

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 ending April 30, 1997

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 No. 31-1095548  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

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

Registrant's telephone number, including area code 937-276-3931

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, and (2) has been subject to such filing requirements for at least the past 90 days. Yes (X) No ( )

At the close of business on June 12, 1997, the registrant had 7,897,139 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

	April 30 1997	January 31 1997	April 30 1996
	(In Thousands)		
ASSETS:			
Cash and cash equivalents	\$ 2,119	\$ 3,959	\$ 1,931
Short-term investments	1,633	1,645	1,565
Accounts receivable, net	542	1,477	408
Merchandise inventory	156,318	135,033	164,920
Prepaid expenses and other	3,861	2,219	1,997
Future income tax benefits	5,544	5,544	3,818
	-----	-----	-----
Total current assets	170,017	149,877	174,639
PROPERTY AND EQUIPMENT, NET	89,480	89,638	71,316
FUTURE INCOME TAX BENEFITS	8,519	8,519	8,269
	-----	-----	-----
Total assets	\$ 268,016	\$ 248,034	\$ 254,224
	=====	=====	=====

## LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:			
Notes payable	\$ 25,816	\$ 12,142	\$ 27,150
Current portion of long-term debt	3,152	3,131	2,058
Current portion, deferred income and deferred gain on sale and leaseback	11,101	10,844	9,570
Accounts payable, trade	41,541	31,265	44,327
Accrued income taxes	0	1,077	789
Accrued payroll	4,361	4,866	4,696
Other liabilities	5,208	6,401	5,521
	-----	-----	-----
Total current liabilities	91,179	69,726	94,111
	-----	-----	-----

Liabilities and Shareholders' Equity (Continued)

LONG-TERM LIABILITIES:

Long-term debt	52,323	51,102	32,090
Deferred income	17,992	18,279	16,835
Deferred gain on sale and leaseback	5,971	6,207	6,914
	-----	-----	-----
Total long-term liabilities	76,286	75,588	55,839
	-----	-----	-----

SHAREHOLDERS' EQUITY:

Common stock	96	96	96
Paid-in capital	57,336	57,229	56,903
Retained earnings	57,560	56,763	51,157
Treasury stock	(14,441)	(11,368)	(3,882)
	-----	-----	-----
Total shareholders' equity	100,551	102,720	104,274
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 268,016	\$ 248,034	\$ 254,224
	=====	=====	=====

[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  
April 30  
1997                      1996

(In Thousands, Except Per Share Amounts)

NET SALES	\$ 88,265	\$ 97,384
	-----	-----
COSTS AND EXPENSES:		
Cost of merchandise sold	63,870	72,503
Selling, general and administrative expenses	21,573	20,798
	-----	-----
Total costs and expenses	85,443	93,301
	-----	-----
INCOME FROM OPERATIONS	2,822	4,083
INVESTMENT INCOME	28	22
INTEREST EXPENSE	1,532	1,203
	-----	-----
Income before provision for income taxes	1,318	2,902
PROVISION FOR INCOME TAXES	521	1,146
	-----	-----
NET INCOME	\$ 797	\$ 1,756
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVA- LENT SHARES OUTSTANDING	8,276	9,389
	=====	=====
NET INCOME PER SHARE	\$ 0.10	\$ 0.19
	=====	=====

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	In Thousands					
	Common Shares		Treasury		Paid-in Capital	Retained Earnings
	Issued Shares	Amount	Shares	Amount		
Balance at April 30, 1996	9,568	\$ 96	534	\$3,882	\$56,903	\$51,157
Common stock issued	34	-	-	-	326	-
Treasury stock acquired	-	-	854	7,486	-	-
Net income	-	-	-	-	-	5,606
Balance at January 31, 1997	9,602	\$ 96	1,388	11,368	\$57,229	\$56,763
Common stock issued	13	-	-	-	107	-
Treasury stock acquire	-	-	375	3,073	-	-
Net income	-	-	-	-	-	797
Balance at April 30, 1997	9,615	\$ 96	1,763	\$14,441	\$57,336	\$57,560

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended April 30	
	1997	1996
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 797	\$ 1,756
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, net	743	717
Deferred income	(30)	683
Accounts receivable	935	1,196
Merchandise inventory	(21,285)	(18,354)
Other current assets	(1,644)	(173)
Accounts payable, trade	10,276	4,802
Other liabilities	(2,775)	(5,016)
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(12,983)	(14,389)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short-term investments	12	(40)
Capital expenditures	(819)	(1,830)
Capital disposals	-	2
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(807)	(1,868)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in note payable	13,674	17,823
Payments of long-term debt	(680)	(492)
Long-term debt borrowings	1,922	-
Common stock issued	107	172
Treasury stock acquired	(3,073)	-
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	11,950	17,503
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,840)	1,246
CASH AND CASH EQUIVALENTS, beginning of period	3,959	685
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 2,119	\$ 1,931
	=====	=====

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

REX STORES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 1997

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, 1997.

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 1997 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 April 30, 1997:

	Shares Under Stock Option Plans
Outstanding at January 31, 1997 (\$3.375 to \$18.975 per share)	2,119,227
Exercised (\$6.375 to \$7.5625 per share)	(14,223)
	-----
Outstanding at April 30, 1997 (\$3.375 to \$18.975 per share)	2,105,004
	-----

On February 26, 1997, the Company's Board of Directors approved a re-pricing of 362,035 stock options, with exercise prices ranging from \$13.00 to \$18.975 per share, to the market price as of the date of approval of \$8.125 per share. Stock options held by employees who are members of the Board of Directors and stock options held by Non-Employee Directors were not re-priced.

## Note 4. Earnings Per Share

In February 1997, the Financial Accounting Standards Board Issued Statement of Financial Accounting Standards No. 128 (SFAS No. 128) "Earnings per Share," which establishes standards for computing and presenting earnings per share (EPS) for all publicly held companies. SFAS No. 128 replaces the presentation of primary EPS with a presentation of basic EPS and requires the presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures. Basic EPS excludes all dilution, while diluted EPS reflects the potential dilution that could occur if securities, stock options or other contracts to issue common stock were exercised resulting in the issuance of common stock.

The adoption of SFAS No. 128 is required for financial statements issued after December 15, 1997 and requires restatement of all prior period EPS data. Under SFAS No. 128, basic EPS and diluted EPS would have been \$.10 for the quarter ending April 30, 1997. Basic EPS and diluted EPS would have been \$.20 and \$.19, respectively, for the quarter ending April 30, 1996.



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 under the trade name "REX".

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 April 30	
	1997	1996
Net sales	100.0%	100.0%
Cost of merchandise sold	72.4	74.4
	-----	-----
Gross profit	27.6	25.6
Selling, general and administrative expense	24.4	21.4
	-----	-----
Income from operations	3.2	4.2
Interest, net	1.7	1.2
	-----	-----
Income before income taxes	1.5	3.0
Provision for income taxes	.6	1.2
	-----	-----
Net income	.9%	1.8%
	=====	=====

## Comparison of Three Months Ended April 30, 1997 and 1996

Net sales in the first quarter ended April 30, 1997 were \$88.3 million compared to \$97.4 million in the prior year's comparable period, representing a decrease of \$9.1 million or 9.4%. This decrease is the result of a 20.4% decline in comparable store sales for the quarter, partially offset by sales from 25 net additional stores in the current quarter compared to the prior year's first quarter. The Company considers a store to be comparable after it has been open six fiscal quarters.

As of April 30, 1997, the Company had 222 stores compared to 197 stores one year earlier. There were no stores opened or closed during the first quarter of fiscal 1998. The Company evaluates the performance of its stores on a continuous basis and, based on an assessment of factors it deems relevant, will close any store which is not adequately contributing to Company profitability.

Gross profit of \$24.4 million in the first quarter of fiscal 1998 (27.6% of net sales) was 2.0% lower than the \$24.9 million gross profit (25.6% of net sales) recorded in the first quarter of fiscal 1997. The improved gross profit margin, as a percent of net sales, for the first quarter of fiscal 1998 is primarily the result of lower merchandise cost on certain products due to opportunistic purchasing and the recognition of a higher amount of extended service contract revenues, which generally have a higher gross profit margin.

Selling, general and administrative expenses for the quarter ended April 30, 1997 were \$21.6 million (24.4% of net sales), a 3.7% increase over the \$20.8 million (21.4% of net sales) for the quarter ended April 30, 1996. The increase in expenses was primarily attributable to higher advertising costs and operating expenses associated with more store locations. The increase in expenses as a percent of net sales results from the decline in comparable store sales.

Interest expense increased to \$1.5 million in the first quarter of fiscal 1998 from \$1.2 million in the first quarter of fiscal 1997. This increase is primarily a result of additional mortgage debt of approximately \$21.3 million (at an average interest rate of approximately 8.8%) since April 30, 1996 associated with more Company owned store locations.

The effective tax rate was approximately 39.5% in the first quarter of fiscal 1998 and 1997.

As a result of the foregoing, net income for the first quarter of fiscal 1997 was \$797,000, a 54.6% decrease from \$1.8 million for the first quarter of fiscal 1997.

## Liquidity and Capital Resources

Net cash used in operating activities was \$13.0 million for the first quarter of fiscal 1998. Cash flow was provided by net income of \$797,000 adjusted for non-cash charges of \$713,000. The primary use of cash was an increase in inventory of \$21.3 million primarily due to the addition of seasonal air conditioner inventory and opportunistic purchases. This increase was partially offset by increased accounts payable of \$10.3 million. Changes in other working capital items also served to decrease cash by approximately \$3.5 million.

At April 30, 1997, working capital was \$78.8 million compared to \$80.2 million at January 31, 1997. The ratio of current assets to current liabilities was 1.9 to 1 at April 30, 1997, and 2.1 to 1 at January 31, 1997.

The Company had outstanding borrowings of \$25.8 million on its revolving line of credit at April 30, 1997 at a average interest rate of 8.06%. At April 30, 1997, the Company had approximately \$72.0 million borrowing availability on the revolving line of credit after reduction for the outstanding letter of credit.

## PART II. OTHER INFORMATION

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

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

- 4(h) Amendment Agreement dated April 1, 1997 to Amended and Restated Loan Agreement dated July 31, 1995 and to Guaranty of registrant dated July 31, 1995 among the Borrowers, the registrant, the lenders named therein, and Fleet Bank, N.A. (as successor to NatWest Bank N.A.) as agent

27 Financial Data Schedule

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended April 30, 1997.

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

June 12, 1997

Stuart A. Rose  
Stuart A. Rose  
Chairman of the Board  
(Chief Executive Officer)

June 12, 1997

Douglas L. Bruggeman  
Douglas L. Bruggeman  
Vice President, Finance and  
Treasurer  
(Principal Financial and  
Chief Accounting Officer)



AMENDMENT NO. 1 TO AMENDED AND RESTATED LOAN AGREEMENT  
AND TO GUARANTY

AMENDMENT AGREEMENT, dated as of April 1, 1997, among REX RADIO AND TELEVISION, INC., an Ohio corporation ("Rex Radio"), KELLY & COHEN APPLIANCES, INC., an Ohio corporation ("Kelly"), STEREO TOWN, INC., a Georgia corporation ("Stereo Town"), REX KANSAS, INC., a Kansas corporation ("Rex Kansas" and together with Rex Radio, Kelly and Stereo Town, each a "Borrower" and collectively, the "Borrowers"), REX STORES CORPORATION, a Delaware corporation (the "Guarantor"), those financial institutions named as lenders on the signature pages hereto (the "Lenders") and FLEET BANK, N.A. (as successor to NatWest Bank N.A.), in its capacity as agent (the "Agent") for itself and the Lenders. Reference is hereby made to (i) the Amended and Restated Loan Agreement, dated as of July 31, 1995 (as same may be further amended, supplemented, modified or restated in accordance with its terms, the "Loan Agreement"), among the Borrowers, the Lenders and the Agent and (ii) the Guaranty, dated January 31, 1989 and as amended and restated as of July 31, 1995 (as same may be further amended, supplemented, modified or restated in accordance with its terms, the "Guaranty") by the Guarantor in favor of the Agent. Capitalized terms used herein and not otherwise defined shall have the meanings attributed to them in the Loan Agreement or the Guaranty, as the context may require.

SECTION I. AMENDMENT TO LOAN AGREEMENT

1. Section 1.01 of the Loan Agreement is amended by adding the following defined term in the correct alphabetical order:

"Cumulative Net Income Factor " shall mean for any period of time commencing with the beginning of Parent's fiscal year which ended in January 1996, (i) that amount which is the sum of fifty percent (50%) of the Net Income, if any, for Parent's fiscal year ended in January 1996 and for each fiscal year of Parent thereafter which falls within such period of time less (ii) that amount which is the sum of one hundred percent (100%) of the Net Loss (as hereinafter defined), if any, for any fiscal year of Parent after Parent's fiscal year ended in January 1996 which falls within such period of time. For purposes of this definition, (i) "Net Loss" shall mean for any period an amount equal to the net loss of Parent and its Subsidiaries determined on a Consolidated basis as determined in accordance with GAAP for such period and (ii) Net Income or Net Loss for any fiscal year of Parent shall be determined based upon the annual financial statements required to be furnished to the Agent pursuant to Section 8.01 (b) hereto.'

2. Section 9.05 of the Loan Agreement is amended by deleting clause (ii) thereof in its entirety and substituting the following therefor:

"(ii) dividend to Parent from and after April 1, 1997 not more than the Cumulative Net Income Factor from the beginning of Parent's fiscal year ended in January 1996 through the end of the fiscal year of Parent just ended; provided, however, that, for purposes of this clause (ii), (x) no such dividend payment(s) shall be made to Parent in any fiscal year of Parent earlier than ten (10) days after delivery to the Agent of the annual financial statements for the fiscal year of Parent just ended required pursuant to Section 8.01(b) hereof and (y) such dividends shall be used by Parent within three (3) days of receipt by Parent or its agent thereof solely to pay dividends to holders of Parent's common stock and/or for Stock Repurchases and Permitted Acquisitions pursuant to and in accordance with Section 14 (h) of the Parent Guaranty, any such monies not so used by Parent to be immediately returned to the applicable Borrower"

SECTION II. AMENDMENT TO GUARANTY

1. Section 14(g) of the Guaranty is hereby amended by (i) deleting the phrase "except that the Guarantor shall be permitted up to an aggregate during the term of the Loan Agreement of \$20,000,000 for any combination of the following" and substituting therefor the phrase "except that for the period from and including April 1, 1997 through and including the remaining term of the Loan Agreement the Guarantor shall be permitted up to an aggregate of \$20,000,000 for any combination of the following" and (ii) adding clause "(i) (x)" immediately after the phrase "Section 9.05" in subclause (iii) of each of clauses (I) and (II).

2. Section 14(h) of the Guaranty is hereby amended by deleting same in its entirety and substituting the following therefor:

"(h) Notwithstanding anything to the contrary set forth herein, so long as no Default or Event of Default shall have occurred and be continuing or would occur after giving effect to the following, the Guarantor shall be permitted to pay dividends to holders of its common stock and make Stock Repurchases and Permitted Acquisitions solely with monies received from the Borrowers in accordance with Section 9.05(ii) of the Loan Agreement, any such monies not used by Parent for the payment of dividends on its common stock or for Stock Repurchases or Permitted Acquisitions within three (3) days of receipt thereof by Parent or its agent to be immediately returned to the applicable Borrower; provided, that no dividend, Stock Repurchase or Permitted Acquisition shall be permitted under this Section 14(h) if, at any time during the twelve month period immediately preceding such dividend, Stock Repurchase or Permitted Acquisition, as the case maybe, and after giving effect thereto, Availability shall be less than \$25,000,000; and provided, further, that in addition to the foregoing requirements no Permitted

Acquisition shall be permitted under this Section 14(h) unless the requirements set forth in clauses (C), (E), (F) and (G) of Section 14(g) above are satisfied with respect to such Permitted Acquisition. It is further understood and agreed that it shall constitute an Event of Default if, at any time during the twelve month period immediately subsequent to any dividend on Parent's common stock or any Stock Repurchase or Permitted Acquisition, Availability shall be less than \$25,000,000."

### SECTION III. CONDITIONS PRECEDENT

This Amendment Agreement shall become effective upon the execution and delivery of counterparts hereof by the Borrowers, the Guarantor, the Agent and the Required Lenders and the fulfillment of the following conditions:

1. No unwaived event has occurred and is continuing which constitutes a Default or an Event of Default.

2. All representations and warranties made by the Borrowers and the Guarantor in this Amendment Agreement shall be true and correct.

3. All legal matters incidental to the transactions contemplated hereunder shall be satisfactory to the Agent, and the Agent shall have received such confirmations, approvals, opinions or other documents or instruments as it shall request in connection herewith.

4. The Agent shall have received fully executed counterparts to this Amendment Agreement signed by the Borrowers, the Guarantor and the Required Lenders.

### SECTION IV. MISCELLANEOUS

1. By its signature below, each of the Borrowers reaffirms and restates the representations and warranties set forth in Article VII of the Loan Agreement, and all such representations and warranties are true and correct on the date hereof with the same force and effect as if made on such date (except to the extent that they relate expressly to an earlier date). The Guarantor reaffirms and restates the representations and warranties set forth in Section 14 of the Guaranty, and all such representations and warranties are true and correct on the date hereof with the same force and effect as if made on such date (except to the extent that they relate expressly to an earlier date). In addition, each of the Borrowers and the Guarantor represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Agent and the Lenders that:



(a) it has the power and authority to execute, deliver and carry out the terms and provisions of this Amendment Agreement and the transactions contemplated hereby, and has taken or caused to be taken all necessary actions to authorize the execution, delivery and performance of this Amendment Agreement and the transactions contemplated hereby;

(b) no consent of any other Person (including, without limitation, shareholders or creditors of the Borrowers or the Guarantor) and no action of, or filing with any governmental or public body or authority is required to authorize, or is otherwise required in connection with the execution, delivery and performance of this Amendment Agreement, or consummation of the transactions contemplated hereby;

(c) this Amendment Agreement has been duly executed and delivered by or on behalf of the Borrowers and the Guarantor and constitutes a legal, valid and binding obligation of each of the Borrowers and the Guarantor enforceable in accordance with its terms, subject as to enforceability to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the enforcement of creditors' rights generally and the exercise of judicial discretion in accordance with general principles of equity;

(d) the execution, delivery and performance of this Amendment Agreement will not violate any law, statute or regulation, or any order or decree of any court or governmental instrumentality, or conflict with, or result in the breach of, or constitute a default under any contractual obligation of any Borrower or the Guarantor; and

(e) as of the date hereof (after giving effect to the consummation of the transactions contemplated under this Amendment Agreement) there exists no Default or Event of Default.

By its signature below, each of the Borrowers and the Guarantor agree that it shall constitute an Event of Default if any representation or warranty made above should be false or misleading in any material respect.

2. Each of the Loan Agreement and the Guaranty is hereby ratified and confirmed in all respects and, except as expressly amended hereby, all of the representations, warranties, terms, covenants and conditions of the Loan Agreement and the Guaranty shall remain unamended, unwaived and in effect in accordance with their respective terms. The amendments set forth herein shall be limited precisely as provided for herein and shall not be deemed to be amendments or consents to, or waivers of modifications of, any term or provision of the Loan Documents or any other document or instrument referred to herein or therein or of any transaction or further or future action on the part of any Borrower or the Guarantor requiring the consent of the Agent or any Lender, except to the extent specifically provided for herein.

3. Each Borrower and the Guarantor confirms in favor of the Agent and each Lender that it agrees that it has no defense, offset, claim, counterclaim or recoupment with respect to any of its obligations or liabilities under the Loan Agreement, the Guaranty, the Parent Security Agreement, the Parent Pledge or any other Loan Document and that, except as herein provided, all terms of the Loan Agreement, the Guaranty, the Parent Security Agreement, the Parent Pledge and the other Loan Documents shall continue in full force and effect.

4. This Amendment Agreement may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement.

5. THIS AMENDMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SAID STATE (WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF).

"Borrowers"

REX RADIO AND TELEVISION, INC.

By: \_\_\_\_\_  
Name: Edward M. Kress  
Title: Secretary

KELLY & COHEN APPLIANCES, INC.

By: \_\_\_\_\_  
Name: Edward M. Kress  
Title: Secretary

STEREO TOWN, INC.

By: \_\_\_\_\_  
Name: Edward M. Kress  
Title: Secretary

REX KANSAS, INC.

By: \_\_\_\_\_  
Name: Edward M. Kress  
Title: Secretary

"Guarantor"

REX STORES CORPORATION

By: \_\_\_\_\_  
Name: Edward M. Kress  
Title: Secretary

"Lenders"

FLEET BANK, N.A.,  
Individually

By: \_\_\_\_\_  
Name: Thomas Maiale  
Title: Vice President

BANK ONE, DAYTON, N.A.

By: \_\_\_\_\_  
Name: John B. Middelberg  
Title: Vice President

HELLER FINANCIAL, INC.

By: \_\_\_\_\_  
Name: Tara Hopkins  
Title: Assistant Vice President

NATIONAL CITY BANK, DAYTON

By: \_\_\_\_\_  
Name: Neal J. Hinker  
Title: Vice President

THE PROVIDENT BANK

By: \_\_\_\_\_  
Name: Jerome J. Brunswick  
Title: Regional Vice President

THE FIFTH THIRD BANK

By: \_\_\_\_\_  
Name: D. Ward Allen  
Title: Vice President

STAR BANK, N.A.

By: \_\_\_\_\_  
Name: Thomas D. Gibbons  
Title: Vice President

"Agent"

FLEET BANK, N.A.,  
As Agent

By: \_\_\_\_\_  
Name: Thomas Maiale  
Title: Vice President



0000744187  
REX STORES CORPORATION

1,000  
U.S. DOLLARS

3-MOS

	JAN-31-1998	
	FEB-1-1997	
	APR-30-1997	
	1	
		2,119
	1,633	
	880	
	338	
	156,318	
	170,017	
		102,034
	12,554	
	268,016	
	91,179	
		52,323
	0	96
		0
		100,455
268,016		
		88,265
	88,265	
		63,870
	63,870	
	0	
	0	
	1,532	
	1,318	
		521
	797	
	0	
	0	
		0
		797
		.10
		.10

