FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 1995

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 0-13283

REX Stores Corporation
(Exact name of registrant as specified in its charter)

Delaware	31-1095548
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2875 Needmore Road, Dayton, Ohio	45414
(Address of principal executive offices)	(Zip Code)

513-276-3931
(Registrant's telephone number, including area code)

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 (X) No ( )

At the close of business on December 11, 1995, the registrant had 8,984,202 shares of Common Stock, par value $.01 per share, outstanding.

REX STORES CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

A S S E T S

	October 31 1995	January 31 1995	October 31 1994
		(In Thousands)	
ASSETS:			
Cash and cash equivalents	$ 2,084	$ 12,663	$ 2,760
Short-term investments	1,525	1,555	630
Accounts receivable, net	713	1,077	245
Merchandise inventory	183,801	115,347	142,395
Prepaid expenses and other	2,519	1,470	1,059
Prepaid income taxes and future income tax benefits	4,084	2,860	4,128
Total current assets	194,726	134,972	151,217
NET LAND, BUILDINGS AND EQUIPMENT	67,648	50,025	43,429
FUTURE INCOME TAX BENEFIT	7,619	7,619	6,709
Total assets	$ 269,993	$ 192,616	$ 201,355

LIABILITIES AND SHAREHOLDERS' EQUITY

	October 31 1995	January 31 1995	October 31 1994
CURRENT LIABILITIES:			
Notes payable	$ 51,162	$ 0	$ 33,528
Current portion of long-term debt	1,963	1,680	631
Accounts payable, trade	50,059	33,295	36,795
Accrued income taxes	0	3,343	0
Current portion, deferred income and gain on sale and leaseback	8,521	7,376	7,038
Accrued payroll and related	5,826	6,082	5,053
Other liabilities	5,371	4,499	4,605
Total current liabilities	122,902	56,275	87,650

Liabilities and Shareholders' Equity (Continued)

LONG-TERM LIABILITIES:			
Long-term debt	31,342	25,595	12,685
Deferred income	14,907	13,573	11,937
Deferred gain on sale and leaseback	7,386	7,779	7,881
Total long-term liabilities	53,635	46,947	32,503
SHAREHOLDERS' EQUITY:			
Common stock	95	94	94
Treasury stock	(3,882)	(1,618)	(1,618)
Paid-in capital	56,386	56,090	55,794
Retained earnings	40,857	34,828	26,932
Total shareholders' equity	93,456	89,394	81,202
Total liabilities and shareholders' equity	$ 269,993	$ 192,616	$ 201,355

[FN]

The accompanying notes are an integral part of these unaudited consolidated statements.

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended October 31		Nine Months Ended October 31	
	1995	1994	1995	1994
	(In Thousands, Except Per Share Amounts)			
NET SALES	$ 94,914	$ 80,160	$278,799	$230,416
COSTS AND EXPENSES:				
Cost of merchandise sold	70,546	60,066	207,632	170,778
Selling, general and administrative expenses	19,716	16,871	58,187	50,772
Total costs and expenses	90,262	76,937	265,819	221,550
INCOME FROM OPERATIONS	4,652	3,223	12,980	8,866
INVESTMENT INCOME	25	15	159	184
INTEREST EXPENSE	1,467	600	3,177	1,284
Income before income taxes	3,210	2,638	9,962	7,766
PROVISION FOR INCOME TAXES	1,268	1,039	3,933	3,066
NET INCOME	$ 1,942	$ 1,599	$ 6,029	$ 4,700
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	9,412	9,532	9,388	8,895
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE	$ 0.21	$ 0.17	$ 0.64	$ 0.53

[FN]

The accompanying notes are an integral part of these unaudited consolidated statements.

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Shares Issued		Common Shares Treasury			
	Shares	Amount	Shares	Amount	Paid-in Capital	Retained Earnings
			(In Thousands)			
Balance at October 31, 1994	9,372	$ 94	372	$1,618	$55,794	$26,932
Common stock issued	48	0	0	0	296	0
Net income	0	0	0	0	0	7,896
Balance at January 31, 1995	9,420	$ 94	372	$1,618	$56,090	$34,828
Common stock issued	63	1	0	0	296	0
Treasury stock acquired	0	0	162	2,264	0	0
Net income	0	0	0	0	0	6,029
Balance at October 31, 1995	9,483	$ 95	534	$3,882	$56,386	$40,857

[FN]

The accompanying notes are an integral part of these unaudited consolidated statements.

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended October 31 1995	1994
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,029	$ 4,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,610	1,040
Deferred income	2,390	593
Deferred income taxes and future income tax benefits	0	(1,565)
Accounts receivable	364	429
Merchandise inventory	(68,454)	(67,433)
Other current assets	(2,278)	132
Accounts payable, trade	16,764	8,771
Other liabilities	(2,727)	(1,143)
NET CASH USED IN OPERATING ACTIVITIES	(46,302)	(54,476)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short-term investments	30	0
Capital expenditures	(19,561)	(19,675)
Capital disposals	29	112
NET CASH USED IN INVESTING ACTIVITIES	(19,502)	(19,563)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes payable	51,162	33,528
Payments of long-term debt	(1,361)	(421)
Long-term debt borrowings	7,391	2,366
Common stock issued	297	20,908
Treasury stock acquired	(2,264)	0
NET CASH PROVIDED BY FINANCING ACTIVITIES	55,225	56,381
DECREASE IN CASH AND CASH EQUIVALENTS	(10,579)	(17,658)
CASH AND CASH EQUIVALENTS, beginning of period	12,663	20,418
CASH AND CASH EQUIVALENTS, end of period	$ 2,084	$ 2,760

[FN]

The accompanying notes are an integral part of these unaudited consolidated statements.

REX STORES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 1995

Note 1. Consolidated Financial Statements

The consolidated financial statements included in this report have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and include, in the opinion of management, all adjustments necessary to state fairly the information set forth therein. Any such adjustments were of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these unaudited consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 31, 1995.

Note 2. Accounting Policies

The interim consolidated financial statements have been prepared in accordance with the accounting policies described in the notes to the consolidated financial statements included in the Company's 1995 Annual Report on Form 10-K. While management believes that the procedures followed in the preparation of interim financial information are reasonable, the accuracy of some estimated amounts is dependent upon facts that will exist or calculations that will be accomplished at fiscal year end. Examples of such estimates include changes in the LIFO reserve (based upon the Company's best estimate of inflation to date) and management bonuses. Any adjustments pursuant to such estimates during the quarter were of a normal recurring nature.

Note 3. Equivalent Shares Outstanding

The Company follows the treasury method of calculating common equivalent shares outstanding. The following summarizes options granted, exercised and cancelled or expired at October 31, 1995:

	Shares Under Stock Option Plans
Outstanding at January 31, 1995 ($3.25 to $18.975 per share)	1,421,574
Granted ($13.875 to $15.262 per share)	167,845
Exercised ($3.25 to $15.25 per share)	(63,432)
Expired or cancelled ($6.375 to $17.25 per share)	(10,600)
Outstanding at October 31, 1995 ($3.25 to $18.975 per share)	1,515,387

Effective June 2, 1995, shareholders of the Company approved an amendment and restatement of the Company's 1994 Incentive Stock Option Plan, renamed the 1995 Omnibus Stock Incentive Plan. Awards under the amended Plan may be made in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, other stock-based awards and cash incentive awards. The amended Plan also provides for automatic yearly grants of nonqualified stock options to nonemployee directors of the Company. The maximum number of shares issuable under the amended Plan was increased from 1,000,000 to 2,000,000 shares.

Note 4. Revolving Line of Credit

Effective July 31, 1995, the Company entered into an amended and restated revolving credit agreement with seven participating banks/lenders which expires July 31, 2000. Under the terms of the agreement, available revolving credit borrowings are equal to the lesser of: (i) $100 million for the months of January through June and $150 million for the months of July through December or (ii) the sum of specific percentages of eligible accounts receivable and eligible inventories. Borrowings available are reduced by any letter of credit commitments outstanding (see Note 7 of the Company's 1995 Annual Report on Form 10-K). At October 31, 1995, there was approximately $51.2 million outstanding on the line of credit with additional availability of approximately $61.5 million.

The interest rate on borrowings is at prime or LIBOR plus 1.875% (approximately 7.8%) and commitment fees of 1/4% are payable on the unused portion. Borrowings are secured by certain fixed assets, accounts receivable and inventories.

The revolving credit agreement contains restrictive covenants which require the Company to maintain certain financial ratios, limit capital expenditures and limit the incurrence of additional indebtedness. The Company is also restricted on paying dividends.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company is a leader in the consumer electronics/appliance retailing industry, operating predominantly in small to medium sized markets in the Midwest and Southeast. The Company opened its first two stores in the West during the third quarter of fiscal 1996 and anticipates further expansion into this region in the future.

Results of Operations

The following table sets forth, for the periods indicated, the relative percentages that certain income and expense items bear to net sales:

	Three Months Ended October 31		Nine Months Ended October 31	
	1995	1994	1995	1994
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of merchandise sold	74.3	74.9	74.5	74.1
Gross profit	25.7	25.1	25.5	25.9
Selling, general and administrative expense	20.8	21.1	20.8	22.1
Income from operations	4.9	4.0	4.7	3.8
Interest, net	1.5	.7	1.1	.5
Income before income taxes	3.4	3.3	3.6	3.3
Provision for income taxes	1.3	1.3	1.4	1.3
Net income	2.1%	2.0%	2.2%	2.0%

Comparison of Nine Months Ended October 31, 1995 and 1994

Net sales in the third quarter ended October 31, 1995 were $94.9 million compared to $80.2 million in the prior year's comparable period, representing an increase of $14.7 million or 18.3%. This increase is primarily a result of 33 additional stores in the current year's third quarter compared to the prior year's third quarter, offset by a decline in comparable store merchandise sales of 4.1% for the quarter. Net sales for the first nine months of fiscal 1996 were $278.8 million compared to $230.4 million in the first nine months of fiscal 1995, representing an increase of $48.4 million or 21.0%. This increase is primarily a result of 33 additional store locations in the current year, offset by a decline in comparable store merchandise sales of 3.5% on a year to date basis. As of October 31, 1995, the Company had 175 stores compared to 142 stores one year earlier. The Company considers a store to be comparable after it has been open six fiscal quarters.

The Company opened ten stores and closed none during the first nine months of fiscal 1996 and 1995. During the fourth quarter of the current fiscal year, the Company will open an additional 24 stores bringing the total opened for the year to 34 stores. The Company anticipates opening an additional 35 to 40 new stores in fiscal 1997 and will continue to evaluate stores and markets and will close store locations that are not adequately contributing to Company profitability.

Gross profit of $24.4 million in the third quarter of fiscal 1996 (25.7% of net sales) was 21.3% higher than the $20.1 million gross profit (25.1% of net sales) recorded in the third quarter of fiscal 1995. The improved gross profit margin in the fiscal 1996 third quarter is primarily the result of lower merchandise cost on certain products due to opportunistic purchasing. In the first nine months of fiscal 1996 gross profit was $71.2 million (25.5% of net sales), a 19.3% increase over gross profit of $59.6 million (25.9% of net sales) for the first nine months of fiscal 1995. The lower gross profit margin for the first nine months of fiscal 1996 is primarily a result of increased competition in certain markets, the introduction of personal computers into 94 stores, which have a lower gross profit margin, and a decline in extended service contract revenues as a percentage of net sales, which generally have a higher gross profit margin.

Selling, general and administrative expenses for the third quarter of fiscal 1996 were $19.7 million (20.8% of net sales), a 16.9% increase over the $16.9 million (21.1% of net sales) for the third quarter of fiscal 1995. Selling, general and administrative expenses for the first nine months of fiscal 1996 were $58.2 million (20.8% of net sales), a 14.6% increase over the $50.8 million (22.1% of net sales) for the first nine months of fiscal 1995. The increase in expense was primarily attributable to higher payroll costs related to the increased number of stores and increased sales, and higher advertising and general costs associated with more store locations. The reduction of selling, general and administrative expense as a percent of net sales was primarily a result of more efficient advertising for existing stores and lower occupancy cost as a result of the increased number of owned stores versus leased stores.

As a result of the foregoing, income from operations was $4.7 million (4.9% of net sales) in the third quarter of fiscal 1996, a 44.3% increase over $3.2 million (4.0% of net sales) for the third quarter of fiscal 1995. Income from operations was $13.0 million (4.7% of net sales) for the first nine months of fiscal 1996, a 46.4% increase over $8.9 million (3.8% of net sales) for the first nine months of fiscal 1995.

Interest expense increased to $1.5 million (1.5% of net sales) for the quarter ended October 31, 1995 from $600,000 (.7% of net sales) for the previous year's third quarter. Interest expense for the first nine months of fiscal 1996 increased to $3.2 million (1.1% of net sales) from $1.3 million (.5% of net sales) for the first nine months of fiscal 1995. This increase is primarily a result of additional mortgage debt of $20.0 million (at an average interest rate of approximately 9.5%) since October 31, 1994 and higher borrowings on the line of credit during the current fiscal year.

The effective tax rate approximates 39.5% for all periods presented.

As a result of the foregoing, net income for the third quarter of fiscal 1996 was $1.9 million, a 21.5% increase over $1.6 million for the third quarter of fiscal 1995. Net income for the first nine months of fiscal 1996 was $6.0 million, a 28.3% increase over $4.7 million for the first nine months of fiscal 1995.

Liquidity and Capital Resources

Net cash used in operating activities was $46.3 million for the nine months ended October 31, 1995. The primary use of cash was an increase in inventory of $68.5 million due to preparations for additional store locations and the Christmas selling season, as well as opportunistic buying. This was partially offset by an increase in trade payables of $16.8 million.

At October 31, 1995, working capital was $71.9 million compared to $78.7 million at January 31, 1995. The ratio of current assets to current liabilities was 1.6 to 1 at October 31, 1995, and 2.4 to 1 at January 31, 1995.

Effective July 31, 1995, the Company entered into an amended and restated revolving credit agreement with seven participating banks/lenders which expires July 31, 2000. Under the terms of the agreement, available revolving credit borrowings are equal to the lesser of: (i) $100 million for the months of January through June and $150 million for the months of July through December or (ii) the sum of specific percentages of eligible accounts receivable and eligible inventories. The Company had outstanding borrowings of $51.2 million on its revolving line of credit at October 31, 1995 at an average interest rate of 7.8%. At October 31, 1995, the Company had approximately $61.5 million borrowing availability on the revolving line of credit after reduction for outstanding letters of credit.

During fiscal 1996, the Company has opened 34 new REX stores. Capital expenditures for the first nine months of fiscal 1996 were $19.6 million with additional expenditures of approximately $2 million to $3 million expected in the fourth quarter. The Company has obtained long-term mortgage financing of $7.4 million for 13 stores during the nine months ended October 31, 1995. The Company believes it will be able to obtain long-term mortgage financing on a site-by-site basis for Company built or Company purchased store locations.

PART II. OTHER INFORMATION

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

(a) Exhibits. The following exhibits are filed with this report:

10(a) Employment Agreement dated September 1, 1995 between Rex Radio and Television, Inc. and Stuart A. Rose

10(b) Employment Agreement dated September 1, 1995 between Rex Radio and Television, Inc. and Lawrence Tomchin

27 Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter ended October 31, 1995.

SIGNATURES

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

REX STORES CORPORATION
Registrant

December 11, 1995	Stuart A. Rose Stuart A. Rose Chairman of the Board (Chief Executive Officer)
December 11, 1995	Douglas L. Bruggeman Douglas L. Bruggeman Vice President, Finance and Treasurer (Principal Financial and Chief Accounting Officer)

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of the 1st day of September, 1995 between Rex Radio and Television, Inc. (the "Corporation"), and Stuart A. Rose (the "Employee").

Recitals

A. The Corporation and Employee entered into an Employment Agreement dated January 1, 1994, of which the Corporation and the Employee now desire to agree to substantially the same terms and to cause Employee's continued employment with the Corporation.

B. Employee desires to accept such employment on the basis of the mutual benefits and covenants contained herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows:

ARTICLE I - DUTIES OF EMPLOYEE

1.1 Duties of Employee. Employee shall be employed as Chief Executive Officer of the Corporation, for the period set forth in Article II below. Employee shall be subject to the supervision of the Board of Directors of the Corporation, and shall perform those executive, operational and administrative duties normally performed by the Chief Executive Officer of a corporation.

1.2 Engaging in Other Employment. Employee shall devote a substantial portion of his business time, energies, attention and abilities to the business of the Corporation; provided, however, that Employee shall not be prohibited from: (i) making investments in other businesses; and (ii) actively participating in the operation of any business within which he has invested.

1.3 Additional Duties. In addition to the foregoing duties, Employee shall perform such other work as may be assigned to him from time to time subject to the instructions, directions and control of the Board of Directors.

ARTICLE II - TERM OF EMPLOYMENT

2.1 Term. The Corporation shall employ Employee commencing as of the 1st day of January, 1997, and continuing for a period of three (3) years through December 31, 1999 (the "Employment Period") and any renewal period provided for in Section 2.2 below unless earlier terminated by Employee's: (i) resignation; (ii) death; (iii) total disability; or (iv) termination of employment, as provided in Article VI. "Total disability" shall mean such disability as shall render Employee incapable of performing substantially all of his duties for the Corporation as determined by any two qualified physicians chosen by the Corporation.

2.2 Renewal Term. The terms and conditions of this Employment Agreement shall automatically renew, without any further action by either party required, upon the expiration of the Employment Period and any period of renewal for subsequent one (1) year periods unless (i) notice of termination is provided to the other party at least 180 days prior to the expiration of the Employment Period or any period of renewal or (ii) this Employment Agreement is otherwise terminated pursuant to Article VI.

ARTICLE III - COMPENSATION AND EXPENSES

3.1 Compensation. Employee shall receive as compensation for services rendered under this Agreement a base salary of One Hundred Fifty Four Thousand Five Hundred Dollars ($154,500.00) per year, payable in equal monthly installments of Twelve Thousand Eight Hundred Seventy Five Dollars ($12,875.00) per month on the last working day of each month (or such more frequent dates as the Corporation may choose), and prorated for any partial monthly period.

3.2 Expenses. Employee is authorized to incur reasonable expenses in connection with the performance of his duties for the Corporation, including expenses for entertainment of customers, travel, and similar business purposes. The Corporation will reimburse Employee for all such expenses upon the presentation of an itemized account of such expenditures and approval of the expenditures by a designated officer. In incurring reasonable business expenses, Employee shall conform to the policies of the Corporation as adopted by the Board of Directors from time to time.

ARTICLE IV - EMPLOYEE BENEFITS AND BONUSES

4.1 Employee Benefit Plans. Employee shall be entitled to participate in any qualified pension plan, qualified profit-sharing plan, medical and dental reimbursement plan, group term life insurance plan, and any other employee benefit plan which may be established by the Corporation, such participation to be in accordance with the terms of any such plan.

4.2 Bonus. In addition to Employee's salary as provided in Section 3.1, Employee may be paid a cash bonus as determined in the sole discretion of the Board of Directors of the Corporation, any such bonus to be commensurate with the effort and achievement of Employee on behalf of the Corporation.

4.3 Vacation. Employee shall be entitled to eight (8) weeks of vacation during each 12-month period of the Employment Period or any period of renewal at full pay; provided, however, that no portion of a vacation not taken in any 12-month period may be taken in any other 12-month period. The time for such vacation shall be selected by Employee. Employee shall not be entitled to vacation pay in lieu of vacation.

ARTICLE V - NONDISCLOSURE AND NONCOMPETITION

5.1 Confidential Information. Employee agrees to keep secret and confidential the Confidential Information (as defined below) and shall not use or disclose said information, either during or after his employment with the Corporation, for any purpose not authorized by the Corporation. Upon termination of his employment with the Corporation, Employee shall leave with the Corporation all records, including all copies thereof, containing any Confidential Information, including, but not limited to, such documents as memoranda, notes, records, reports, customer lists, manuals, drawings, blueprints and maps. "Confidential Information" means information about the Corporation and any of its subsidiaries which is disclosed to Employee or known by him as a consequence of or through his work with or on behalf of the Corporation (including information conceived, originated, discovered, or developed by him) not generally known about the Corporation, including, but not limited to, matters of a technical nature, such as "know-how," innovations, research projects, methods, and matters of a business nature, such as information about costs, profits, markets, sales, lists of customers, suppliers, business processes, computer programs, accounting methods, information systems, business or marketing financial plans and reports, and any other information of a similar nature.

5.2 Restrictions on Competition. During the term of this Agreement and for a period of two years after termination, for any reason, of Employee's employment with the Corporation, Employee shall not directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, stockholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in any business that is (i) in competition in any manner whatsoever with the business of the Corporation within 100 miles of any store operated by the Corporation or its subsidiaries at the time of Employee's termination; or (ii) the owner or operator of a retail business similar to that of the Corporation within 100 miles of any store operated by the Corporation or its subsidiaries at the time of Employee's termination.

5.3 Saving. In the event any provision of this Article V shall be held invalid, illegal, or unenforceable, the remaining provisions shall in no way be affected thereby, and shall continue in full force and effect. If, moreover, any one or more of the provisions contained in this Article V shall for any reason be held to be excessively broad as to time, duration, geographical scope, activity or subject, it shall be construed, by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

ARTICLE VI - TERMINATION

6.1 Termination of Employment with Cause. The Corporation may at any time terminate Employee's employment with cause. Such termination of employment with cause shall not prejudice any other remedy to which the Corporation may be entitled either at law, in equity, or under this Agreement. "Termination of employment with cause" shall mean termination upon: (i) Employee's repeated failure or refusal to perform his duties hereunder faithfully, diligently, competently and to the best of his ability for reasons other than serious disability or other incapacity; (ii) Employee's violation of any material provision of this Agreement; or (iii) Employee's clear and intentional violation of a state or federal law of which he is aware or should have been aware: (a) involving the commission of a felonious crime against the Corporation which has a materially adverse effect upon the Corporation; or (b) involving a felony other than against the Corporation having a materially adverse effect upon the Corporation, as determined in either case in the reasonable judgment of the Board of Directors.

6.2 Termination by Either Party. This Agreement may be terminated by either party with or without cause upon 180 days notice.

6.3 Effect of Termination on Compensation. In the event this Agreement is terminated prior to the completion of the Employment Period or any period of renewal, Employee shall be entitled to the compensation earned by him prior to the date of termination as provided for in this Agreement computed pro rata up to and including that date; Employee shall be entitled to no further compensation as of the date of termination.

6.4 Effect of Termination on Bonus Plans. In the event of the termination of this Agreement prior to the completion of the Employment Period or any period of renewal, Employee shall automatically and completely forfeit any rights which he may have under any bonus plan established by the Corporation.

ARTICLE VII - WAIVER OF BREACH

7.1 Effect of Waiver. Waiver by the Corporation of any condition, or of the breach of Employee of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall not be deemed to be or construed as a further or continuing waiver of any such condition or to be a waiver either of any other condition or of the breach of any other term or covenant of this Agreement. The failure of the Corporation at any time or times to require performance of any provision hereof shall in no manner affect its rights at a later time to require the same.

ARTICLE VIII - MISCELLANEOUS

8.1 Notices. All notices and other communications by any party hereto shall be made in writing to the other party and shall be deemed to have been duly given when mailed by United States certified mail, with postage prepaid, addressed as the parties hereto may designate from time to time in writing.

8.2 Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Employee by the

Corporation, and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever.

8.3 Assignability. Neither this Agreement, nor any duties or obligations hereunder shall be assignable by Employee without the prior written consent of the Board of Directors of the Corporation.

8.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

8.5 Captions. The captions in this Agreement are inserted for convenience only and shall not be considered part of or affect the construction or interpretation of any provision of this Agreement.

8.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

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

REX RADIO AND TELEVISION, INC.

Edward M. Kress
Edward M. Kress, Secretary

EMPLOYEE:

Stuart A. Rose
STUART A. ROSE

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of the 1st day of September, 1995 between Rex Radio and Television, Inc. (the "Corporation"), and Lawrence Tomchin (the "Employee").

Recitals

A. The Corporation and Employee entered into an Employment Agreement dated January 1, 1994, of which the Corporation and the Employee now desire to agree to substantially the same terms and to cause Employee's continued employment with the Corporation.

B. Employee desires to accept such employment on the basis of the mutual benefits and covenants contained herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows:

ARTICLE I - DUTIES OF EMPLOYEE

1.1 Duties of Employee. Employee shall be employed as President and Chief Operating Officer of the Corporation, for the period set forth in Article II below. Employee shall be subject to the supervision of the Board of Directors of the Corporation, and shall perform those executive, operational and administrative duties normally performed by the President and Chief Operating Officer of a corporation.

1.2 Engaging in Other Employment. Employee shall devote a substantial portion of his business time, energies, attention and abilities to the business of the Corporation; provided, however, that Employee shall not be prohibited from: (i) making investments in other businesses; and (ii) actively participating in the operation of any business within which he has invested.

1.3 Additional Duties. In addition to the foregoing duties, Employee shall perform such other work as may be assigned to him from time to time subject to the instructions, directions and control of the Board of Directors.

ARTICLE II - TERM OF EMPLOYMENT

2.1 Term. The Corporation shall employ Employee commencing as of the 1st day of January, 1997, and continuing for a period of three (3) years through December 31, 1999 (the "Employment Period") and any renewal period provided for in Section 2.2 below unless earlier terminated by Employee's: (i) resignation; (ii) death; (iii) total disability; or (iv) termination of employment, as provided in Article VI. "Total disability" shall mean such disability as shall render Employee incapable of performing

substantially all of his duties for the Corporation as determined by any two qualified physicians chosen by the Corporation.

2.2 Renewal Term. The terms and conditions of this Employment Agreement shall automatically renew, without any further action by either party required, upon the expiration of the Employment Period and any period of renewal for subsequent one (1) year periods unless (i) notice of termination is provided to the other party at least 180 days prior to the expiration of the Employment Period or any period of renewal or (ii) this Employment Agreement is otherwise terminated pursuant to Article VI.

ARTICLE III - COMPENSATION AND EXPENSES

3.1 Compensation. Employee shall receive as compensation for services rendered under this Agreement a base salary of One Hundred Fifty Four Thousand Five Hundred Dollars ($154,500.00) per year, payable in equal monthly installments of Twelve Thousand Eight Hundred Seventy Five Dollars ($12,875.00) per month on the last working day of each month (or such more frequent dates as the Corporation may choose), and prorated for any partial monthly period.

3.2 Expenses. Employee is authorized to incur reasonable expenses in connection with the performance of his duties for the

Corporation, including expenses for entertainment of customers, travel, and similar business purposes. The Corporation will reimburse Employee for all such expenses upon the presentation of an itemized account of such expenditures and approval of the expenditures by a designated officer. In incurring reasonable business expenses, Employee shall conform to the policies of the Corporation as adopted by the Board of Directors from time to time.

ARTICLE IV - EMPLOYEE BENEFITS AND BONUSES

4.1 Employee Benefit Plans. Employee shall be entitled to participate in any qualified pension plan, qualified profit-sharing plan, medical and dental reimbursement plan, group term life insurance plan, and any other employee benefit plan which may be established by the Corporation, such participation to be in accordance with the terms of any such plan.

4.2 Bonus. In addition to Employee's salary as provided in Section 3.1, Employee may be paid a cash bonus as determined in the sole discretion of the Board of Directors of the Corporation, any such bonus to be commensurate with the effort and achievement of Employee on behalf of the Corporation.

4.3 Vacation. Employee shall be entitled to eight (8) weeks of vacation during each 12-month period of the Employment Period or any period of renewal at full pay; provided, however, that no portion of a vacation not taken in any 12-month period may be taken in any other 12-month period. The time for such vacation shall be selected by Employee. Employee shall not be entitled to vacation pay in lieu of vacation.

ARTICLE V - NONDISCLOSURE AND NONCOMPETITION

5.1 Confidential Information. Employee agrees to keep secret and confidential the Confidential Information (as defined below) and shall not use or disclose said information, either during or after his employment with the Corporation, for any purpose not authorized by the Corporation. Upon termination of his employment with the Corporation, Employee shall leave with the Corporation all records, including all copies thereof, containing any Confidential Information, including, but not limited to, such documents as memoranda, notes, records, reports, customer lists, manuals, drawings, blueprints and maps. "Confidential Information" means information about the Corporation and any of its subsidiaries which is disclosed to Employee or known by him as a consequence of or through his work with or on behalf of the Corporation (including information conceived, originated, discovered, or developed by him) not generally known about the Corporation, including, but not limited to, matters of a technical nature, such as "know-how," innovations, research projects, methods, and matters of a business nature, such as information about costs, profits, markets, sales, lists of customers, suppliers, business processes, computer programs, accounting methods, information systems, business or marketing financial plans and reports, and any other information of a similar nature.

5.2 Restrictions on Competition. During the term of this Agreement and for a period of two years after termination, for any reason, of Employee's employment with the Corporation, Employee shall not directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, stockholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in any business that is (i) in competition in any manner whatsoever with the business of the Corporation within 100 miles of any store operated by the Corporation or its subsidiaries at the time of Employee's termination; or (ii) the owner or operator of a retail business similar to that of the Corporation within 100 miles of any store operated by the Corporation or its subsidiaries at the time of Employee's termination.

5.3 Saving. In the event any provision of this Article V shall be held invalid, illegal, or unenforceable, the remaining provisions shall in no way be affected thereby, and shall continue in full force and effect. If, moreover, any one or more of the provisions contained in this Article V shall for any reason be held to be excessively broad as to time, duration, geographical scope, activity or subject, it shall be construed, by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

ARTICLE VI - TERMINATION

6.1 Termination of Employment with Cause. The Corporation may at any time terminate Employee's employment with cause. Such termination of employment with cause shall not prejudice any other remedy to which the Corporation may be entitled either at law, in equity, or under this Agreement. "Termination of employment with cause" shall mean termination upon: (i) Employee's repeated failure or refusal to perform his duties hereunder faithfully, diligently, competently and to the best of his ability for reasons other than serious disability or other incapacity; (ii) Employee's violation of any material provision of this Agreement; or (iii) Employee's clear and intentional violation of a state or federal law of which he is aware or should have been aware: (a) involving the commission of a felonious crime against the Corporation which has a materially adverse effect upon the Corporation; or (b) involving a felony other than against the Corporation having a materially adverse effect upon the Corporation, as determined in either case in the reasonable judgment of the Board of Directors.

6.2 Termination by Either Party. This Agreement may be terminated by either party with or without cause upon 180 days notice.

6.3 Effect of Termination on Compensation. In the event this Agreement is terminated prior to the completion of the Employment Period or any period of renewal, Employee shall be entitled to the compensation earned by him prior to the date of termination as provided for in this Agreement computed pro rata up to and including that date; Employee shall be entitled to no further compensation as of the date of termination.

6.4 Effect of Termination on Bonus Plans. In the event of the termination of this Agreement prior to the completion of the Employment Period or any period of renewal, Employee shall automatically and completely forfeit any rights which he may have under any bonus plan established by the Corporation.

ARTICLE VII - WAIVER OF BREACH

7.1 Effect of Waiver. Waiver by the Corporation of any condition, or of the breach of Employee of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall not be deemed to be or construed as a further or continuing waiver of any such condition or to be a waiver either of any other condition or of the breach of any other term or covenant of this Agreement. The failure of the Corporation at any time or times to require performance of any provision hereof shall in no manner affect its rights at a later time to require the same.

ARTICLE VIII - MISCELLANEOUS

8.1 Notices. All notices and other communications by any party hereto shall be made in writing to the other party and shall be deemed to have been duly given when mailed by United States certified mail, with postage prepaid, addressed as the parties hereto may designate from time to time in writing.

8.2 Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Employee by the

Corporation, and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever.

8.3 Assignability. Neither this Agreement, nor any duties or obligations hereunder shall be assignable by Employee without the prior written consent of the Board of Directors of the Corporation.

8.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

8.5 Captions. The captions in this Agreement are inserted for convenience only and shall not be considered part of or affect the construction or interpretation of any provision of this Agreement.

8.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

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

REX RADIO AND TELEVISION, INC.

Edward M. Kress
Edward M. Kress, Secretary

EMPLOYEE:

Lawrence Tomchin
LAWRENCE TOMCHIN

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0000744187
REX STORES CORPORATION
1,000
U.S. DOLLARS

9-MOS
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OCT-31-1995
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