October 28, 2006	November 3, 2007	October 28, 2006
Net sales	$ 260,570	$ 297,679	$ 814,182	$ 884,477
Cost of sales	169,238	188,868	520,507	569,009
Gross profit	91,332	108,811	293,675	315,468
Selling, general and administrative expenses	115,196	130,048	348,818	373,009
Loss from operations	(23,864)	(21,237)	(55,143)	(57,541)
Interest expense	1,913	1,653	5,191	4,082
Other income	(15)	(46)	(151)	(4,040)
Loss before income taxes and extraordinary gain - unallocated negative goodwill	(25,762)	(22,844)	(60,183)	(57,583)
Income tax benefit	(11,499)	(9,539)	(26,777)	(26,070)
Loss before extraordinary gain - unallocated negative goodwill	(14,263)	(13,305)	(33,406)	(31,513)
Extraordinary gain - unallocated negative goodwill, net of income taxes of $0, $2,038 and $0, $4,845, respectively	---	1,925	---	5,334
Net loss	$ (14,263)	$ (11,380)	$ (33,406)	$ (26,179)
BASIC LOSS PER SHARE:				
Loss per share before extraordinary gain -unallocated negative goodwill	$ (0.46)	$ (0.43)	$ (1.08)	$ (1.02)
Extraordinary gain - unallocated negative goodwill, net of income taxes	---	0.06	---	0.17
Basic loss per share	$ (0.46)	$ (0.37)	$ (1.08)	$ (0.85)
Weighted average number of common shares outstanding – basic	31,055	30,842	31,021	30,768
DILUTED LOSS PER SHARE:				
Loss per share before extraordinary gain -unallocated negative goodwill	$ (0.46)	$ (0.43)	$ (1.08)	$ (1.02)
Extraordinary gain - unallocated negative goodwill, net of income taxes	---	0.06	---	0.17
Diluted loss per share	$ (0.46)	$ (0.37)	$ (1.08)	$ (0.85)
Weighted average number of common shares outstanding – diluted	31,055	30,842	31,021	30,768

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Thirty-nine Weeks Ended	
	November 3, 2007	October 28, 2006
Net loss	$ (33,406)	$ (26,179)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization of fixed assets	29,319	29,756
Amortization of intangible assets	223	189
Amortization of lease valuations, net	(845)	(1,239)
Stock compensation	1,403	1,591
Loss on disposal of fixed assets	2,500	1,151
Gain on sale of available-for-sale securities and other investments	---	(3,528)
Deferred tax benefit	(915)	(16,201)
Extraordinary gain on acquisition of business, net of income taxes	---	(5,334)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Merchandise inventory	(64,227)	(141,087)
Other current assets	(13,930)	(654)
Other assets	459	(143)
Accounts payable	(41,678)	29,979
Income tax receivable/(payable)	(38,858)	(9,819)
Accrued expenses and other current liabilities	(5,100)	(1,578)
Other long-term liabilities	(4,337)	(1,660)
Net cash used by operating activities	(169,392)	(144,756)
Cash flows from investing activities:		
Purchases of fixed assets	(13,480)	(33,675)
Acquisition of businesses	---	(78,750)
Proceeds from sale of available-for-sale securities and other investments	---	4,116
Net cash used by investing activities	(13,480)	(108,309)
Cash flows from financing activities:		
Proceeds from line of credit	81,755	71,605
Payments of long-term debt	(374)	(353)
Payments of capital lease obligations	(2,177)	(2,401)
Proceeds from the exercise of stock options	577	548
Net cash provided by financing activities	79,781	69,399
Net decrease in cash and cash equivalents	(103,091)	(183,666)
Cash and cash equivalents, beginning of year	118,630	197,209
Cash and cash equivalents, end of period	$ 15,539	$ 13,543
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of treasury stock under incentive stock programs	$ 6	$ 4
Issuance of deferred shares	$ 160	$ 105

See Accompanying Notes to Condensed Consolidated Financial Statements.

Note 1. Nature of Operations

Trans World Entertainment Corporation and subsidiaries ("the Company") is one of the largest specialty retailers of entertainment software, including music, video, video games and related products in the United States. The Company operates a chain of retail entertainment stores and e-commerce sites, www.fye.com, www.wherehouse.com, www.secondspin.com, www.samgoody.com and www.suncoast.com in a single industry segment. As of November 3, 2007, the Company operated 962 stores totaling approximately 5.8 million square feet in the United States, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands.

Seasonality:

The Company's business is seasonal in nature, with the fourth fiscal quarter constituting the Company's peak selling period. In 2006, the fourth fiscal quarter accounted for approximately 40% of annual sales. In anticipation of increased sales activity during these months, the Company purchases additional inventory and hires additional, temporary employees to supplement its permanent store sales staff. If, for any reason, the Company's net sales were below seasonal norms during the fourth quarter, the Company's operating results, particularly operating and net income, could be adversely affected. Additionally, quarterly sales results, in general, are affected by the timing of new product releases, new store openings or closings and the performance of existing stores.

Note 2. Basis of Presentation

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

The interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished in these unaudited condensed consolidated financial statements reflects all normal, recurring adjustments which, in the opinion of management, are necessary for the fair presentation of such financial statements. Certain reclassifications have been made to prior periods to conform to the current period presentation. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations applicable to interim financial statements.

The information presented in the accompanying unaudited condensed consolidated balance sheet as of February 3, 2007 has been derived from the Company's February 3, 2007 audited consolidated financial statements. All other information has been derived from the Company's unaudited condensed consolidated financial statements as of and for the thirteen and thirty-nine weeks ended November 3, 2007 and October 28, 2006. These unaudited condensed consolidated financial statements should be

read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007.

The Company's significant accounting policies are described in Note 1 to the Company's Consolidated Financial Statements on Form 10-K for the fiscal year ended February 3, 2007.

Note 3. Stock Based Compensation

The Company accounts for stock based compensation under Statement of Financial Accounting Standards No. 123 (Revised 2004), *"Share-Based Payment"* ("SFAS No. 123 (R)"). Total stock-based compensation expense recognized in the condensed consolidated statements of operations, before income taxes, was approximately $0.5 million and $0.6 million for the thirteen weeks ended November 3, 2007 and October 28, 2006, respectively and the related total deferred tax benefit was approximately $0.2 million in each period. Total stock-based compensation expense recognized in the condensed consolidated statements of operations for the thirty-nine weeks ended November 3, 2007 and October 28, 2006 was $1.4 million and $1.6 million, respectively, before income taxes. The related total deferred tax benefit was approximately $0.6 million for the thirty-nine weeks ended November 3, 2007 and October 28, 2006.

As of November 3, 2007, there was approximately $3.7 million of unrecognized compensation cost related to stock awards that is expected to be recognized as expense over a weighted average period of 2.6 years.

The Company has five employee stock award plans, the 1994 Stock Option Plan, the 1998 Stock Option Plan, the 1999 Stock Option Plan and the 2002 Stock Option Plan (the "Old Plans"); and the 2005 Long Term Incentive Share Plan (the "New Plan"). Additionally, the Company has a stock award plan for non-employee directors (the "1990 Plan"). The Company no longer issues stock options under the Old Plans. Under the New Plan, the Company generally issues Stock-Settled Appreciation Rights ("SSARS") that become exercisable in 50% increments commencing three years from the date of grant and have a maximum term of ten years from issuance. Under the 1990 Plan, awards generally become exercisable commencing one year from the date of grant in increments of 25% per year with a maximum term of ten years. In addition, directors of the Company receive annual grants of deferred shares of Common Stock ("Deferred Shares") issued under the 1990 Plan which vest equally in three years from date of grant.

Stock awards authorized for issuance under the Old Plans, New Plan and 1990 Plan total 20.6 million. As of November 3, 2007, of the awards authorized for issuance, 10.1 million were granted and are outstanding, 7.7 million of which were vested and exercisable. Awards available for future grants at November 3, 2007 were 3.2 million.

SFAS No. 123(R) requires the use of a valuation model to calculate the fair value of stock-based awards. The Company has elected to use the Black-Scholes award valuation model, which incorporates various assumptions including those for volatility, expected life and interest rates.

The table below outlines the assumptions that the Company used to estimate the fair value of stock based awards granted during the thirty-nine weeks ended November 3, 2007:

	Thirty-nine weeks ended November 3, 2007
Dividend yield	0%
Expected stock price volatility	65.1% - 68.7%
Risk-free interest rate	4.54% - 4.94%
Expected award life (in years)	5-7
Weighted average fair value per share of awards granted during the period	$3.40

The Company has not paid dividends in the past and does not plan to pay dividends in the near future. Expected stock price volatility is based on the historical volatility of the Company's stock. The risk-free interest rate is based on the implied yield available on U.S. Treasury issues with an equivalent term approximating the expected life of the awards. The expected award life (in years) represents the estimated period of time until exercise and is based on historical experience of similar awards.

The following table summarizes stock award activity during the thirty-nine weeks ended November 3, 2007:

	Employee and Director Stock Award Plans		
	Number of Shares Subject To Award	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**
Balance February 3, 2007	10,058,854	$8.69	5.5
Granted	647,216	4.43	---
Exercised	(166,289)	3.46	---
Forfeited or expired	(413,561)	9.71	---
Balance November 3, 2007	10,126,220	8.47	5.1
Exercisable at November 3, 2007	7,723,855	$9.68	4.2

The intrinsic value of stock awards exercised during the thirteen and thirty-nine weeks ended November 3, 2007 was $2,000 and $306,000, respectively. The intrinsic value of stock awards outstanding and exercisable as of November 3, 2007 was $2,340,000 and $979,000, respectively.

Note 4. Defined Benefit Plan

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

The Company had previously provided the Board of Directors with a noncontributory, unfunded retirement plan ("Director Retirement Plan") that paid retired directors an annual retirement benefit. Directors who were not yet vested in their retirement benefits as of June 1, 2003 had the present value of benefits already accrued as of the effective date converted to deferred shares of the Company's Common Stock. Directors that were fully or partially vested in their retirement benefits were given a one time election to continue to participate in the current retirement program or convert the present value of their benefits to deferred shares.

The measurement date for the SERP and Director Retirement Plan is November 1 using actuarial techniques which reflect estimates for mortality, turnover and expected retirement. In addition, management makes assumptions concerning future salary increases. Discount rates are generally established as of the measurement date using theoretical bond models that select high-grade corporate bonds with maturities or coupons that correlate to the expected payouts of the applicable liabilities.

The Company accounts for the SERP and the Director Retirement Plan in accordance with the provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. The following represents the components of the net periodic pension cost related to the Company's SERP and Director Retirement Plan for the respective periods:

	Thirteen weeks ended		Thirty-nine weeks ended	
	November 3, 2007	October 28, 2006	November 3, 2007	October 28, 2006
	(in thousands)		*(in thousands)*	
Service cost	$ 54	$ 170	$ 162	$ 510
Interest cost	191	221	573	663
Amortization of prior service cost	85	86	256	256
Amortization of net (gain)/loss	(1)	69	(2)	207
Net periodic pension cost	$ 329	$ 546	$ 989	$ 1,636

During the thirty-nine weeks ended November 3, 2007, the Company did not make any cash contributions to the SERP or the Director Retirement Plan, and presently expects to pay approximately $35,000 in benefits relating to the SERP and $15,000 in benefits relating to the Director Retirement Plan during Fiscal 2007.

Note 5. Business Combinations

On March 27, 2006, the Company acquired substantially all the net assets of Musicland Holding Corp. ("Musicland"). At the time of acquisition, the acquisition of Musicland's assets provided the Company with the ability to leverage its overhead expenses over a greater store base, and strategically increase the Company's national presence and provide further growth opportunities. Under the terms of the Asset Purchase Agreement, the Company acquired 335 of Musicland's 400 stores, with the remainder of the stores liquidated under an agency agreement with Hilco Merchant Resources LLC. Musicland, which operated retail stores and websites under the names Sam Goody (samgoody.com), Suncoast Motion Picture Company (suncoast.com), On Cue and MediaPlay.com, filed a voluntary petition to restructure under Chapter 11 of the United States Bankruptcy Code in January 2006. The acquisition was accounted for using the purchase method of accounting. The unaudited condensed consolidated statement of operations for the thirty-nine weeks ended October 28, 2006 includes the results of Musicland beginning March 27, 2006.

The purchase price for the acquired Musicland assets was $78.8 million, including acquisition-related costs of $1.8 million. From March 27, 2006 to February 3, 2007, the Company allocated the purchase price in accordance with the provisions of SFAS No. 141, *Business Combinations*, resulting in an extraordinary gain – unallocated negative goodwill of $10.7 million, net of income taxes of $6.7, representing the excess of the fair value of net assets acquired over the purchase price. The extraordinary gain recorded during the thirteen and thirty-nine weeks ended October 28, 2006 was $1.9 million and $5.3 million, respectively, which was net of income taxes of $2.0 million and $4.8 million, respectively.

Note 6. Line of Credit

The Company has a five-year, $150 million secured revolving credit facility with Bank of America, N.A. that expires in January 2011. The revolving credit facility contains provisions governing additional indebtedness and acquisitions and is secured by the assets of the Company. The Company anticipates the amount of the revolving credit facility being fully available to the Company through its term, and does not anticipate any difficulty in obtaining a replacement facility upon its expiration. As of November 3, 2007, the Company had borrowed $81.8 million under the revolving credit facility, had no outstanding letter of credit obligations under the revolving credit facility and $68.2 million was available for borrowing. The weighted average interest rate on outstanding borrowings for the thirteen weeks ended November 3, 2007 and October 28, 2006 was 6.45% and 6.30%, respectively.

As of October 28, 2006, the Company had borrowed $71.6 million, under the revolving credit facility, had $0.3 million in outstanding letter of credit obligations under the revolving credit facility and $78.1 million was available for borrowing.

Note 7. Income Taxes

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109*, which prescribes a financial statement recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. In particular, FIN 48 requires uncertain tax positions to be recognized only if they are more-likely-than-not to be upheld based on their technical merits. Additionally, the measurement of a tax position will be based on the largest amount that is determined to have greater than a 50% likelihood of realization upon ultimate settlement. Any resulting cumulative effect of adopting the provisions of FIN 48 are to be reported as an adjustment to the beginning balance of retained earnings in the period of adoption.

The Company adopted FIN 48 as of February 4, 2007 which resulted in a $1.6 million decrease in the Company's reserve for uncertain tax positions. At the beginning of Fiscal 2007 the Company had $3.2 million of gross unrecognized tax benefits, $1.7 million (net of offsetting benefits from different taxing jurisdictions) of which would affect the Company's tax rate if recognized. The Company does not expect any material changes to the estimated amount of liability associated with its uncertain tax positions through February 2, 2008.

The Company is subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company has substantially concluded all federal income tax matters for the years through 2000 and all material state and local income tax matters for the years through 2002.

The Company's practice is to recognize interest and penalties related to income tax matters in income tax expense (benefit). The Company had $0.8 million accrued for interest and penalties as of February 4, 2007.

Note 8. Comprehensive Loss

The Company accounts for comprehensive (loss) income in accordance with SFAS No. 130, *Reporting Comprehensive Income*. SFAS No. 130 requires only additional disclosures in the consolidated financial statements; it does not affect the Company's financial position or results of operations. Other accumulated comprehensive loss that the Company currently reports in the condensed consolidated balance sheets represents the excess of accrued pension liability over accrued benefit cost, net of taxes, associated with the Company's defined benefit plans. Comprehensive loss was equal to net loss for the thirteen and thirty-nine weeks ended November 3, 2007 and October 28, 2006.

Note 9. Depreciation and Amortization of Fixed Assets

Depreciation and amortization of fixed assets included in the condensed consolidated statements of operations is as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 3, 2007	October 28, 2006	November 3, 2007	October 28, 2006
	(in thousands)		*(in thousands)*	
Cost of sales	$ 667	$ 764	$ 2,017	$ 2,281
Selling, general and administrative expenses	8,867	9,810	27,302	27,475
Total	$ 9,534	$ 10,574	$ 29,319	$ 29,756

Note 10. Earnings Per Share

Weighted average shares are calculated as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 3, 2007	October 28, 2006	November 3, 2007	October 28, 2006
	(in thousands)		*(in thousands)*	
Weighted average common shares outstanding – basic	31,055	30,842	31,021	30,768
Dilutive effect of employee stock options	---	---	---	---
Weighted average common shares outstanding – diluted	31,055	30,842	31,021	30,768
Anti-dilutive stock options	6,719	7,296	6,769	7,308

For the thirteen and thirty-nine week periods ended November 3, 2007 and October 28, 2006, the impact of outstanding stock options was not considered because the Company reported a net loss and such impact would be anti-dilutive.

Note 11. Gain on Sale of Investment in Unconsolidated Affiliate

During the thirty-nine weeks ended October 28, 2006, the Company recorded a realized gain of $3.5 million on the sale of an investment in an unconsolidated affiliate.

Note 12. Legal Proceedings

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

Note 13. Contractual Obligations and Commitments.

The Company's Annual Report on Form 10-K for the year ended February 3, 2007 provides a summary of the Company's contractual obligations at February 3, 2007, and the effect that such obligations are expected to have on liquidity and cash flows in future periods. There were no material commitments entered into and there have been no material changes in the status of existing commitments during the thirteen and thirty-nine weeks ended November 3, 2007.

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations provides information that the Company's management believes necessary to achieve an understanding of its financial statements and results of operations. To the extent that such analysis contains statements which are not of a historical nature, such statements are forward-looking statements, which involve risks and uncertainties. These risks include, but are not limited to, changes in the competitive environment for the Company's merchandise, including the entry or exit of non-traditional retailers of the Company's merchandise to or from its markets; releases by the music, video and video games industries of an increased or decreased number of "hit releases"; general economic factors in markets where the Company's merchandise is sold; and other factors discussed in the Company's filings with the Securities and Exchange Commission. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this report and the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007.

As of November 3, 2007, the Company operated 962 stores totaling approximately 5.8 million square feet in the United States, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands. The Company's stores offer predominantly entertainment software, including music, video and video games and related products. In total, these categories represented 88% of the Company's sales in the thirty-nine weeks ended November 3, 2007. The balance of categories, including electronics, accessories and boutique products represented 12% of the Company's sales in the thirty-nine weeks ended November 3, 2007.

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

Net Sales: The Company measures the rate of comparable store sales change. A store is included in comparable store sales calculations at the beginning of its thirteenth full month of operation. Mall stores relocated in the same shopping center after being open for at least thirteen months are considered comparable stores. Closed stores that were open for at least thirteen months are included in comparable store sales through the month immediately preceding the month of closing. The Company further analyzes sales by store format and by product category.

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

Selling, General and Administrative ("SG&A") Expenses: Included in SG&A expenses are payroll and related costs, occupancy charges, professional and service fees, general operating and overhead expenses and depreciation charges (excluding those related to distribution operations, as disclosed in Note 9 to the unaudited condensed consolidated financial statements). SG&A expenses also include asset impairment charges and write-offs, if any, and miscellaneous items, other than interest.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires that management apply accounting policies and make estimates and assumptions that affect results of operations and the reported amounts of assets and liabilities in the financial statements. Management continually evaluates its estimates and judgments including those related to merchandise inventory and return costs, valuation of long-lived assets, income taxes, stock-based compensation and accounting for gift card liability. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Note 1 of Notes to the Consolidated Financial Statements on Form 10-K for the year ended February 3, 2007 includes a summary of the significant accounting policies and methods used by the Company in the preparation of its condensed consolidated financial statements. Management believes that of the Company's significant accounting policies, the following may involve a higher degree of judgment or complexity:

Merchandise Inventory and Return Costs:

Merchandise inventory is stated at the lower of cost or market, with cost being determined by the average cost method. The average cost method attaches a cost to each item and is a blended average of the original purchase price and those of subsequent purchases or other cost adjustments throughout the life cycle of that item.

Inventory valuation requires significant judgment and estimates, including obsolescence, shrink and any adjustments to market value, if market value is lower than cost. Inherent in the entertainment software industry is the risk of obsolete inventory. Typically, newer releases generate a higher product demand. Some vendors offer credits to reduce the cost of products that are selling more slowly, thus allowing for a reduction in the selling price and reducing the possibility for items to become obsolete. These credits are recorded in cost of sales. The Company records obsolescence and any adjustments to market value (if lower than cost) based on current and anticipated demand, customer preferences, and market conditions. The provision for inventory shrink is estimated as a percentage of sales for the period from the last date a physical inventory was performed to the end of the fiscal year. Such estimates are based on historical results and trends and the shrink results from the last physical inventory. Physical inventories are taken at least annually for all stores throughout the year and inventory records are adjusted accordingly.

The Company is generally entitled to return merchandise purchased from major vendors for credit against other purchases from these vendors. Major music vendors reduce the credit with a per unit charge which varies depending on the type of merchandise being returned. The Company records these charges in cost of sales.

Valuation of Long-Lived Assets:

The Company assesses the potential impairment of long-lived assets to determine if any part of the carrying value may not be recoverable. Factors that the Company considers to be important when assessing impairment include:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of the use of assets or the strategy for the Company's overall business;
- significant negative industry or economic trends;

If the Company determines that the carrying value of a long-lived asset may not be recoverable, it tests for impairment to determine if an impairment charge is needed.

Income Taxes:

Accounting for income taxes requires management to make estimates and judgments regarding interpretation of various taxing jurisdictions, laws and regulations as well as the ultimate realization of deferred tax assets. These estimates and judgments include the generation of future taxable income and viable tax planning strategies. Valuation allowances are recorded against deferred tax assets if, based upon management's estimates of realizability, it is more likely than not that some portion or all of these deferred tax assets will not be realized. The accounting for tax positions in accordance with FIN 48 requires management to make estimates relative to the likelihood of realization upon ultimate settlement of uncertain tax positions. For additional discussion regarding income taxes refer to Note 7 to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q and Note 6 to the consolidated financial statements in the Annual Report on Form 10-K for the year ended February 3, 2007.

Stock-based Compensation:

The Company accounts for stock-based compensation under SFAS No. 123(R) which requires compensation to be recorded based on the fair value of stock awards on the date of grant. Determining the amount of stock-based compensation to be recorded requires the Company to develop estimates to be used in calculating the grant-date fair value of stock options. The Company calculates the grant-date fair values using the Black-Scholes valuation model. The Black-Scholes model requires the Company to make estimates of the following assumptions:

Expected volatility—The estimated stock price volatility was derived based upon the Company's actual historic stock prices over the expected life of the options, which represents the Company's best estimate of expected volatility.

Expected option life—The Company's estimate of an expected option life was calculated based on actual historical data relating to grants, exercises and cancellations.

Risk-free interest rate—The Company used the yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected life assumption as the risk-free interest rate.

The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered option. The Company reviewed historical forfeiture data and determined the appropriate forfeiture rate based on that data. The Company will re-evaluate this analysis periodically and adjust the forfeiture rate as necessary. Ultimately, the Company will recognize the actual expense over the vesting period only for the shares that vest.

Accounting for Gift Card Liability:

The Company sells gift cards that are redeemable only for merchandise and have no expiration date. The Company reverses card liability when either: customers redeem cards, at which point the Company records revenue; or the Company determines it does not have a legal obligation to remit unredeemed cards to the relevant jurisdictions and the likelihood of the cards being redeemed becomes remote, at which point the Company records breakage as a credit to SG&A expenses. The Company's accounting for gift cards is based on estimating the Company's liability for future card redemptions at the end of a reporting period. Estimated liability is equal to two years of unredeemed cards, plus an amount for outstanding cards that may possibly be redeemed for the cumulative look-back period, exclusive of the last two years. The Company's ability to reasonably and reliably estimate the liability is based on historical redemption experience with gift cards and similar types of arrangements and the existence of a large volume of relatively homogeneous transactions. The Company's estimate is not susceptible to significant external factors and the circumstances around gift card sales and redemptions have not changed significantly over time.

RESULTS OF OPERATIONS
Thirteen and Thirty-nine Weeks Ended November 3, 2007
Compared to the Thirteen and Thirty-nine Weeks Ended October 28, 2006

The following table sets forth a period over period comparison of the Company's net sales for the thirteen weeks and thirty-nine weeks ended November 3, 2007 and October 28, 2006, by category:

	Thirteen weeks ended					Thirty-nine weeks ended				
	November 3, 2007	October 28, 2006	Change	%	Comp Store Sales	November 3, 2007	October 28, 2006	Change	%	Comp Store Sales
	(in thousands)					(in thousands)				
Net Sales	$260,570	$297,679	($37,109)	(12%)	(4%)	$814,182	$884,477	($70,295)	(8%)	(7%)
As a % of net sales										
Music	40%	48%			(21%)	42%	50%			(22%)
Video	38%	35%			8%	38%	33%			7%
Video Games	9%	7%			29%	8%	7%			9%
Other	13%	10%			22%	12%	10%			18%
Store Count:	**962**	**1,121**	**(159)**	**(14%)**						

Net Sales. Net sales decreased 12% and 8%, respectively, during the thirteen and thirty-nine weeks ended November 3, 2007. The decrease in net sales was due, in part, to comparable store sales declines of 4% and 7%, respectively, during the thirteen and thirty-nine weeks ended November 3, 2007. Additionally, during the thirteen and thirty-nine weeks ended November 3, 2007, the Company operated, on average, 13% and 4% fewer stores, respectively, as compared to the thirteen and thirty-nine week periods ended October 28, 2006.

Music:

The Company's stores and Internet websites offer a wide range of compact discs ("CDs") and music DVDs across most music genres, including new releases from current artists as well as an extensive catalog of music from past periods and artists. The CD category represented 96% of total music sales for the thirty-nine weeks ended November 3, 2007.

During the thirteen and thirty-nine weeks ended November 3, 2007, CD sales in comparable stores decreased 23% and 22%, respectively, as compared to the thirteen and thirty-nine weeks ended October 28, 2006. The decrease is related to continued CD industry sales declines. Comparable store sales for the total music category, including music DVD, were down 21% during the thirteen weeks ended November 3, 2007.

Video:

The Company offers video products, including DVD and HD DVD, in all of its stores. Comparable store sales in the video category increased 8% and 7%, respectively, during the thirteen and thirty-nine weeks ended November 3, 2007. The increase in video sales was driven by increased space and inventory allocations.

Video Games:

The Company offers video game hardware and software in many of its stores. Comparable store sales increased 29% during the thirteen weeks ended November 3, 2007, while increasing 9% during the thirty-nine week period ended November 3, 2007. The comparable store sales improvement in the video game category is due to greater hardware availability and improved software sales.

Other:

The Company offers accessory items for the use, care and storage of entertainment software, along with boutique and electronic products. Comparable store sales, on a combined basis, increased 22% and 18%, respectively, during the thirteen and thirty-nine weeks ended November 3, 2007. In addition, on a combined basis, these categories represented 12% of total sales during the thirty-nine weeks ended November 3, 2007 compared to 10% for the thirty-nine weeks ended October 28, 2006. The growth of this category has been primarily due to increased sales of electronics and boutique products through better product assortments and lifestyle statements.

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

	Thirteen weeks ended *(in thousands)*		Change		Thirty-nine weeks ended *(in thousands)*		Change	
	November 3, 2007	**October 28, 2006**	**$**	**%**	**November 3, 2007**	**October 28, 2006**	**$**	**%**
Gross Profit	$91,332	$108,811	(17,479)	(16%)	$293,675	$315,468	(21,793)	(7%)
As a % of net sales	35.1%	36.6%			36.1%	35.7%		

The decrease in gross profit as a percentage of net sales for the thirteen weeks ended November 3, 2007 compared to the thirteen weeks ended October 28, 2006 is due to a lower amount of vendor allowances being earned as a result of product sales. The increase in gross profit as a percentage of net sales for the thirty-nine weeks ended November 3, 2007 as compared to last year represents higher merchandise margin in the Company's core categories of music and video.

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

	Thirteen weeks ended *(in thousands)*		Change		Thirty-nine weeks ended *(in thousands)*		Change	
	November 3, 2007	**October 28, 2006**	**$**	**%**	**November 3, 2007**	**October 28, 2006**	**$**	**%**
SG&A	$115,196	$130,048	(14,852)	(11%)	$348,818	$373,009	(24,191)	(6%)
As a % of net sales	44.2%	43.7%			42.8%	42.2%		

The $14.9 million decrease in SG&A expenses for the thirteen weeks ended November 3, 2007 compared to prior year is due to the Company operating an average of 13% fewer stores during the quarter compared to the thirteen weeks ended October 28, 2006. The $24.2 million decrease in SG&A expenses for the thirty-nine weeks ended November 3, 2007 compared to prior year is due to the operation of fewer stores and the absence of approximately $7.6 million in transition costs related to the

acquisition of Musicland in 2006. The increase in SG&A expenses as a percentage of net sales for the thirteen and thirty-nine weeks ended November 3, 2007 compared to the thirteen and thirty-nine week periods ended October 28, 2006 is due to the respective sales declines.

Interest Expense. Interest expense was $1.9 million and $5.2 million during the thirteen and thirty-nine weeks ended November 3, 2007 compared to $1.7 million and $4.1 million for the thirteen and thirty-nine weeks ended October 28, 2006. The increase is due to higher average borrowings under the Company's revolving credit facility.

Other Income. Other income includes interest income and a realized gain of $3.5 million on the sale of an investment in an unconsolidated affiliate recorded during the second quarter of 2006.

Income Tax Benefit. The following table sets forth a period over period comparison of the Company's income tax benefit:

	Thirteen weeks ended *(in thousands)*		Thirty-nine weeks ended *(in thousands)*	
	November 3, 2007	**October 28, 2006**	**November 3, 2007**	**October 28, 2006**
Income tax benefit before impact of period-specific items	$ (11,535)	$ (9,524)	$ (27,111)	$ (23,822)
Effective tax rate before impact of period specific items	44.8%	41.7%	45.0%	41.4%
Tax expense (benefit) of period-specific items	36	(15)	334	(2,248)
Income tax benefit	$ (11,499)	$ (9,539)	$ (26,777)	$ (26,070)

The Company records its quarterly income tax (benefit) expense based on an estimate of its annual effective tax rate, which further requires the Company to estimate its annual pretax income. The higher the estimate of annual pre-tax income, the lower the tax rate, due to the inclusion in income tax expense of certain taxes that are incurred regardless of the level of taxable income and due to the impact of nondeductible expenses. Conversely, these items cause the tax rate to increase as pre-tax income (and estimates thereof) decrease. The effective tax rate before impact of period-specific items for the thirteen and thirty-nine weeks ended November 3, 2007 increased because the estimate of annual pre-tax income for 2007 is lower than the estimate of 2006 annual pre-tax income used to determine income taxes for the thirteen and thirty-nine weeks ended October 28, 2006.

For the thirty-nine weeks ended November 3, 2007, the tax expense associated with period-specific items is primarily attributable to state tax legislation enacted during the period. For the thirty-nine weeks ended October 28, 2006, the tax benefit of period-specific items is attributable to a tax favored gain from the sale of an investment and the net impact of favorable settlements of tax examinations and federal tax credits approved by the IRS offset by state tax legislation enacted during the period and changes in management's estimates of the realization of state net operating losses.

Extraordinary Gain – Unallocated Negative Goodwill. On March 27, 2006, the Company acquired substantially all of the net assets of Musicland Holding Corp. During the thirteen and thirty-nine weeks ended October 28, 2006, the Company determined the preliminary purchase price allocation in accordance with the provisions of SFAS No. 141, *Business Combinations*, resulting in an extraordinary

gain of $1.9 million, net of income taxes of $2.0 million and $5.3 million, net of income taxes of $4.8 million, related to unallocated negative goodwill for the respective thirteen and thirty-nine week periods ended October 28, 2006.

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

	Thirteen weeks ended *(in thousands)*		Thirty-nine weeks ended *(in thousands)*	
	November 3, 2007	**October 28, 2006**	**November 3, 2007**	**October 28, 2006**
Loss before extraordinary gain – unallocated negative goodwill	$ (14,263)	$ (13,305)	$ (33,406)	$ (31,513)
Extraordinary gain – unallocated negative goodwill, net of income taxes of $0, $2,038 and $0, $4,845, respectively	---	1,925	---	5,334
Net loss	$ (14,263)	$ (11,380)	$ (33,406)	$ (26,179)

Loss before extraordinary gain for the thirteen weeks ended November 3, 2007 increased $1.0 million compared to the thirteen weeks ended October 28, 2006. The increased loss was due to the comparable store sales decline and lower gross margin rate, partially offset by lower SG&A expenses.

Loss before extraordinary gain for the thirty-nine weeks ended November 3, 2007 increased $1.9 million compared to the thirty-nine weeks ended October 28, 2006. The increased loss was due to the comparable store sales decline, which has primarily been a function of declines in music sales. The sales decline was partially offset by a higher gross margin rate and lower SG&A expenses.

Net loss for the thirteen and thirty-nine weeks ended October 28, 2006 included extraordinary gains, net of tax, of $1.9 million and $5.3 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Flows. The Company's primary sources of working capital are cash provided by operations and borrowings under its revolving credit facility. The Company's cash flows fluctuate from quarter to quarter due to various items, including the seasonality of sales and results from operations, merchandise inventory purchases and the related terms on the purchases, tax payments, capital expenditures, and store acquisitions. Management believes the Company will have adequate resources to fund its cash needs for the foreseeable future.

The following table sets forth a summary of key components of cash flow and working capital for the thirty-nine weeks ended November 3, 2007 and October 28, 2006:

	Thirty-nine weeks ended		Change
(in thousands)	November 3, 2007	October 28, 2006	$
Operating Cash Flows	$ (169,392)	$ (144,756)	$ (24,636)
Financing Cash Flows	79,781	69,399	10,382
Acquisition of businesses	---	(78,750)	78,750
Capital Expenditures	(13,480)	(33,675)	20,195
Cash and Cash Equivalents	15,539	13,543	1,996
Merchandise Inventory	569,087	656,187	(87,100)
Working Capital	247,361	232,813	14,548

The Company had cash balances of $15.5 million at November 3, 2007, compared to $118.6 million at February 3, 2007 and $13.5 million at October 28, 2006. Inventory was $98 per square foot at November 3, 2007, compared to $102 per square foot at October 28, 2006.

Cash used by operating activities was $169.4 million for the thirty-nine weeks ended November 3, 2007. The primary use of cash was a $105.9 increase in net inventory investment (inventory less accounts payable). The Company's merchandise inventory and accounts payable are heavily influenced by the seasonality of its business. A significant reduction of accounts payable occurs annually in the fiscal first quarter, reflecting payments for merchandise inventory sold during the prior year's holiday season, while inventory levels are increased during the fiscal third quarter in preparation for the holiday season. In addition, the Company made a final principal and interest payment of $7.4 million in settlement of an agreement with the IRS in June 2007.

Cash provided by financing activities was $79.8 million for the thirty-nine weeks ended November 3, 2007. The primary source of cash was borrowings under the Company's line of credit of $81.8 million.

LIQUIDITY AND CAPITAL RESOURCES (continued)

The Company has a five-year, $150 million secured revolving credit facility with Bank of America, N.A. that expires in January 2011. The revolving credit facility contains provisions governing additional indebtedness and acquisitions and is secured by the assets of the Company. The Company anticipates the amount of the revolving credit facility being fully available to the Company through its term, and does not anticipate any difficulty in obtaining a replacement facility upon its expiration. As of November 3, 2007, the Company had borrowed $81.8 million, under the revolving credit facility, had no outstanding letter of credit obligations under the revolving credit facility and $68.2 million was available for borrowing. The weighted average interest rate on outstanding borrowings for the thirteen weeks ended November 3, 2007 and October 28, 2006 was 6.45% and 6.30%, respectively.

As of October 28, 2006, the Company had borrowed $71.6 million, under the revolving credit facility, had $0.3 million in outstanding letter of credit obligations under the revolving credit facility and $78.1 million was available for borrowing.

Capital Resources. During the thirty-nine weeks ended November 3, 2007, the Company made capital expenditures of $13.5 million. The Company plans to spend approximately $20 million for capital expenditures in 2007.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

To the extent the Company borrows under its revolving credit facility, the Company is subject to risk resulting from interest rate fluctuations since interest on the Company's borrowings under its revolving credit facility is variable. Interest on the revolving credit facility is payable monthly in arrears at a variable rate of either the prime rate or LIBOR plus 0.75% . If interest rates on the Company's revolving credit facility were to increase by 25 basis points, and to the extent borrowings were outstanding, for every $1,000,000 outstanding on the facility, income before income taxes would be reduced by $2,500 per year. For a discussion of the Company's accounting policies for financial instruments and further disclosures relating to financial instruments, see "Nature of Operations and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended February 3, 2007. The Company does not hold any derivative instruments and does not engage in hedging activities.

Item 4 – Controls and Procedures

(a) Evaluation of disclosure controls and procedures. The Company's Chief Executive Officer and Chief Financial Officer after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of November 3, 2007, have concluded that as of such date the Company's disclosure controls and procedures were adequate and effective and designed to ensure that material information relating to the Company and its subsidiaries would be made known to such officers on a timely basis.

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

PART II - OTHER INFORMATION

Item 1 – Legal Proceedings

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

Item 1A – Risk Factors

Risks relating to the Company's business and Common Stock are described in detail in Item 1A of the Company's most recently filed Annual Report on Form 10-K for the year ended February 3, 2007.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

None.

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

None.

Item 6 - Exhibits

(A) **Exhibits -**

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

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

December 13, 2007	**By: /s/ Robert J. Higgins** Robert J. Higgins Chairman and Chief Executive Officer (Principal Executive Officer)
December 13, 2007	**By: /s/ John J. Sullivan** John J. Sullivan Executive Vice President and Chief Financial Officer (Principal Financial and Chief Accounting Officer)

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT 2002

I, Robert J. Higgins, Chairman and Chief Executive Officer of Trans World Entertainment Corporation (the "Company"), certify that:

(1) I have reviewed this quarterly report on Form 10–Q of the Company;

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

(3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15-d-15(e)) for the Company and we have:

(a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: December 13, 2007

/s/ Robert J. Higgins
Chairman and Chief Executive Officer
Trans World Entertainment Corporation

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT 2002

I, John J. Sullivan, Executive Vice President and Chief Financial Officer of Trans World Entertainment Corporation (the “Company”), certify that:

(1) I have reviewed this quarterly report on Form 10–Q of the Company;

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

(3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

(4) The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d-15(e)) for the Company and we have:

(a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

(5) The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Dated: December 13, 2007

/s/ John J. Sullivan
Executive Vice President and Chief Financial Officer
Trans World Entertainment Corporation

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Trans World Entertainment Corporation (the “Company”) on Form 10-Q for the period ending November 3, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Robert J. Higgins, Chairman and Chief Executive Officer of the Company and John J. Sullivan, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert J. Higgins	**/s/ John J. Sullivan**
Chairman and Chief Executive Officer	Executive Vice President and Chief Financial Officer
December 13, 2007	December 13, 2007