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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended August 3, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ___________

Commission File Number 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 No.
38 Corporate Circle Albany, New York	12203
Address of Principal Executive Offices	Zip Code

(518) 452-1242
Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value per share	TWMC	NASDAQ Stock Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☐

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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,
1,816,061 shares outstanding as of September 13, 2019

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
INDEX TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
PART 1. FINANCIAL INFORMATION
Item 1 – Interim Condensed Consolidated Financial Statements
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share and share amounts)
(unaudited)

	August 3, 2019	February 2, 2019	August 4, 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 3,635	$ 4,355	$ 4,477
Restricted cash	950	4,126	4,116
Accounts receivable	5,281	5,383	6,509
Merchandise inventory	89,785	94,842	114,920
Prepaid expenses and other assets	4,642	6,657	8,937
Total current assets	104,293	115,363	138,959
Restricted cash	5,345	5,745	6,147
Fixed assets, net	7,605	7,529	12,648
Operating lease right-of-use assets	24,704	—	—
Goodwill	—	—	39,191
Intangible assets, net	3,096	3,668	22,023
Other assets	5,130	5,708	6,119
TOTAL ASSETS	150,173	138,013	225,087
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 29,044	$ 34,329	$ 34,200
Short-term borrowings	12,086	—	6,341
Accrued expenses and other current liabilities	5,617	8,132	9,508
Deferred revenue	5,974	6,955	6,810
Current portion of operating lease liabilities	9,266	—	—
Total current liabilities	61,987	49,416	56,859
Operating lease liabilites	18,684	—	—
Other long-term liabilites	21,537	24,867	26,533
TOTAL LIABILITIES	102,208	74,283	83,392
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; 3,223,898, 3,221,834 and 3,219,334 shares issued, respectively)	32	32	32
Additional paid-in capital	344,983	344,826	343,322
Treasury stock at cost (1,409,317, 1,408,892 and 1,408,043 shares, respectively)	(230,168)	(230,166)	(230,149)
Accumulated other comprehensive loss	(725)	(735)	(1,008)
(Accumulated deficit) Retained earnings	(66,157)	(50,227)	29,498
TOTAL SHAREHOLDERS' EQUITY	47,965	63,730	141,695
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 150,173	$ 138,013	$ 225,087

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Net sales	$ 75,152	$ 101,039	$ 154,508	$ 196,271
Other revenue	852	1,135	1,646	2,506
Total revenue	76,004	102,174	156,154	198,777
Cost of sales	50,888	70,001	105,648	134,916
Gross profit	25,116	32,173	50,506	63,861
Selling, general and administrative expenses	32,517	41,562	65,548	81,409
Loss from operations	(7,401)	(9,389)	(15,042)	(17,548)
Interest expense	194	103	326	166
Other loss (income)	462	(49)	419	(128)
Loss before income tax expense	(8,057)	(9,443)	(15,787)	(17,586)
Income tax expense	71	67	143	71
Net loss	$ (8,128)	$ (9,510)	$ (15,930)	$ (17,657)
BASIC AND DILUTED LOSS PER SHARE:				
Basic and diluted loss per common share	$ (4.48)	$ (5.23)	$ (8.77)	$ (9.73)
Weighted average number of common shares outstanding – basic and diluted	1,816	1,818	1,816	1,815

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Thirteen Weeks ended		Twenty-six Weeks Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Net loss	$ (8,128)	$ (9,510)	$ (15,930)	$ (17,657)
Amortization of pension gain	5	5	10	10
Comprehensive loss	$ (8,123)	$ (9,505)	$ (15,920)	$ (17,647)

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(dollars and shares in thousands)

Thirteen Weeks Ended August 3, 2019

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Accumulated Deficit	Shareholders' Equity
Balance as of May 4, 2019	*3,222*	*(1,409)*	$ 32	$ 344,905	$ (230,166)	$ (730)	$ (58,029)	$ 56,012
Net Loss	—	—	—	—	—	—	(8,128)	(8,128)
Other comprehensive income	—	—	—	—	—	5	—	5
Vested restricted shares	*2*	—	—	3	(2)	—	—	1
Amortization of unearned compensation/restricted stock amortization	—	—	—	75	—	—	—	75
Balance as of August 3, 2019	*3,224*	*(1,409)*	$ 32	$ 344,983	$ (230,168)	$ (725)	$ (66,157)	$ 47,965

Twenty-six Weeks Ended August 3, 2019

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Accumulated Deficit	Shareholders' Equity
Balance as of February 2, 2019	*3,222*	*(1,409)*	$ 32	$ 344,826	$ (230,166)	$ (735)	$ (50,227)	$ 63,730
Net Loss	—	—	—	—	—	—	(15,930)	(15,930)
Other comprehensive income	—	—	—	—	—	10	—	10
Vested restricted shares	*2*	—	—	3	(2)	—	—	1
Amortization of unearned compensation/restricted stock amortization	—	—	—	154	—	—	—	154
Balance as of August 3, 2019	*3,224*	*(1,409)*	$ 32	$ 344,983	$ (230,168)	$ (725)	$ (66,157)	$ 47,965

Thirteen Weeks Ended August 4, 2018

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulaed Deficit)	Shareholders' Equity
Balance as of May 5, 2018	*3,218*	*(1,408)*	$ 32	$ 342,557	$ (230,145)	$ (1,003)	$ 39,008	$ 150,449
Adjustment for adoption of accounting standard, ASU 2014-09	—	—	—	—	—	—	—	—
Net Loss	—	—	—	—	—	—	(9,510)	(9,510)
Other comprehensive loss	—	—	—	—	—	(5)	—	(5)
Vested restricted shares	*1*	—	—	5	(4)	—	—	1
Common stock issued-new grants	—	—	—	—	—	—	—	—
Amortization of unearned compensation/restricted stock amortization	—	—	—	760	—	—	—	760
Balance as of August 4, 2018	*3,219*	*(1,408)*	$ 32	$ 343,322	$ (230,149)	$ (1,008)	$ 29,498	$ 141,695

Twenty-six Weeks Ended August 4, 2018

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulaed Deficit)	Shareholders' Equity
Balance as of February 3, 2018	*3,215*	*(1,408)*	$ 32	$ 341,714	$ (230,145)	$ (998)	$ 47,611	$ 158,214
Adjustment for adoption of accounting standard, ASU 2014-09	—	—	—	—	—	—	(456)	(456)
Net Loss	—	—	—	—	—	—	(17,657)	(17,657)
Other comprehensive loss	—	—	—	—	—	(10)	—	(10)
Vested restricted shares	*1*	—	—	5	(4)	—	—	1
Common stock issued-new grants	*3*	—	—	75	—	—	—	75
Amortization of unearned compensation/restricted stock amortization	—	—	—	1,528	—	—	—	1,528
Balance as of August 4, 2018	*3,219*	*(1,408)*	$ 32	$ 343,322	$ (230,149)	$ (1,008)	$ 29,498	$ 141,695

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

	Twenty-six Weeks Ended	
	August 3, 2019	**August 4, 2018**
OPERATING ACTIVITIES:		
Net loss	$ (15,930)	$ (17,657)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of fixed assets	1,460	2,563
Amortization of intangible assets	572	1,944
Stock-based compensation	154	1,603
Write down of investment	500	—
Loss on disposal of fixed assets	5	135
Change in cash surrender value	(175)	(44)
Changes in operating assets and liabilities that provide (use) cash:		
Accounts receivable	102	(2,040)
Merchandise inventory	5,057	(5,543)
Prepaid expenses and other current assets	1,267	(1,961)
Other long-term assets	3,472	(73)
Accounts payable	(5,285)	(7,580)
Accrued expenses and other current liabilities	(995)	(30)
Deferred revenue	(981)	(1,654)
Other long-term liabilities	(4,185)	(2,607)
Net cash used in operating activities	(14,962)	(32,944)
INVESTING ACTIVITIES:		
Purchases of fixed assets	(1,541)	(1,800)
Capital distributions from joint venture	121	1,137
Net cash used in investing activities	(1,420)	(663)
FINANCING ACTIVITIES:		
Proceeds from short term borrowings	12,086	6,341
Payments to etailz shareholders	—	(1,500)
Net cash provided by financing activities	12,086	4,841
Net decrease in cash, cash equivalents, and restricted cash	(4,296)	(28,766)
Cash, cash equivalents, and restricted cash, beginning of period	14,226	43,506
Cash, cash equivalents, and restricted cash, end of period	$ 9,930	$ 14,740

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

Note 1. Nature of Operations

Trans World Entertainment Corporation and subsidiaries ("the Company") operates in two reportable segments: fye and etailz. The fye segment operates a chain of retail entertainment stores and e-commerce sites, **www.fye.com** and **www.secondspin.com**. As of August 3, 2019, the fye segment operated 206 stores totaling approximately 1.1 million square feet in the United States, the District of Columbia and the U.S. Virgin Islands. The etailz segment is a digital marketplace retailer and generates substantially all of its revenue through Amazon Marketplace. The Company's business is seasonal in nature for both segments, with the peak selling period being the holiday season which falls in the Company's fourth fiscal quarter.

Liquidity and Cash Flows:

The Company's primary sources of liquidity are its borrowing capacity under its revolving credit facility, available cash and cash equivalents, and to a lesser extent, cash generated from operations. Our cash requirements relate primarily to working capital needed to operate our business, including funding operating expenses, the purchase of inventory and capital expenditures. Our ability to achieve profitability and meet future liquidity needs and capital requirements will depend upon numerous factors, including the timing and amount of our revenue; the timing and amount of our operating expenses; the timing and costs of working capital needs; and changes in our strategy or our planned activities.

The Company incurred net losses of $15.9 million and $17.7 million for the twenty-six weeks ended August 3, 2019 and August 4, 2018, respectively, and has an accumulated deficit of $66.2 million at August 3, 2019. In addition, net cash used in operating activities for the twenty-six weeks ended August 3, 2019 was $15.0 million. Net cash used in operating activities for the twenty-six weeks ended August 4, 2018 was $32.9 million.

As disclosed in the Company's Annual Report on Form 10-K filed May 14, 2019, the Company experienced negative cash flows from operations during fiscal 2018 and 2017, and we expect to continue to incur net losses in the foreseeable future. We implemented strategic initiatives on December 11, 2018, aimed at improving organizational efficiency and conserving working capital needed to support the growth of our etailz segment (the "performance improvement plan"). As a result of the initiative, and disciplined inventory management in the fye segment, the Company was able to reduce cash used in operations by $18.0 million for the twenty-six weeks ended August 3, 2019 as compared to the twenty-six weeks ended August 3, 2018. We anticipate continued improvement in cash flows used in operations for the remainder of the fiscal 2019. At August 3, 2019, we had cash and cash equivalents of $3.6 million, net working capital of $42.3 million, and short-term borrowings in the amount of $12.1 million on our revolving credit facility, as further discussed in footnote 8. This compares to $4.5 million in cash and cash equivalents, net working capital of $82.1 million, and short-term borrowings in the amount of $6.3 million on the Company's revolving credit facility at August 4, 2018.

Management anticipates any cash requirements due to a shortfall in cash from operations will be funded by the Company's revolving credit facility. See note 8 in the interim condensed consolidated financial statements for additional information.

In addition to the aforementioned current sources of existing working capital, the Company may explore certain other strategic alternatives that may become available to the Company, as well as continuing the efforts to generate additional sales and increase margins. However, at this time the Company has no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all, should we require such additional funds. If the Company is unable to improve its operations, it may be required to obtain additional funding, and the Company's financial condition and results of operations may be materially adversely affected.

Furthermore, broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance, and may adversely impact our ability to raise additional funds, should we require such additional funds.

The unaudited condensed consolidated financial statements for the thirteen and twenty-six weeks ended August 3, 2019 were prepared on the basis of a going concern which contemplates that the Company will be able to realize assets and discharge liabilities in the normal course of business. The ability of the Company to meet its liabilities and to continue as a going concern is dependent on improved profitability, the performance improvement plan implemented for the etailz segment and the availability of future funding. The unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Reverse Stock Split

On August 15, 2019, the Company effected a reverse stock split of its outstanding shares of common stock at a ratio of one-for-twenty pursuant to a Certificate of Amendment to the Company's Certificate of Incorporation filed with the Secretary of State of the State of New York. The reverse stock split was reflected on the Nasdaq Capital Market ("Nasdaq") beginning with the opening of trading on August 15, 2019. The primary purpose of the reverse stock split, which was approved by the Company's stockholders at the Company's Annual Stockholders Meeting on June 27, 2019, was to enable the Company to regain compliance with the $1.00 minimum bid price requirement for continued listing on Nasdaq. Pursuant to the reverse stock split, every twenty shares of the Company's issued and outstanding shares of common stock were automatically combined into one issued and outstanding share of common stock, without any change in the par value per share of the common stock. Unless otherwise indicated, all share and per share amounts of the common stock included in the accompanying interim condensed consolidated financial statements have been retrospectively adjusted to give effect to the reverse stock split for all periods presented, including reclassifying an amount equal to the reduction in par value to additional paid-in capital. Amounts of common stock resulting from the reverse stock split were rounded up to the nearest whole share. The reverse stock split affected all issued and outstanding shares of the Company's common stock, and the respective numbers of shares of common stock underlying outstanding stock options, and the Company's equity incentive plans were proportionately adjusted.

Note 2. Basis of Presentation

The accompanying interim condensed consolidated financial statements consist of Trans World Entertainment Corporation, Record Town, Inc. ("Record Town"), Record Town's subsidiaries and etailz, Inc., all of which are wholly-owned. All 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 interim condensed consolidated financial statements reflects all normal, recurring adjustments which, in the opinion of management, are necessary for the fair presentation of such financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to rules and regulations applicable to interim financial statements.

The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of and for the year ended February 2, 2019 contained in the Company's Annual Report on Form 10-K filed May 14, 2019.

The results of operations for the thirteen and twenty-six weeks ended August 3, 2019 are not necessarily indicative of the results to be expected for the entire fiscal year ending February 1, 2020.

As goodwill was fully impaired during fiscal 2018, the Company no longer considers goodwill to be a significant accounting policy. With the exception of goodwill, the Company's significant accounting policies are the same as those described in Note 1 to the Company's Consolidated Financial Statements on Form 10-K for the fiscal year ended February 2, 2019.

Note 3. Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-02, Leases (Topic 842). Lessees are required to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability is equal to the present value of lease payments. The asset is based on the liability, subject to certain adjustments, such as for initial direct costs. For income statement purposes, a dual model was retained, requiring leases to be classified as either operating or finance leases. Operating leases result in straight-line expense (similar to operating leases under the prior accounting standard) while finance leases result in a frontloaded expense pattern (similar to capital leases under the prior accounting standard).

The Company adopted this new accounting standard on February 3, 2019 on a modified retrospective basis and applied the new standard to all leases greater than one year. As a result, comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which includes, among other things, the ability to carry forward the existing lease classification. The Company does not engage in any Lessor transactions, and as a Lessee, the Company does not have any finance leases. As a result, the new standard had a material impact on the unaudited condensed consolidated balance sheet, but did not materially impact the Company's consolidated operating results and did not materially impact the Company's cash flows.

The following is a discussion of the Company's lease policy under the new lease accounting standard:

The Company determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments. As the interest rate implicit in the Company's leases is not readily determinable, the Company utilizes its incremental borrowing rate to discount the lease payments. The operating lease right-of-use assets also include lease payments made before commencement and reduced by lease incentives. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet and lease expense is recognized on a straight-line basis over the term of the short-term lease.

For real estate leases, the Company accounts for lease components and non-lease components as a single lease component. Certain real estate leases require additional payments based on reimbursement for real estate taxes, common area maintenance and insurance, which are expensed as incurred as variable lease costs. Other real estate leases contain one fixed lease payment that includes real estate taxes, common area maintenance and insurance. These fixed payments are considered part of the lease payment and included in the right-of-use assets and lease liabilities.

We elected the following practical expedients permitted under the lease standard: We do not record leases with an initial term of 12 months or less on the balance sheet but continue to expense them on a straight-line basis over the lease term. As of August 3, 2019, 154 leases were short-term in nature and were exempt from being recorded on the balance sheet.

The Company leases its 181,300 square foot distribution center/office facility in Albany, New York from an entity controlled by the estate of Robert J. Higgins, its former Chairman and largest shareholder. The distribution center/office lease commenced on January 1, 2016, and expires on December 31, 2020. Under the lease, accounted for as an operating lease, the Company is responsible for monthly payments in the amount of $103 thousand per month. Under the terms of the lease agreement, the Company is also responsible for property taxes and other operating costs with respect to the premises.

Impact of New Lease Standard on Balance Sheet Line Items

As a result of applying the new lease standard using a modified retrospective method, the following adjustments were made to accounts on the condensed consolidated balance sheet as of February 3, 2019:

	Impact of Change in Accounting Policy		
	As Reported February 2, 2019	Adjustments	Adjusted February 3, 2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 4,355	$ —	$ 4,355
Restricted cash	4,126	—	4,126
Accounts receivable	5,383	—	5,383
Merchandise inventory	94,842	—	94,842
Prepaid expenses and other current assets	6,657	(748)	5,909
Total current assets	115,363	(748)	114,615
Restricted cash	5,745	—	5,745
Fixed assets, net	7,529	—	7,529
Operating lease right-of-use assets	—	28,044	28,044
Intangible assets, net	3,668	—	3,668
Other assets	5,708	—	5,708
TOTAL ASSETS	$ 138,013	$ 27,296	$ 165,309
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 34,329	$ —	$ 34,329
Accrued expenses and other current liabilities	8,132	(1,319)	6,813
Deferred revenue	6,955	—	6,955
Current portion of operating lease liabilites	—	9,064	9,064
Total current liabilities	49,416	7,745	57,161
Operating lease liabilities	—	22,728	22,728
Other long-term liabilities	24,867	(3,177)	21,690
TOTAL LIABILITIES	74,283	27,296	101,579
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; 3,221,834 and 3,221,834 shares issued)	32	—	32
Additional paid-in capital	344,826	—	344,826
Treasury stock at cost (1,408,892 and 1,408,892 shares)	(230,166)	—	(230,166)
Accumulated other comprehensive loss	(735)	—	(735)
Accumulated deficit	(50,227)	—	(50,227)
TOTAL SHAREHOLDERS' EQUITY	63,730	—	63,730
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 138,013	$ 27,296	$ 165,309

The following table is a summary of the Company's components of net lease cost for the thirteen and twenty-six week periods ended August 3, 2019:

Lease Cost

(amounts in thousands)	**Classification**	**Thirteen Weeks Ended August 3, 2019**	**Twenty-six Weeks Ended August 3, 2019**
Short-term operating lease cost	SG&A	$ 3,234	$ 5,315
Operating lease cost	SG&A	2,604	5,150
Variable lease cost	SG&A	117	242
Net lease cost		$ 5,955	$ 10,707

As of August 3, 2019, the maturity of lease liabilities is as follows:

(amounts in thousands)	**Operating Leases**
2019	$ 5,267
2020	10,502
2021	7,312
2022	3,181
2023	2,278
Thereafter	2,116
Total lease payments	30,656
Less: amounts representing interest	(2,706)
Present value of lease liabilities	$ 27,950

Lease term and discount rate are as follows:

	August 3, 2019
Weighted-average remaining lease term (years)	
Operating leases	1.4
Weighted-average discount rate	
Operating leases	5%

Other information:

(amounts in thousands)	**Twenty-six Weeks Ended August 3, 2019**
Cash paid for amounts included in the measurement of operating lease liabilities	
Operating cash flows from operating leases	$ 5,103

As determined prior to the adoption of the new lease standard, the future minimum lease payments under operating leases in effect as of February 2, 2019 were as follows:

(amounts in thousands)	
2019	$ 24,426
2020	8,393
2021	5,239
2022	1,881
2023	1,137
Thereafter	1,060
Total minimum lease payments	$ 42,136

Note 4. Intangible Assets

The determination of the fair value of intangible assets acquired in a business acquisition, including the Company's acquisition of etailz in 2016, is subject to many estimates and assumptions. Our identifiable intangible assets that resulted from our acquisition of etailz consist of vendor relationships, technology and tradenames. We review amortizable intangible asset groups for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

During fiscal 2018, the Company concluded, based on continued operating losses for the etailz segment driven by lower than expected operating results culminating in the fourth quarter of fiscal 2018 that a triggering event had occurred, and an evaluation of intangible assets for impairment was required. Intangible assets related to technology and vendor relationships were written down to their estimated fair value at the end of fiscal 2018 resulting in the recognition of asset impairment charges of $16.4 million.

Identifiable intangible assets as of August 3, 2019 consisted of the following:

	August 3, 2019				
(amounts in thousands)	Weighted Average Amortization Period (in months)	Original Gross Carrying Amount	Accumulated Impairment	Accumulated Amortization	Net Carrying Amount
Vendor relationships	120	$ 19,100	$ 13,822	$ 4,456	$ 822
Technology	60	6,700	2,587	3,272	841
Trade names and trademarks	60	3,200	—	1,767	1,433
		$ 29,000	$ 16,409	$ 9,495	$ 3,096

The changes in net intangibles from February 2, 2019 to August 3, 2019 were as follows:

(amounts in thousands)	**February 2, 2019**	**Impairment Expense**	**Amortization Expense**	**August 3, 2019**
Amortized intangible assets:				
Vendor relationships	$ 880	$ —	$ 58	$ 822
Technology	1,035	—	194	841
Trade names and trademarks	1,753	—	320	1,433
Net amortized intangible assets	$ 3,668	$ —	$ 572	$ 3,096

Amortization expense of intangible assets for the thirteen and twenty-six weeks ended August 3, 2019 and August 4, 2018 consisted of the following:

	Thirteen Weeks Ended		**Twenty-six Weeks Ended**	
(amounts in thousands)	**August 3, 2019**	**August 4, 2018**	**August 3, 2019**	**August 4, 2018**
Amortized intangible assets:				
Vendor relationships	$ 29	$ 477	$ 58	$ 954
Technology	97	335	194	670
Trade names and trademarks	160	160	320	320
Total amortization expense	$ 286	$ 972	$ 572	$ 1,944

Estimated amortization expense for the remainder of fiscal 2019 and the five succeeding fiscal years and thereafter is as follows:

Year	Annual Amortization
(amounts in thousands)	
2019	$ 572
2020	1,143
2021	847
2022	115
2023	115
2024	115
Thereafter	189

Note 5. Depreciation and Amortization

Depreciation and amortization included in selling, general and administrative expenses of the interim condensed consolidated statements of operations for the thirteen weeks ended August 3, 2019 and August 4, 2018 was $1.1 million and $2.3 million, respectively. Depreciation and amortization included in selling, general and administrative expenses of the interim condensed consolidated statements of operations for the twenty-six weeks ended August 3, 2019 and August 4, 2018 was $2.0 million and $4.5 million, respectively. The decrease was primarily due to a $4.1 million net decrease in carrying value of fixed assets and a $16.4 million net decrease in carrying value of intangible assets, resulting from impairment charges recorded during the fourth quarter of fiscal 2018. For a discussion of the Company's impairment charges, 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 as of and for the year ended February 2, 2019.

Note 6. Segment Data

As described in Note 1 to the interim condensed consolidated financial statements, we operate in two reportable segments as shown in the following table:

(amounts in thousands)	Thirteen Weeks Ended August 3, 2019	Thirteen Weeks Ended August 4, 2018	Twenty-six Weeks Ended August 3, 2019	Twenty-six Weeks Ended August 4, 2018
Total Revenue				
fye	$ 41,744	$ 50,545	$ 86,762	$ 104,608
etailz	34,260	51,629	69,392	$ 94,169
Total Company	$ 76,004	$ 102,174	$ 156,154	$ 198,777
Gross Profit				
fye	$ 17,013	$ 20,634	$ 34,515	$ 42,905
etailz	8,103	11,539	15,991	20,956
Total Company	$ 25,116	$ 32,173	$ 50,506	$ 63,861
Loss From Operations				
fye	$ (6,655)	$ (6,629)	$ (12,755)	$ (12,001)
etailz	(746)	(2,760)	(2,287)	(5,547)
Total Company	$ (7,401)	$ (9,389)	$ (15,042)	$ (17,548)

Total Assets as of	August 3, 2019	February 2, 2019	August 4, 2018
fye	$ 118,100	$ 101,785	$ 121,750
etailz	32,073	36,228	103,337
Total Company	$ 150,173	$ 138,013	$ 225,087

Note 7. Restricted Cash

As of August 3, 2019, the Company had restricted cash of $1.0 million and $5.3 million reported in current assets and other assets on the accompanying condensed consolidated balance sheet, respectively. As of August 4, 2018, the Company had restricted cash of $4.1 million and $6.1 million reported in current assets and other assets on the accompanying condensed consolidated balance sheet, respectively. The decrease in these restricted cash balances during the twenty-six weeks ended August 3, 2019, was primarily due to the return of the $3.2 million earn-out escrow balance to the Company as a result of the etailz segment not achieving the earnings target, as described in the amended etailz acquisition share purchase agreement.

The restricted cash reported as of August 3, 2019, as described in the paragraph above, is comprised entirely of a $6.3 million rabbi trust, which resulted from the death of the Company's former Chairman.

A summary of cash, cash equivalents and restricted cash is as follows (amounts in thousands):

	August 3, 2019	February 2, 2019	August 4, 2018
Cash and cash equivalents	$ 3,635	$ 4,355	$ 4,477
Restricted cash	6,295	9,871	10,263
Total cash, cash equivalents and restricted cash	$ 9,930	$ 14,226	$ 14,740

Note 8. Short Term Borrowings

In January 2017, the Company amended and restated its revolving credit facility ("Credit Facility"). The Credit Facility provides for commitments of $50 million subject to increase up to $75 million during the months of October to December of each year, as needed. The availability under the Credit Facility is subject to limitations based on receivables and inventory levels. The principal amount of all outstanding loans under the Credit Facility together with any accrued but unpaid interest, are due and payable in January 2022, unless otherwise paid earlier pursuant to the terms of the Credit Facility. Payments of amounts due under the Credit Facility are secured by the assets of the Company. During fiscal 2018, the Company exercised the right to increase its availability to $60 million subject to the same limitations noted above.

The Credit Facility contains customary affirmative and negative covenants, including restrictions on dividends and share repurchases, incurrence of additional indebtedness and acquisitions and covenants around the net number of store closings and restrictions related to the payment of cash dividends and share repurchases, including limiting the amount of dividends to $5.0 million annually and not allowing borrowings under the amended facility for the six months before or six months after the dividend payment.

The Credit Facility also includes customary events of default, including, among other things, material adverse effect, bankruptcy, and certain changes of control. On May 3, 2019, the Company entered into a letter agreement with Wells Fargo in accordance with the Credit Facility in which Wells Fargo provided consent to the Company with respect to late delivery of the Annual Financial Statements. As of May 4, 2019, the Company was compliant with all covenants.

Interest under the Credit Facility will accrue, at the election of the Company, at a Base Rate or LIBO Rate, plus, in each case, an Applicable Margin, which is determined by reference to the level of availability, with the Applicable Margin for LIBO Rate loans ranging from 1.75% to 2.00% and the Applicable Margin for Prime Rate loans ranging from 0.75% to 1.00%. In addition, a commitment fee of 0.25% is also payable on unused commitments.

As of August 3, 2019, borrowings under the Credit Facility were $12.1 million as compared to $6.3 million as of August 4, 2018. The Company had $16.1 million available for borrowing as of August 3, 2019.

As of August 3, 2019, the Company did not have any outstanding letters of credit. As of August 4, 2018, the Company had $1.1 million in outstanding letters of credit related to an import purchase.

The Company records short term borrowings at cost, in which the carrying value approximates fair value due to its short term maturity.

Note 9. Stock Based Compensation

As of August 3, 2019, there was approximately $435 thousand of unrecognized compensation cost related to stock option awards comprised of the following: $330 thousand was related to stock option awards listed in the table below and expected to be recognized as expense over a weighted average period of 9 months, and $105 thousand was related to restricted stock option awards expected to be recognized as expense over a weighted average period of 3.1 years.

The Company has outstanding awards under three employee stock award plans, the 2005 Long Term Incentive and Share Award Plan, the Amended and Restated 2005 Long Term Incentive and Share Award Plan (the "Old Plans"); and the 2005 Long Term Incentive and Share Award Plan (as amended and restated April 5, 2017 (the "New Plan"). Collectively, these plans are referred to herein as the Stock Award Plans. Additionally, the Company had a stock award plan for non-employee directors (the "1990 Plan"). The Company no longer issues stock options under the Old Plans or the 1990 Plan.

Equity awards authorized for issuance under the New Plan total 250 thousand. As of August 3, 2019, of the awards authorized for issuance under the Stock Award Plans, approximately 130 thousand were granted and are outstanding, 102 thousand of which were vested and exercisable. Shares available for future grants of options and other share based awards under the New Plan at August 3, 2019 were 219 thousand.

The following table summarizes stock award activity during the twenty-six weeks ended August 3, 2019:

	Employee and Director Stock Award Plans				
	Number of Shares Subject To Option	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Other Share Awards (1)**	**Weighted Average Grant Fair Value**
Balance February 2, 2019	138,921	$ 55.00	5.8	13,571	$ 33.60
Granted	—	—	—	—	—
Cancelled/Forfeited	(8,975)	—	—	—	—
Exercised	—	—	—	(2,064)	30.76
Balance August 3, 2019	129,946	$ 54.79	5.2	11,507	$ 34.19
Exercisable August 3, 2019	102,196	$ 59.68	4.4	6,132	$ 52.38

(1) Other Share Awards include deferred shares granted to Directors and restricted share units granted to executive officers.

As of August 3, 2019, all stock awards outstanding and exercisable had a grant price higher than the market price of the stock and had no intrinsic value.

Note 10. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss that the Company reports in the condensed consolidated balance sheets represents net loss, adjusted for the difference between the accrued pension liability and accrued benefit cost, net of taxes, associated with the Company's defined benefit plan. Comprehensive loss consists of net loss and the amortization of pension costs associated with Company's defined benefit plan for the thirteen and twenty-six weeks ended August 3, 2019 and August 4, 2018.

Note 11. Defined Benefit Plan

The Company maintains a non-qualified Supplemental Executive Retirement Plan ("SERP") for a limited number of executive officers of the Company. The SERP provides eligible executives defined pension benefits that supplement benefits under other retirement arrangements. During the twenty-six weeks ended August 3, 2019, the Company did not make any cash contributions to the SERP and presently expects to pay approximately $1.2 million in benefits relating to the SERP during fiscal 2019.

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

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

	Thirteen Weeks Ended		**Twenty-six Weeks Ended**	
(amounts in thousands)	**August 3, 2019**	**August 4, 2018**	**August 3, 2019**	**August 4, 2018**
Service cost	$ 14	$ 14	$ 28	$ 28
Interest cost	142	140	284	280
Amortization of net gain [(1)]	(5)	(5)	(10)	(10)
Net periodic pension cost	$ 151	$ 149	$ 302	$ 298

(1) The amortization of net gain is related to a director retirement plan previously provided by the Company.

Note 12. Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing net loss by the weighted average common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock (net of any assumed repurchases) that then shared in the earnings of the Company, if any. It is computed by dividing net loss by the sum of the weighted average shares outstanding and additional common shares that would have been outstanding if the dilutive potential common shares had been issued for the Company's common stock awards from the Company's Stock Award Plans.

For the thirteen and twenty-six week periods ended August 3, 2019 and August 4, 2018, the impact of all outstanding stock awards was not considered because the Company reported a net loss and such impact would be anti-dilutive. Accordingly, basic and diluted loss per share is the same. Total anti-dilutive stock awards for the thirteen and twenty-six weeks ended August 3, 2019 were approximately 130 thousand shares, as compared to 155 thousand shares and 145 thousand shares, respectively, for the thirteen and twenty-six weeks ended August 4, 2018. See note 1 in the interim condensed consolidated financial statements for information on the reverse stock split effected by the Company during the current reporting period.

Note 13. Income Taxes

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income. Management considers the scheduled reversal of taxable temporary differences, projected future taxable income and tax planning strategies in making this assessment. Based on available objective evidence, management concluded that a full valuation allowance should continue to be recorded against the Company's deferred tax assets. Management will continue to assess the need for and amount of the valuation allowance against the deferred tax assets by giving consideration to all available evidence to the Company's ability to generate future taxable income in its conclusion of the need for a full valuation allowance. Any reversal of the Company's valuation allowance will favorably impact its results of operations in the period of reversal. The Company is currently unable to determine whether or when that reversal might occur, but it will continue to assess the realizability of its deferred tax assets and will adjust the valuation allowance if it is more likely than not that all or a portion of the deferred tax assets will become realizable in the future. The Company has significant net operating loss carry forwards and other tax attributes that are available to offset projected taxable income and current taxes payable, if any, for the year ending February 1, 2020. The deferred tax impact resulting from the utilization of the net operating loss carry forwards and other tax attributes will be offset by a reduction in the valuation allowance. As of February 2, 2019, the Company had a net operating loss carry forward of $253.5 million for federal income tax purposes and approximately $289.0 million for state income tax purposes that expire at various times through 2038 and are subject to certain limitations and statutory expiration periods. The Company has not changed its overall conclusion with respect to the need for a valuation allowance against its net deferred tax assets, which remain fully reserved.

Note 14. Commitments and Contingencies

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. As a result, the liability for the cases listed below is remote.

Loyalty Memberships and Magazine Subscriptions Class Action

On November 14, 2018, three consumers filed a punitive class action complaint against the Company and Synapse Group, Inc. in the United States District Court for the District of Massachusetts, Boston Division (Case No.1:18-cv-12377-DPW) concerning enrollment in the Company's Backstage Pass VIP loyalty program and associated magazine subscriptions. The complaint alleged, among other things, that the Company's "negative option marketing" misled consumers into enrolling for membership and subscriptions without obtaining the consumers' consent. The complaint sought to represent a nationwide class of "all persons in the United States" who were enrolled in and/or charged for Backstage Pass VIP memberships and/or magazine subscriptions, and to obtain statutory and actual damages on their behalf.

On April 11, 2019, the plaintiffs voluntarily dismissed their lawsuit. On May 8, 2019, two of the plaintiffs from the dismissed lawsuit filed a similar punitive class action in Massachusetts state court (Civ. Act. No. 197CV00331, Mass. Super. Ct. Hampden Cty.), based on the same allegations, but this time seeking to represent only a class of "FYE customers in Massachusetts" who were charged for VIP Backstage Pass Memberships and/or magazine subscriptions. The Company believes it has meritorious defenses to the plaintiffs' claims and, if the new case is not dismissed in full, the Company intends to vigorously defend the action.

Store Manager Class Actions

There are two pending class actions. The first, Spack v. Trans World Entertainment Corp. was originally filed in the District of New Jersey, April 2017 (the "Spack Action"). The Spack Action alleges that the Company misclassified Store Managers ("SMs") as exempt nationwide. It also alleges that Trans World improperly calculated overtime for Senior Assistant Managers "SAMs" nationwide, and that both SMs and SAMs worked "off-the-clock." It also alleges violations of New Jersey and Pennsylvania State Law with respect to calculating overtime for SAMs. The second, Roper v. Trans World Entertainment Corp., was filed in the Northern District of New York, May 2017 (the "Roper Action"). The Roper Action also asserts a nationwide misclassification claim on behalf of Store Managers. Both actions were consolidated into the Northern District of New York, with the Spack Action being the lead case.

Plaintiffs moved for conditional certification of a collective of SMs in June 2018, and that motion was partially granted in January 2019. The opt-in period for the collective that was certified was closed on April 6, 2019. Opt-in discovery relating to that potential collective has commenced. The Company believes it has meritorious defenses to the plaintiffs' claims and intends to vigorously defend the action.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations
August 3, 2019 and August 4, 2018

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, availability of new products, change in vendor policies or relationships, 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 interim condensed consolidated financial statements and related notes included elsewhere in this report and the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K as of and for the fiscal year ended February 2, 2019.

The Company operates in two reportable segments: fye and etailz. The fye segment operates a chain of retail entertainment stores and e-commerce sites, **www.fye.com** and **www.secondspin.com**. As of August 3, 2019, the fye segment operated 206 stores totaling approximately 1.1 million square feet in the United States, the District of Columbia and the U.S. Virgin Islands. The etailz segment is a digital marketplace retailer and generates substantially all of its revenue through Amazon Marketplace. The Company's business is seasonal in nature for both segments, with the peak selling period being the holiday season which falls in the Company's fourth fiscal quarter.

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

Net Sales and Comparable Store Net Sales: The fye segment measures the rate of comparable store net sales change. A store is included in comparable store net sales calculations at the beginning of its thirteenth full month of operation. Stores relocated, expanded or downsized are excluded from comparable store sales if the change in square footage is greater than 20% until the thirteenth full month following relocation, expansion or downsizing. 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 fye segment further analyzes net sales by store format and by product category. The etailz segment measures total year over year sales growth by product category and evaluates product sales by supplier.

Cost of Sales and Gross Profit Gross profit is calculated based on the cost of product in relation to its retail selling value. Changes in gross profit are impacted primarily by net sales levels, mix of products sold, vendor discounts and allowances, shrinkage, obsolescence and distribution costs. Distribution expenses include those costs associated with receiving, inspecting & warehousing merchandise, Amazon fulfillment fees, and costs associated with product returns to vendors.

Selling, General and Administrative ("SG&A") Expenses: Included in SG&A expenses are payroll and related costs, occupancy charges, general operating and overhead expenses and depreciation charges. SG&A expenses also include fixed assets write-offs associated with store closures, if any, and miscellaneous income and expense items, other than interest.

Balance Sheet and Ratios: The Company views cash and working capital (current assets less current liabilities) as relevant indicators of its financial position. See Liquidity and Cash Flows section for further discussion of these items.

RESULTS OF OPERATIONS

Thirteen and Twenty-six Weeks Ended August 3, 2019
Compared to the Thirteen and Twenty-six Weeks Ended August 4, 2018

Segment Highlights (amounts in thousands):

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Total Revenue				
fye	$ 41,744	$ 50,545	$ 86,762	$ 104,608
etailz	34,260	51,629	69,392	94,169
Total Company	$ 76,004	$ 102,174	$ 156,154	$ 198,777
Gross Profit				
fye	$ 17,013	$ 20,634	$ 34,515	$ 42,905
etailz	8,103	11,539	15,991	20,956
Total Company	$ 25,116	$ 32,173	$ 50,506	$ 63,861
Loss From Operations				
fye	$ (6,655)	$ (6,629)	$ (12,755)	$ (12,001)
etailz	(746)	(2,760)	(2,287)	(5,547)
Total Company	$ (7,401)	$ (9,389)	$ (15,042)	$ (17,548)
Reconciliation of etailz Loss from Operations to etailz Adjusted Loss from Operations				
etailz loss from operations	$ (746)	$ (2,760)	$ (2,287)	$ (5,547)
Acquisition related amortization and compensation expenses [1]	286	2,090	638	4,184
etailz adjusted loss from operations[2]	$ (460)	$ (670)	$ (1,649)	$ (1,363)

[1] For the 13 weeks ended August 3, 2019, acquisition related expenses consisted of amortization expense of intangible assets of $286 thousand. For the 26 weeks ended August 3, 2019, acquisition related expenses consisted of amortization expense of intangible assets of $572 thousand and compensation expense of $66 thousand. For the 13 weeks ended August 4, 2018, acquisition related expenses consisted of amortization expense of intangible assets of $972 thousand and compensation expense of $1,118 thousand. For the 26 weeks ended August 4, 2018, acquisition related expenses consisted of amortization expense of intangible assets of $1,944 thousand and compensation expense of $2,240 thousand.

[2] In addition to the results of operations determined in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), we reported non-GAAP adjusted operating loss for the etailz segment as shown above.

Total Revenue. The following table sets forth a year-over-year comparison of the Company's total revenue:

(amounts in thousands)	Thirteen Weeks Ended		Change		Comp Store Net Sales	Twenty-six Weeks Ended		Change		Comp Store Net Sales
	August 3, 2019	August 4, 2018	$	%		August 3, 2019	August 4, 2018	$	%	
fye revenue	$ 41,744	50,545	$ (8,801)	-17.4%	-1.2%	$ 86,762	104,608	$ (17,846)	-17.1%	-0.6%
etailz revenue	34,260	51,629	(17,369)	-33.6%		69,392	94,169	(24,777)	-26.3%	
Total revenue	$ 76,004	$ 102,174	$ (26,170)	-25.6%		$ 156,154	$ 198,777	$ (42,623)	-21.4%	

Total revenue decreased 25.6% and 21.4% for the thirteen and twenty-six weeks ended August 3, 2019 as compared to the same period last year.

fye Segment

The following table sets forth a period over period comparison of net fye sales by merchandise category:

(amounts in thousands, except store count)	Thirteen Weeks Ended August 3, 2019	Thirteen Weeks Ended August 4, 2018	Change $	Change %	Comp Store Net Sales	Twenty-six Weeks Ended August 3, 2019	Twenty-six Weeks Ended August 4, 2018	Change $	Change %	Comp Store Net Sales
fye net sales	$ 40,892	49,410	$ (8,518)	-17.2%	-1.2%	$ 85,116	102,102	$ (16,986)	-16.6%	-0.6%
Other revenue	852	1,135	(283)	-24.9%		1,646	2,506	(860)	-34.3%	
Total revenue	$ 41,744	$ 50,545	$ (8,801)	-17.4%		$ 86,762	$ 104,608	$ (17,846)	-17.1%	
As a % of fye net sales										
Trend / Lifestyle	46.8%	40.9%			9.6%	44.7%	39.3%			9.5%
Video	24.3%	29.0%			-16.1%	26.4%	30.5%			-11.6%
Music	17.5%	18.4%			-7.8%	17.7%	18.5%			-3.9%
Electronics	11.4%	11.7%			-0.1%	11.2%	11.7%			-2.3%
Store Count:						206	241	(35)	-14.5%	
Total Square footage						1,145	1,339	(194)	-14.5%	

fye net sales. Net sales decreased 17.2% and 16.6% during the thirteen weeks and twenty-six weeks ended August 3, 2019 as compared to the same period last year. The decline in net sales resulted from a 14.5% decline in total stores in operation and a 1.2% and 0.6% decline in comparable store net sales for the thirteen and twenty-six weeks ended August 3, 2019, respectively.

Trend/Lifestyle:

Comparable store net sales in the trend/lifestyle category increased 9.6% and 9.5% during the thirteen and twenty-six weeks ended August 3, 2019, respectively. Trend/lifestyle products represented 46.8% and 44.7% of total net sales for the thirteen and twenty-six weeks ended August 3, 2019, respectively, compared to 40.9% and 39.3% in the comparable periods last year. The Company continues to take advantage of opportunities to strengthen its selection and shift product mix to growing categories of entertainment-related merchandise.

Video:

Comparable store sales in the video category decreased 16.1% and 11.6% during the thirteen and twenty-six week periods ended August 3, 2019, respectively. The video category represented 24.3% and 26.4% of total net sales for the thirteen and twenty-six weeks ended August 3, 2019, respectively, compared to 29.0% and 30.5% in the comparable periods last year due to continued industry-wide decline in physical media sales.

Music:

During the thirteen and twenty-six weeks ended August 3, 2019, music sales in comparable stores decreased 7.8% and 3.9%, respectively, versus the thirteen and twenty-six weeks ended August 4, 2018. The music category represented 17.5% and 17.7% of total net sales for the thirteen and twenty-six weeks ended August 3, 2019, respectively, compared to 18.4% and 18.5% for the thirteen and twenty-six weeks ended August 4, 2018 due to continued industry-wide decline in physical media sales.

Electronics:

Comparable store net sales in the electronics category decreased 0.1% and 2.3% during the thirteen and twenty-six weeks ended August 3, 2019, respectively. Electronics net sales represented 11.4% and 11.2% of total net sales for the thirteen and twenty-six weeks ended August 4, 2019, respectively, compared to 11.7% of total net sales for both the thirteen and twenty-six weeks in the comparable periods last year.

Other Revenue. Other revenue, which was primarily related to commissions and fees earned from third parties for the fye segment, was approximately $0.9 million and $1.6 million for the thirteen and twenty-six weeks ended August 3, 2019, respectively, compared to $1.1 million and $2.5 million in the comparable periods last year. The decline in other revenue was primarily due to lower number of stores in operation.

<u>etailz Segment</u>
etailz reported sales of $34.3 million and $69.4 million for the thirteen and twenty-six weeks ended August 3, 2019, respectively compared to $51.6 million and $94.2 million sales for the thirteen and twenty-six weeks ended August 4, 2018. etailz generates revenue across a broad array of product lines primarily through the Amazon Marketplace. Categories include: apparel, baby, beauty, electronics, health & personal care, home/kitchen/grocery, pets, sporting goods, toys & art. During the twenty-six weeks ended August 3, 2019, etailz sold approximately 25,000 SKUs from approximately 1,500 suppliers, compared to approximately 31,000 SKUs from approximately 2,200 suppliers during the twenty-six weeks ended August 4, 2018. The decline in sales was attributable to the vendor remediation performance improvement plan which was implemented during the fourth quarter of 2018 for the etailz segment, as discussed in Note 1 to the interim condensed consolidated financial statements.

Gross Profit. The following table sets forth a year-over-year comparison of the Company's Gross Profit:

	Thirteen Weeks Ended		Change		Twenty-six Weeks Ended		Change	
(amounts in thousands)	**August 3, 2019**	**August 4, 2018**	**$**	**%**	**August 3, 2019**	**August 4, 2018**	**$**	**%**
fye gross profit	$ 17,013	$ 20,634	$ (3,621)	-17.5%	$ 34,515	$ 42,905	$ (8,390)	-19.6%
etailz gross profit	8,103	11,539	(3,436)	-29.8%	15,991	20,956	(4,965)	-23.7%
Total gross profit	$ 25,116	$ 32,173	$ (7,057)	-21.9%	$ 50,506	$ 63,861	$ (13,355)	-20.9%
fye gross profit as a % of fye revenue	40.8%	40.8%			39.8%	41.0%		
etailz gross profit as a % of etailz revenue	23.7%	22.3%			23.0%	22.3%		
Total gross profit as a % of total revenue	33.0%	31.5%			32.3%	32.1%		

Gross profit decreased 21.9% to $25.1 million for the thirteen weeks ended August 3, 2019 compared to $32.2 million for the thirteen weeks ended August 4, 2018. For the twenty-six weeks ended August 3, 2019, gross profit decreased 20.9% to $50.5 million compared to $63.9 million for the comparable period last year.

<u>fye Segment</u>
fye gross profit as a percentage of total revenue for the thirteen and twenty-six weeks ended August 3, 2019 was 40.8% and 39.8%, respectively, compared to 40.8% and 41.0% for the comparable periods last year.

<u>etailz Segment</u>
etailz gross profit as a percentage of total revenue for the thirteen and twenty-six weeks ended August 3, 2019 was 23.7% and 23.0%, respectively, compared to 22.3% for both the thirteen and twenty-six weeks for the comparable periods last year. The increase in the gross profit rate was a result of the performance improvement plan implemented during the fourth quarter of 2018. See Note 1 for the description of the etailz segment performance improvement plan.

SG&A Expenses. The following table sets forth a period over period comparison of the Company's SG&A expenses:

(amounts in thousands)	Thirteen Weeks Ended August 3, 2019	Thirteen Weeks Ended August 4, 2018	Change $	Change %	Twenty-six Weeks Ended August 3, 2019	Twenty-six Weeks Ended August 4, 2018	Change $	Change %
fye SG&A, excluding depreciation and amortization	$ 23,052	$ 26,103	($ 3,051)	-11.7%	$ 46,082	$ 52,592	($ 6,510)	-12.4%
As a % of total fye revenue	**55.2%**	**51.6%**			**53.1%**	**50.3%**		
etailz SG&A, excluding depreciation and amortization	8,413	13,185	(4,772)	-36.2%	17,434	24,310	(6,876)	-28.3%
As a % of total etailz revenue	**24.6%**	**25.5%**			**25.1%**	**25.8%**		
Depreciation and amortization	1,052	2,274	(1,222)	-53.7%	2,032	4,507	(2,475)	-54.9%
Total SG&A	$ 32,517	$ 41,562	($ 9,045)	-21.8%	$ 65,548	$ 81,409	($15,861)	-19.5%
As a % of total revenue	**42.8%**	**40.7%**			**42.0%**	**41.0%**		

SG&A expenses decreased $9.0 million and $15.9 million for the thirteen and twenty-six weeks ended August 3, 2019, respectively.

fye Segment

fye SG&A, excluding depreciation and amortization expenses, decreased $3.1 million, or 11.7%, and $6.5 million, or 12.4%, for the thirteen and twenty-six weeks ended August 3, 2019, respectively. As a percentage of fye revenue, SG&A expenses in the fye segment for the thirteen and twenty-six weeks ended August 3, 2019 were 55.2% and 53.1%, respectively, compared to 51.6% and 50.3% for the same periods last year. The decline in SG&A expenses was due to lower sales primarily as a result of fewer stores in operation. The increase in SG&A expenses as a percentage of revenue was due to an increase in outside consulting and professional fees.

etailz Segment

etailz SG&A, excluding depreciation and amortization expenses, decreased $4.8 million and $6.9 million for the thirteen and twenty-six weeks ended August 3, 2019, respectively. As a percentage of etailz revenue, SG&A expenses in the etailz segment for the thirteen and twenty-six weeks ended August 3, 2019 were 24.6% and 25.1%, respectively, compared to 25.5% and 25.8% for the same periods last year. The decrease was primarily due to expense reduction initiatives implemented in the fourth quarter of 2018.

Depreciation and amortization. Consolidated depreciation and amortization expense decreased $1.2 million and $2.5 million for the thirteen and twenty-six weeks ended August 3, 2019, respectively, primarily due to the $29.1 million net decrease in carrying value of fixed assets and intangible assets, resulting from impairment charges recorded for the fye segment, during the fourth quarter of fiscal 2018. For a discussion of the Company's impairment charges, 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 2, 2019.

Interest Expense. Interest expense was $194 thousand and $326 thousand during the thirteen and twenty-six weeks ended August 3, 2019, respectively. Interest expense consisted primarily of interest payments resulted from borrowings under the Company's credit facility and unused commitment fees. Interest expense during the thirteen and twenty-six weeks ended August 4, 2018 was $103 thousand and $166 thousand, respectively. The increase in interest expense was due to borrowings under the credit facility as discussed in Note 8 to the interim condensed consolidated financial statements.

Other Loss (Income). As of August 3, 2019, other loss (income) consisted of the following:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
(amounts in thousands)	**August 3, 2019**	**August 4, 2018**	**August 3, 2019**	**August 4, 2018**
Write-off of investment	$ 500	$ —	$ 500	$ —
Interest income	(38)	(49)	(81)	(128)
Other loss (income)	$ 462	$ (49)	$ 419	$ (128)

Income Tax Expense. Based on available objective evidence, management concluded that a full valuation allowance should be recorded against the Company's deferred tax assets. There were insignificant tax expense amounts recorded during the thirteen and twenty-six weeks ended August 3, 2019 and comparative periods last year.

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

	Thirteen Weeks Ended			Twenty-six Weeks Ended		
(amounts in thousands)	**August 3, 2019**	**August 4, 2018**	**$ Change**	**August 3, 2019**	**August 4, 2018**	**$ Change**
Loss before income tax	$ (8,057)	$ (9,443)	$ 1,386	$ (15,787)	$ (17,586)	$ 1,799
Income tax expense	71	67	4	143	71	72
Net loss	$ (8,128)	$ (9,510)	$ 1,382	$ (15,930)	$ (17,657)	$ 1,727

LIQUIDITY

Liquidity and Cash Flows:

The Company's primary sources of liquidity are its borrowing capacity under its revolving credit facility, available cash and cash equivalents, and to a lesser extent, cash generated from operations. Our cash requirements relate primarily to working capital needed to operate our business, including funding operating expenses, the purchase of inventory and capital expenditures. Our ability to achieve profitability and meet future liquidity needs and capital requirements will depend upon numerous factors, including the timing and amount of our revenue; the timing and amount of our operating expenses; the timing and costs of working capital needs; and changes in our strategy or our planned activities.

The Company incurred net losses of $15.9 million and $17.7 million for the twenty-six weeks ended August 3, 2019 and August 4, 2018, respectively, and has an accumulated deficit of $66.2 million at August 3, 2019. In addition, net cash used in operating activities for the twenty-six weeks ended August 3, 2019 was $15.0 million. Net cash used in operating activities for the twenty-six weeks ended August 4, 2018 was $32.9 million.

As disclosed in the Company's Annual Report on Form 10-K filed May 14, 2019, the Company experienced negative cash flows from operations during fiscal 2018 and 2017, and we expect to continue to incur net losses in the foreseeable future. We implemented strategic initiatives on December 11, 2018, aimed at improving organizational efficiency and conserving working capital needed to support the growth of our etailz segment (the "performance improvement plan"). As a result of the initiative, and disciplined inventory management in the fye segment, the Company was able to reduce cash used in operations by $18.0 million for the twenty-six weeks ended August 3, 2019 as compared to the twenty-six weeks ended August 3, 2018. We anticipate continued improvement in cash flows used in operations for the remainder of the fiscal 2019. At August 3, 2019, we had cash and cash equivalents of $3.6 million, net working capital of $42.3 million, and short-term borrowings in the amount of $12.1 million on our revolving credit facility, as further discussed in footnote 8 in the interim condensed consolidated financial statements. This compares to $4.5 million in cash and cash equivalents, net working capital of $82.1 million, and short-term borrowings in the amount of $6.3 million on the Company's revolving credit facility at August 4, 2018.

Management anticipates any cash requirements due to a shortfall in cash from operations will be funded by the Company's revolving credit facility. See note 8 in the interim condensed consolidated financial statements for additional information.

In addition to the aforementioned current sources of existing working capital, the Company may explore certain other strategic alternatives that may become available to the Company, as well as continuing the efforts to generate additional sales and increase margins. However, at this time the Company has no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all, should we require such additional funds. If the Company is unable to improve its operations, it may be required to obtain additional funding, and the Company's financial condition and results of operations may be materially adversely affected.

Furthermore, broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance, and may adversely impact our ability to raise additional funds, should we require such additional funds.

The unaudited condensed consolidated financial statements for the thirteen and twenty-six weeks ended August 3, 2019 were prepared on the basis of a going concern which contemplates that the Company will be able to realize assets and discharge liabilities in the normal course of business. The ability of the Company to meet its liabilities and to continue as a going concern is dependent on improved profitability, the performance improvement plan implemented for the etailz segment and the availability of future funding. The unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The following table sets forth a summary of key components of cash flow and working capital:

	As of or for the Twenty-six Weeks Ended		Change
(amounts in thousands)	**August 3, 2019**	**August 4, 2018**	**$**
Operating Cash Flows	(14,962)	(32,944)	17,982
Investing Cash Flows	(1,420)	(663)	(757)
Financing Cash Flows	12,086	4,841	7,245
Capital Expenditures (1)	(1,541)	(1,800)	259
Cash, Cash Equivalents, and Restricted Cash (2)	9,930	14,740	(4,810)
Merchandise Inventory	89,785	114,920	(25,135)
Working Capital	42,306	82,100	(39,794)

(1) Included in Investing Cash Flows

(2)	Cash and cash equivalents per condensed consolidated balance sheets	$ 3,635	$ 4,477
	Add: restricted cash	6,295	10,263
	Cash, cash equivalents, and restricted cash	$ 9,930	$ 14,740

Cash used in operations was $15.0 million for the twenty-six weeks ended August 3, 2019, primarily due to a net loss of $15.9 million, adding back depreciation and amortization of $2.0 million, a $5.1 million seasonal decrease in inventory, a $1.3 million decrease in prepaid expenses and other current assets, and a $4.0 million decrease in other long-term assets, less a reduction in accounts payable, accrued expenses and other current liabilities, deferred revenue, and other long-term liabilities of $5.3 million $1.0 million, $1.0 million, and $4.2 million, respectively. The Company's merchandise inventory and accounts payable are 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 purchased during the prior year's holiday season.

Cash used in investing activities was $1.4 million for the twenty-six weeks ended August 3, 2019, which consisted primarily of capital expenditures.

Cash provided by financing activities for the twenty-six weeks ended August 3, 2019, was comprised of $12.1 million proceeds from short-term borrowings.

Capital Expenditures. During the thirteen and twenty-six weeks ended August 3, 2019, respectively, the Company made capital expenditures of $0.7 million and $1.5 million, respectively. The Company currently plans to spend approximately $3.9 million for capital expenditures during fiscal 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires that management apply accounting policies and make estimates and assumptions that affect results of operations and the reported amounts of assets and liabilities in the financial statements. Management continually evaluates its estimates and judgments including those related to merchandise inventory and return costs and income taxes. 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.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Form 10-K as of and for the year ended February 2, 2019 includes a summary of the critical accounting policies and methods used by the Company in the preparation of its interim condensed consolidated financial statements. As goodwill was fully impaired during fiscal 2018, the Company no longer considers goodwill to be a critical accounting policy. With the exception of goodwill, there have been no material changes or modifications to the critical accounting policies since February 2, 2019.

Recent Accounting Pronouncements:

The information set forth under Note 3, Recently Adopted Accounting Pronouncements section contained in Item 1, "Notes to Interim Condensed Consolidated Financial Statements", is incorporated herein by reference.

Non-GAAP Measures:

This Form 10-Q contains certain non-GAAP metrics, including: adjusted operating loss for the etailz segment and SG&A excluding depreciation and amortization expenses, for each reporting segment. A non-GAAP measure is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for SG&A expenses, operating earnings, net earnings from continuing operations or cash flows from operating activities, as determined in accordance with GAAP. Non-GAAP items are provided because management believes that, when reconciled from the GAAP items to which they relate, they provide additional useful information to investors regarding the Company's operational performance.

The Company calculates etailz adjusted loss from operations to evaluate its own operating performance and as an integral part of its planning process. The Company presents etailz adjusted loss from operations as a supplemental measure because it believes such a measure provides management and investors with a more complete understanding of its business operating results, including underlying trends, by excluding the effects of certain charges.

The Company calculates SG&A expenses, excluding depreciation and amortization expenses, for each reporting segment to evaluate its own operating performance and as an integral part of its planning process. The Company presents SG&A expenses, excluding depreciation and amortization expenses, as a supplemental measure because it believes such a measure provides management and investors with a more complete understanding of its business operating results, including underlying trends, by excluding the effects of certain charges.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

The Company does not hold any financial instruments that expose it to significant market risk and does not engage in hedging activities. 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 credit facility can be variable. 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, interest expense would be increased 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 as of and for the year ended February 2, 2019.

Item 4 – Controls and Procedures

(a) Evaluation of disclosure controls and procedures. The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of August 3, 2019, have concluded that as of such date the Company's disclosure controls and procedures were effective and designed to ensure that (i) information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(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. As a result, the liability for the cases listed below is remote.

Loyalty Memberships and Magazine Subscriptions Class Action

On November 14, 2018, three consumers filed a punitive class action complaint against the Company and Synapse Group, Inc. in the United States District Court for the District of Massachusetts, Boston Division (Case No.1:18-cv-12377-DPW) concerning enrollment in the Company's Backstage Pass VIP loyalty program and associated magazine subscriptions. The complaint alleged, among other things, that the Company's "negative option marketing" misled consumers into enrolling for membership and subscriptions without obtaining the consumers' consent. The complaint sought to represent a nationwide class of "all persons in the United States" who were enrolled in and/or charged for Backstage Pass VIP memberships and/or magazine subscriptions, and to obtain statutory and actual damages on their behalf.

On April 11, 2019, the plaintiffs voluntarily dismissed their lawsuit. On May 8, 2019, two of the plaintiffs from the dismissed lawsuit filed a similar punitive class action in Massachusetts state court (Civ. Act. No. 197CV00331, Mass. Super. Ct. Hampden Cty.), based on the same allegations, but this time seeking to represent only a class of "FYE customers in Massachusetts" who were charged for VIP Backstage Pass Memberships and/or magazine subscriptions. The Company believes it has meritorious defenses to the plaintiffs' claims and, if the new case is not dismissed in full, the Company intends to vigorously defend the action.

Store Manager Class Actions

There are two pending class actions. The first, Spack v. Trans World Entertainment Corp. was originally filed in the District of New Jersey, April 2017 (the "Spack Action"). The Spack Action alleges that the Company misclassified Store Managers ("SMs") as exempt nationwide. It also alleges that Trans World improperly calculated overtime for Senior Assistant Managers "SAMs" nationwide, and that both SMs and SAMs worked "off-the-clock." It also alleges violations of New Jersey and Pennsylvania State Law with respect to calculating overtime for SAMs. The second, Roper v. Trans World Entertainment Corp., was filed in the Northern District of New York, May 2017 (the "Roper Action"). The Roper Action also asserts a nationwide misclassification claim on behalf of Store Managers. Both actions were consolidated into the Northern District of New York, with the Spack Action being the lead case.

Plaintiffs moved for conditional certification of a collective of SMs in June 2018, and that motion was partially granted in January 2019. The opt-in period for the collective that was certified was closed on April 6, 2019. Opt-in discovery relating to that potential collective has commenced. The Company believes it has meritorious defenses to the plaintiffs' claims and intends to vigorously defend the action.

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 2, 2019.

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

None.

Item 3 – Defaults Upon Senior Securities

None.

Item 4 – Mine Safety Disclosure

Not Applicable.

Item 5 – Other Information

None.

Item 6 - Exhibits

(A) Exhibits -

Exhibit No.	Description
3.9	Certificate of Amendment to the Certificate of Incorporation.
10.1	Offer Letter by and between Trans World Entertainment Corporation and Kunal Chopra, dated July 5, 2019.
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.
101.INS	XBRL Instance Document (furnished herewith)
101.SCH	XBRL Taxonomy Extension Schema (furnished herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (furnished herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (furnished herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase (furnished herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (furnished herewith)

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

September 17, 2019	**By: /s/ Michael Feurer** Michael Feurer Chief Executive Officer (Principal Executive Officer)
September 17, 2019	**By: /s/ Edwin Sapienza** Edwin Sapienza Chief Financial Officer (Principal and Chief Accounting Officer)

Exhibit 3.9

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
TRANS WORLD ENTERTAINMENT CORPORATION

Under Section 805 of the Business Corporation Law

THE UNDERSIGNED, Edwin J. Sapienza, being the Chief Financial Officer of Trans World Entertainment Corporation, hereby certifies:

1. The name of the Corporation is Trans World Entertainment Corporation (the "Corporation"). The Corporation was originally incorporated under the name of Trans-World Music Corp.

2. The Certificate of Incorporation of the Corporation was filed by the Department of State on February 7, 1972, and has been amended at various times by action of the Board of Directors and shareholders of the Corporation.

3. The purpose of this amendment to Article FOURTH of the Certificate of Incorporation, relating to the amount of authorized capital stock of the Corporation, is so that (i) every 20 shares of the Corporation's common stock, par value $0.01 per share (the "Old Common Stock"), issued and outstanding immediately prior to this Certificate of Amendment to the Certificate of Incorporation of the Corporation becoming effective on the fourteenth of August, two thousand and nineteen, pursuant to the Business Corporation Law of the State of New York (the "Effective Time"), will be automatically reclassified as and converted into one share of common stock, par value $0.01 per share. Any options, warrants or other purchase rights, which immediately prior to the Effective Time represented the right to acquire one or more shares of the Corporation's common stock will be automatically reclassified as and converted into the right to acquire 1/20 of 1 share of common stock for each share of common stock that such option, warrant or other purchase right previously represented the right to acquire. The exercise price of such options, warrants and purchase rights will be adjusted by multiplying the existing exercise price by 20. As of the Effective Time there are 36,258,839 shares of common stock issued and outstanding, which will be reclassified into 1,812,941 shares of common stock, subject to elimination of fractional shares by rounding up to the nearest share.

4. Prior to the Effective Time, there were 163,741,161, par value $0.01, unissued shares of common stock and after the Effective Time there will be 198,187,059 shares of unissued common stock, par value $0.01. The unissued shares of common stock are not being reclassified or converted. As a result, the number of unissued shares of common stock will increase by 34,445,898, subject to elimination of fractional shares by rounding up to the nearest share.

5. Upon the Effective Time, every 20 shares of the Old Common Stock, issued and outstanding immediately prior to the Effective Time, will be automatically reclassified as and converted into one share of common stock, par value $0.01 per share, of the Corporation (the "New Common Stock"). Any options, warrants or other purchase rights, which immediately prior to the Effective Time represented the right to acquire one or more shares of the Corporation's common stock will be automatically reclassified as and converted into the right to acquire 1/20 of 1 share of common stock for each share of common stock that such option, warrant or other purchase right previously represented the right to acquire. The exercise price of such options, warrants and purchase rights will be adjusted by multiplying the existing exercise price by 20. Notwithstanding the immediately preceding sentences, no fractional shares of New Common Stock shall be issued to the holders of record of Old Common Stock in connection with the foregoing reclassification of shares of Old Common Stock. In lieu thereof, the Company shall round up such fractional interests to the nearest whole number.

6. Each stock certificate that, immediately prior to the Effective Time, represented shares of Old Common Stock shall, from and after the Effective Time, automatically and without the necessity of presenting the same for exchange, represent that number of whole shares of New Common Stock into which the shares of Old Common Stock represented by such certificate shall have been reclassified, provided, however, that each holder of record of a certificate that represented shares of Old Common Stock shall receive, upon surrender of such certificate, a new certificate representing the number of whole shares of New Common Stock into which the shares of Old Common Stock represented by such certificate shall have been reclassified.

7. The reclassification will not affect the authorized capital stock of the Corporation. To effect the foregoing, Article FOURTH is hereby amended by restating the first two sentences thereof as follows:

> FOURTH: The total number of shares of stock which the corporation shall have the authority to issue is 205,000,000. Of said Shares, 5,000,000 shares shall be of a class designated as Preferred Stock with a par value of $0.01 each and 200,000,000 shares shall be of a class designated as Common Stock with a par value of $0.01 each.

8. The foregoing amendments to the Certificate of Incorporation were authorized by the vote of the board of directors followed by a vote of a majority of all outstanding shares entitled to vote thereon at a meeting of shareholders.

/s/ *Edwin J. Sapienza*
Name: Edwin J. Sapienza
Title: Chief Financial Officer

Exhibit 10.1

Personal and Confidential

July 5, 2019

Kunal Chopra

Dear Kunal:

I am pleased to offer you the position of "**Chief Executive Officer - etailz**" with Trans World Entertainment Corporation (the "Company"). You will report directly to Mike Feurer, Chief Executive Officer (or his successor).

This position is offered on and subject to the following terms and conditions, and on your acceptance, these terms and conditions will become our binding agreement with regard to your employment:

1. **Base Salary**: $400,000 per annum (subject to witholdings) with annual performance reviews each year and annual compensation reviews for increases (but not decreases) beginning in 2020. The annual review cycle runs from February 1 through January 31 with any merit increases being awarded around May 1 of that year.

2. **Bonus Program:** For fiscal year 2019, you will be eligible to participate in the Board approved Executive EBITDA plan. Currently, this plan provides for a cash bonus of 50% of your base salary at Target, with a maximum cash bonus potential of 100% of your base salary should the applicable bonus targets be exceeded. The terms of future bonus plans and targets, as changed from time to time, will be communicated to you each fiscal year. For 2019, you will receive a guaranteed bonus of $50,000 and for 2020, you will receive a guaranteed bonus of $100,000. Additionaly, you will be given a one-time sign on bonus of $10,000.

3. **Relocation Assistance**: The following relocation assistance will be provided to you for your move to the Spokane area;
   - $50,000 for any and all costs related to the selling of your existing home, relocation (including but not limited to; packing, transportation, storage, and house hunting expenses) and purchase of a new home.
   - Up to twelve (12) months of furnished, temporary living.
   - *Please note that all relocation expenses are required to be reported as taxable income, and must be reimbursed within 30 days if you voluntarily end your employment relationship or are terminated for willful/gross misconduct within two (2) years of your commencement date.*

4. **<u>Stock Options</u>:** On the Commencement Date, pursuant to the Company's 2005 Long Term Incentive and Share Award Plan, as amended and restated (the "Plan"), you will be granted options to purchase 100,000 shares of common stock of the Company(which number of shares is subject to adjustment as described below in the event of a reverse stock split by the Company). The stock options will vest in four equal annual installments commencing on the first anniversary of the date of grant. The exercise price per share will be equal to the closing trading price per share on the on the date of grant on the Nasdaq stock market. The vesting of the stock options will be subject to your continued employment with the Company on the applicable vesting date, except such options will become immediately vested and exercisable in full upon your death, upon termination of your employment due to your disability or upon a change of control of the Company (as defined in the Plan). Except as otherwise set forth in this offer letter, the terms of your stock options shall be governed by the Plan as in effect from time to time, as well as the individual award agreement between you and the Company.

   Please note that the Board of Directors was given authorization at the recent annual shareholders meeting to implement a reverse stock split, in up to a 1:20 ratio. Any reverse split implemented by the Company will result in corresponding adjustments to the stock options in accordance with the Plan (i.e., the number of shares subject to the stock options will be reduced by the split ratio and the exercise price per share will be increased by the split ratio). In the event a reverse stock split occurs prior to the date of grant of the stock options described above, the number of shares subject to the options to be granted will be reduced to reflect the reverse stock split.

5. **<u>Benefits; Group Health Insurance:</u>** During your employment, you shall be entitled to participate in all employee welfare benefit plans and programs available to the Company's senior level executives or to its employees generally, subject to the terms of such plans or programs as such plan and programs may change from time to time. Your health insurance coverage will begin on the first day of the month following sixty (60) days from your Commencement Date. Cost of this protection is currently $112.86 per month for an individual, $361.16 per month to add an additional spouse or dependent, and $564.32 per month for family coverage. The premiums may change from time to time. A lower cost Consumer Driven Plan and Dental Insurance are also available.

6. **<u>401-K Plan:</u>** You have the opportunity to participate in the etailz 401(k) Profit Sharing Program. You will be eligible for plan participation on the first day of the month following your first thirty days of employment. The Company matches 100% against the first 6% of your eligible contributions, which will begin after one year of employment. You are also eligible to immediately roll over an existing 401(k) balance into the Company plan.

7. **<u>Group Life Insurance:</u>** You are eligible for $30,000 group life insurance provided at no cost to you. Supplemental group life insurance is available to you through payroll deduction.

8. **Vacation:** In addition to the nine (9) Holidays recognized by etailz, as a etailz Senior Executive, you will be granted flexible time off to use at your discretion.

9. **Cell Phone:** You will be reimbursed for use of a cell phone with a maximum monthly allowance of up to $100.00 before applicable taxes and fees are applied.

10. **Severance Pay:** In the event your employment is terminated by the Company other than for Cause (and not due to your death of disablility), subject to you signing a severance agreement containing a general release of all claims in a form prepared by the Company (and not revoking it during any statutory revocation period), and which shall become effective not more than fifty (50) days after the date of your termination, you shall be entitled to severance pay in the form of salary continuation for a period of six (6) months (the "Severance Period"). The foregoing notwithstanding, if you obtain a subsequent employment position or engagement prior to the expiration of the Severance Period, any compensation or fees you earn or receive during the Severance Period pursuant to such subsequent employment or engagement shall reduce the Company's severance payment obligations hereunder on a dollar for dollar basis. You will provide the Company with written notice as soon as practicable following the date you obtain a subsequent position, which notice shall further specify the amount of compensation you will receive from such subsequent employment or engagement during the Severance Period. For purposes of this Agreement, you shall be deemed terminated for Cause if the Company terminates your employment because you: (a) committed fraud, theft, misappropriation or embezzlement of the funds of TWE (as defined below); (b) have been indicted for or entered a plea of guilty or nolo contendere to (i) any felony or any other crime involving fraud or misrepresentation or (ii) any other crime (whether or not connected with your employment) the effect of which is likely to adversely affect TWE; (c) have committed intentional acts that materially impair or cause material damage to the goodwill or business of TWE; (d) breached any material provision of this Agreement or any material policy of TWE; or (e) have refused to perform or have materially neglected or engaged in misconduct in the performance of your material job duties and responsibilities.

11. **Background Check:** This offer is contingent upon the successful completion of a background check. Please contact Vice President of Human Resources, Jeff Davis at 518-452-1242, ext. 7157 to make the necessary arrangements.

12. **Commencement Date/At Will Employment:** The terms of this offer of employment will take effect upon you joining the Company (the "Commencement Date") September 3, 2019. This offer of employment does not and shall not constitute any guarantee of employment and, as such, your employment is "at will."

13. **<u>Non-Solicitation</u>:** For a period of twenty-four (24) months commencing on the date you leave the employ of Trans World Entertainment and its subsidiaries and affiliates (collectively, "TWE") for whatever reason, you shall not, directly or indirectly, without the prior written consent of the Company, (i) solicit, induce or attempt to induce any employee or service provider of TWE to leave the employ of TWE, or in any way interfere with the relationship between TWE and any employee or service provider thereof or (ii) solicit any business from any person or entity who was (A) a client, customer, supplier or other business relation of etailz as of the date hereof, (B) a client, customer, supplier or other business relation of TWE with whom you or any employee directly or indirectly supervised by you had direct contact at any time during the two-year period immediately preceding the termination of your employment from TWE (each a "**Restricted Party**"), (iii) otherwise interfere with the relationship between TWE and any Restricted Party, or (iv) accept or service any e-commerce or online marketplace or similar business of any type from any Restricted Party.

14. **<u>Non-Compete</u>**: If your employment relationship with the Company terminates, for whatever reason, you shall not for a period of six (6) months commencing on your last day of work, directly or indirectly, without the prior written consent of the Company, engage in or become employed by, or become an officer, employee, director, agent, consultant, contractor, shareholder, member or partner of or lender to, or otherwise hold an interest in, any person or entity that competes with or engages in the sale or provision of products or services similar to those sold, provided or offered by etailz during the two year period immediately prior to date on which your employment with TWE terminates, except for your ownership of less than 5% of the stock or other equity interests of a publicly traded firm or corporation.

15. **<u>Confidentiality</u>:** In consideration of this offer of employment, you agree not to misappropriate or use (other than for the benefit of the Company) the Company's Confidential Information or disclose it to any third party unless you are required by law to make any such disclosure. This covenant shall run for the period of your employment and survive your separation from the Company for any reason whatsoever. "Confidential Information" includes trade secrets and other non-public or proprietary TWE information, reports, material and documents, including but not limited to any information about sales, financial reports, employee information including compensation, store profitability, product costs, and any information relating to accounting and reporting matters of TWE. You will execute as a condition of employment all free-standing trade secrets, confidentiality and intellectual property agreements as the Company may present you.

You also agree to keep the terms of this offer letter confidential and not to disclose its contents, in whole or in part, to any persons other than to your family members and advisors, unless the Company shall have publicly disclosed the contents hereof.

Anything herein to the contrary notwithstanding, the provisions of this Pararaph 15 shall not apply: (i) when disclosure is required by law or legal process, (ii) with respect to any litigation, arbitration or mediation involving this offer letter, or (iii) as to Confidential Information that becomes generally known to the public or within the relevant trade or industry other than due to your violation of this Paragraph 15.

Notwithstanding your obligation not to directly or indirectly disclose, reveal, divulge or communicate Confidential Information as outlined herein, you have the right, without notice to or authorization of the Company, to communicate and cooperate in good faith with any self-regulatory organization or U.S. federal, state, or local governmental or law enforcement branch, agency, commission, or entity (collectively, a "**Government Entity**") for the purpose of (i) reporting a possible violation of any U.S. federal, state, or local law or regulation, (ii) participating in any investigation or proceeding that may be conducted or managed by any Government Entity, including by providing documents or other information, or (iii) filing a charge or complaint with a Government Entity, provided that in each case, such communications, participation, and disclosures are consistent with applicable law. Additionally, you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state, or local government official, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If you file a lawsuit for retaliation by an employer for reporting a suspected violation of law, you may disclose the trade secret to your attorney and use the trade secret information in the court proceeding, if you file any document containing the trade secret under seal; and do not disclose the trade secret, except pursuant to court order. Notwithstanding the foregoing, under no circumstance will you be authorized to disclose any Confidential Information as to which TWE may assert protections from disclosure under the attorney-client privilege or the attorney work product doctrine, without prior written consent of Company's Chief Executive Officer or other authorized officer designated by the Company.

16. **Miscellaneous**: You hereby agree and acknowledge that (i) the foregoing restrictions under this Agreement (A) are reasonable as to time and scope, (B) are reasonable and necessary in order to protect the legitimate interests of TWE, (C) do not impose on you undue hardship and (D) are not injurious to the public, (ii) TWE competes for clients and customers throughout the world, (iii) the Company would not have entered into this Agreement in the absence of the restrictions set forth here, (iv) a breach or threatened breach of your covenants and restrictions could cause irreparable harm to TWE for which it would have no adequate remedy at law. Accordingly, notwithstanding any language contained in this Agreement, and in addition to any remedies which the Company may have at law, in the event of an actual or threatened breach of your covenants and restrictions contained in this Agreement, the Company shall have the absolute right to apply to any court of competent jurisdiction for such injunctive or other equitable relief as such court may deem necessary or appropriate in the circumstances (without the requirement of posting a bond or any other type of undertaking). Additionally, you agree that in the event that any court of competent jurisdiction should hold that the duration, area, scope or other term of a restriction set forth in this Agreement is unreasonable or unenforceable under circumstances now or hereafter existing, the maximum duration, area and scope of restriction and other term reasonable under the circumstances shall be substituted. In the event that you or the Company initiates any proceeding in an attempt to confirm or enforce either of your rights under Paragraph 13 or 14 of this Agreement, the parties agree that the time period during which you are restricted pursuant to this Agreement will be tolled to the furthest extent allowed under applicable law. In the event of any proceeding relating to the foregoing, or otherwise relating to the enforcement of any of the provisions of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and expenses. This offer letter shall be governed by and construed and interpreted in accordance with the laws of the State of New York without reference to the principles of conflict of laws. This offer letter may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. Signatures delivered by facsimile or PDF shall be effective for all purposes.

17. **Section 409A**: The parties intend that this Agreement and the payments and benefits provided hereunder be exempt from the application of Section 409A, and the rules and regulations issued thereunder, to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the involuntary separation pay plan exception described in Treasury Regulation Section 1.409A-1(b)(9)(iii), or otherwise. To the extent Section 409A is applicable to this Agreement, the parties intend that this Agreement and any payments and benefits hereunder comply with the deferral, payout and other limitations and restrictions imposed under Section 409A so as to avoid the imputation of any tax, penalties, accelerated taxation or interest under Section 409A. Notwithstanding anything herein to the contrary, this Agreement shall be construed, interpreted, operated and administered in a manner consistent with such intentions; provided that no action or failure to act pursuant to this Paragraph 17 shall subject TWE to any claim, liability, or expense, and TWE shall not have any obligation to indemnify or otherwise protect you from any obligation to pay any taxes, interest or penalties pursuant to Section 409A.

Without limiting the generality of the foregoing, and notwithstanding any other provision of this Agreement to the contrary, the parties agree that if (i) it is determined that you are a "specified employee" within the meaning of Section 409A upon the date of your termination, and (ii) some or any portion of the amounts payable to you (the "**Deferred Compensation Separation Benefits**") would result in the imposition of the penalty tax under Section 409A if paid to you on or within the six (6) month period following the termination date, then to the extent such portion of the Deferred Compensation Separation Benefits resulting in the imposition of additional tax would otherwise have been payable on or within the first six (6) months following the date of your termination, it will instead become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the termination date (or such longer period as is required to avoid the imposition of additional tax under Section 409A). All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.

Kunal, congratulations on the offer. I look forward to working with you and all your future successes with the Company. If you have any questions, please do not hesitate to contact me. Also feel free to contact Jeff Davis if you have HR-related questions. The signed offer acceptance should be returned to Jeff as well.

Sincerely,

/s/ Mike Feurer

Mike Feurer
Chief Executive Officer

ACKNOWLEDGED AND AGREED TO:

/s/ Kunal Chopra

Kunal Chopra July 6, 2019

Exhibit 31.1

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

I, Michael Feurer certify that:

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

(2) Based on my knowledge, this 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 report;

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

(4) The registrant's other certifying officer(s) 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(f)) for the registrant and 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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 registrant'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 registrant's internal control over financial reporting.

Dated: September 17, 2019

/s/ Michael Feurer
Michael Feurer
Chief Executive Officer
Trans World Entertainment Corporation

Exhibit 31.2

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

I, Edwin Sapienza, Chief Financial Officer of Trans World Entertainment Corporation (the “Registrant”), certify that:

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

(2) Based on my knowledge, this 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 report;

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

(4) The registrant’s other certifying officer(s) 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(f)) for the registrant and 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 registrant, 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 registrant’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 registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

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 registrant’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 registrant’s internal control over financial reporting.

Dated: September 17, 2019

/s/ Edwin Sapienza
Edwin Sapienza
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 August 3, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Michael Feurer, Chief Executive Officer of the Company and Edwin Sapienza, 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/ Michael Feurer	/s/ Edwin Sapienza
Michael Feurer	Edwin Sapienza
Chief Executive Officer	Chief Financial Officer
September 17, 2019	September 17, 2019