

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 27, 1999

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

REX STORES CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

31-1095548
(I.R.S. EMPLOYER IDENTIFICATION NO.)

REX STORES CORPORATION
2875 NEEDMORE ROAD
DAYTON, OHIO 45414
(937) 276-3931
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

STUART ROSE
CHAIRMAN
REX STORES CORPORATION
2875 NEEDMORE ROAD
DAYTON, OHIO 45414
(937) 276-3931
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE)

COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. []

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [] _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [] _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES	AMOUNT TO BE OFFERED	PROPOSED MAXIMUM OFFERING PRICE	PROPOSED MAXIMUM AGGREGATE	AMOUNT OF REGISTRATION
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TO BE REGISTERED

REGISTERED

PER SHARE(1)

OFFERING PRICE

FEE

Common Stock, \$.01 par value.....	2,760,000(2)	\$39.50	\$109,020,000	\$30,308
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(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) on the basis of the average of the high and low prices reported on the New York Stock Exchange on August 25, 1999.

(2) Includes 360,000 shares subject to the underwriters' over-allotment option.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED AUGUST 27, 1999

PROSPECTUS

2,400,000 SHARES
[LOGO]

REX STORES CORPORATION
COMMON STOCK
\$ PER SHARE

REX Stores Corporation is selling 1,500,000 shares of its common stock and the selling stockholders named in this prospectus are selling 900,000 shares. REX will not receive any proceeds from the sale of the shares by the selling stockholders. The underwriters named in this prospectus have the option to purchase up to 360,000 additional shares of common stock from REX and the selling stockholders, on a pro rata basis, to cover over-allotments.

Our common stock is listed on the New York Stock Exchange under the symbol 'RSC'. The last reported sale price of the common stock on the New York Stock Exchange on August 26, 1999 was \$42.375 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE 'RISK FACTORS' BEGINNING ON PAGE 7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
	-----	-----
Public Offering Price.....	\$	\$
Underwriting Discount.....	\$	\$
Proceeds to REX (before expenses).....	\$	\$
Proceeds to the Selling Stockholders (before expenses).....	\$	\$

The underwriters are offering the shares subject to various conditions. The underwriters expect to deliver the shares to purchasers on or about , 1999.

SALOMON SMITH BARNEY
CREDIT SUISSE FIRST BOSTON
GERARD KLAUER MATTISON & CO., INC.
ING BARINGS
MORGAN KEEGAN & COMPANY, INC.

, 1999

INSIDE FRONT COVER

Photograph of store exterior showing entrance and parking lot.

GATEFOLD

Photograph of store interior showing salesperson demonstrating camcorder.

Photograph of store interior showing customers viewing appliances.

Photograph of store interior showing televisions.

Photograph of store interior showing customers viewing big screen televisions.

Photograph of store interior showing digital satellite systems.

[REX LOGO]

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. WE ARE NOT MAKING AN OFFER OF THESE SECURITIES IN ANY STATE WHERE THE OFFER IS NOT PERMITTED. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE OF THIS PROSPECTUS.

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FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference in this prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We use words such as 'may,' 'believe,' 'estimate,' 'plan,' 'expect,' 'intend,' 'anticipate' and similar expressions to identify forward-looking statements. These forward-looking statements involve risks and uncertainties. Factors that could cause our actual results to differ materially from those in the forward-looking statements are described in the 'Risk Factors,' 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and 'Business' sections and elsewhere in this prospectus.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including the 'Risk Factors' section and the consolidated financial statements and notes to those statements.

Please also note that, except as otherwise indicated:

in this prospectus, 'REX,' 'we,' 'our' and 'us' refer to REX Stores Corporation and its subsidiaries;

all information in this prospectus assumes no exercise of the underwriters' over-allotment option; and

all references in this prospectus to a particular fiscal year are to REX's fiscal year ended January 31. For example, 'fiscal 1999' means the period from February 1, 1998 to January 31, 1999.

OUR COMPANY

We are a leading specialty retailer in the consumer electronics/appliance industry, serving over 200 small to medium-sized towns and communities. By offering a broad selection of brand name products at guaranteed lowest prices, we believe we have become a leading consumer electronics/appliance retailer in our markets. Based on our 20 year operating history, we believe that these small to medium-sized markets with populations ranging from 20,000 to 300,000 present an opportunity to profitably operate and expand our store base. For our fiscal year ended January 31, 1999, we reported sales, income from operations and net income of \$416.7 million, \$20.2 million and \$11.2 million, respectively. For the first six months of fiscal 2000, we reported increases in sales, income from operations, net income and comparable store sales of 14.6%, 43.3%, 138.1% and 13.1%, respectively, over the prior year's comparable period.

We operate 226 stores in 35 states under the trade name 'REX.' Currently, 148 of our stores are located in free-standing buildings, with the balance situated in strip shopping centers and regional malls. Our stores have, on average, approximately 7,600 square feet of selling space and approximately 3,300 square feet of storage. We design our stores to provide cost and space efficiencies and an inviting and pleasant shopping environment for our customers. All of our store employees, including our store managers, sell products, unload trucks, stock merchandise and process sales, which helps minimize employee count and overhead within each store. Most stores are staffed with between three and six employees. Virtually all of our existing stores are profitable on a store operating basis. In addition, a substantial majority of our new stores are profitable on a store operating basis upon completion of their first holiday selling season.

We carry a broad selection of brand name products within selected major product categories, including big screen and standard-sized televisions, video and audio equipment, camcorders and major household appliances. In particular, we emphasize our television and video products, which together represented 53% of our fiscal 1999 sales. We believe this emphasis positions us to benefit from growing consumer demand for digital video products including DVD players, digital camcorders and high definition television. We do not carry and do not plan to carry computers, computer software or pre-recorded music. We sell approximately 1,000 products produced by approximately 50 manufacturers, and frequently purchase large quantities of products on an opportunistic basis at favorable prices. We believe this buying strategy makes us a unique and attractive customer for manufacturers seeking to sell canceled orders or excess inventory and has enabled us to develop strong relationships with vendors. We support our merchandising strategy with extensive newspaper advertising in each of our local markets. In addition, we maintain a knowledgeable sales force trained to sell all of our products with a strong emphasis on customer service.

OUR INDUSTRY

Growth in the consumer electronics market has been driven by the introduction of new products and technological advancements. Industry growth accelerated during 1998, resulting from the introduction of products that incorporate digital technology, including Digital Versatile Disc (DVD) players and digital camcorders, both of which reached significant volume levels in 1998. These are the most significant new product introductions since VCRs and CD players. The most anticipated new products are digital and high definition television sets and related converter boxes. In some cases, sales of new products in smaller markets lag behind sales in larger metropolitan markets. For example, DVD player sales in small markets were limited until DVD rentals became readily available in those markets. Thus, we are only now beginning to benefit from the introduction and demand for these products.

Digital products offer significant advantages over their analog counterparts that include increased clarity and quality of video and audio, durability of recordings and compatibility with computers. Due to these advantages, we expect the digital revolution in the consumer electronics industry to drive growth in the coming years as consumers replace their existing analog based consumer electronics products with digital products.

OUR BUSINESS STRATEGY

Our objective is to be the leading consumer electronics/appliance retailer in each of our markets. The key elements of our business strategy include:

FOCUSING ON SMALL MARKETS. We traditionally have concentrated our stores in markets with populations of 20,000 to 300,000. We are currently focusing most of our new store openings in markets with populations under 75,000. We have a history of operating profitably in these markets, and we believe they are underserved by our competitors.

MAINTAINING GUARANTEED LOWEST PRICES. We guarantee the lowest price on our products through a policy of refunding 125% of the difference between our price and a competitor's price on the same item.

OFFERING A BROAD SELECTION OF BRAND NAME PRODUCTS. We offer a broad selection of brand name products within key product categories. We carry most major brands of consumer electronics and appliances, having recently added Sony and Maytag products.

CAPITALIZING ON OUR OPPORTUNISTIC BUYING. We frequently purchase large quantities of products directly from manufacturers on an opportunistic basis at favorable prices. We believe this buying strategy makes us a unique and attractive customer for manufacturers seeking to sell canceled orders or excess inventory and enables us to develop strong relationships and extended trade credit support with vendors.

STRIVING TO BE THE LOW COST OPERATOR IN OUR MARKETS. Our current prototype store is 12,000 square feet and provides us with cost and space efficiencies. Our market selection criteria and operating philosophy allow us to minimize both occupancy and labor costs.

LEVERAGING OUR STRONG OPERATIONAL CONTROLS. Our information systems and point-of-sale computer systems, which are installed in every store, allow management to monitor our merchandising programs, sales, employee productivity and in-store inventory levels on a daily basis. We believe our current information systems and distribution infrastructure can support 100 to 150 new stores without significant additional capital expenditures.

OUR GROWTH STRATEGY

The key elements of our growth strategy include:

EXPANDING OUR STORE BASE. We have identified between 500 and 600 potential markets that meet our site selection criteria. We plan to open 10 to 15 stores in fiscal 2000. We plan to

accelerate our store expansion program by opening approximately 30 to 35 new stores in fiscal 2001 and approximately 35 to 40 new stores in fiscal 2002.

INCREASING OUR SAME STORE SALES. We plan to increase our same store sales by:

implementing new merchandising initiatives, including the recent introduction of Sony and Maytag products;

offering new products and product categories including DVD players, digital camcorders, high definition television and cellular telephones and subscriptions; and

increasing usage of local television and radio advertising to supplement our newspaper advertising.

EXPANDING OUR E-COMMERCE INITIATIVE. We plan to profitably expand our online retailing initiatives which include selling selected merchandise through third-party auction sites, including Amazon.com Auctions, eBay and Yahoo! and on our own Internet Web site at www.rexstores.com.

RISK FACTORS

We operate in a highly competitive industry. Our business strategy and growth strategy are subject to risks which are described under 'Risk Factors.' The following are among the risks which may adversely affect our future financial performance:

significant competition from other retailers who have greater financial resources;

inability to fully execute our new store expansion or profitably operate new stores;

a decline in economic conditions; and

lack of new products or consumer acceptance of new products.

OUR COMPANY INFORMATION

Our principal offices are located at 2875 Needmore Road, Dayton, Ohio 45414. Our telephone number is (937) 276-3931.

THE OFFERING

Common stock offered by REX.....	1,500,000 shares
Common stock offered by the selling stockholders.....	900,000 shares
Total.....	2,400,000 shares
Common stock to be outstanding after the offering.....	9,156,382 shares

Use of proceeds..... We intend to use the net proceeds from this offering to repay a portion of our long-term mortgage debt, to fund new store expansion and for other general corporate purposes.

Dividend policy..... We have not paid cash dividends in prior years and we do not anticipate paying any cash dividends in the foreseeable future.

NYSE symbol..... RSC

The number of shares of common stock to be outstanding excludes 2,703,517 shares issuable upon exercise of options outstanding as of August 26, 1999 with a weighted average exercise price of \$12.58 per share, after deducting 3,855 shares to be sold in this offering which will be issued upon exercise of options by a selling stockholder.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table contains our summary consolidated financial data which you should read together with our consolidated financial statements and related notes, 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and other information included in or incorporated by reference in this prospectus. The 'As Adjusted' numbers in the table below reflect:

the sale of the 1,500,000 shares of common stock offered by us at an assumed public offering price of \$42.375 per share, the closing price on August 26, 1999;

the receipt and use of the net proceeds as described under 'Use of Proceeds;' and

the issuance of 3,855 shares of common stock upon exercise of stock options by a selling stockholder.

	FISCAL YEAR ENDED JANUARY 31,					SIX MONTHS ENDED JULY 31,	
	1995	1996	1997	1998	1999	1998	1999
	(UNAUDITED)						
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND SELECTED OPERATING DATA)						
INCOME STATEMENT DATA:							
Net sales.....	\$382,775	\$442,217	\$427,378	\$411,005	\$416,673	\$180,410	\$206,795
Cost of merchandise sold.....	286,073	327,636	317,767	297,757	302,894	130,384	149,483
Gross profit.....	96,702	114,581	109,611	113,248	113,779	50,026	57,312
Selling, general and administrative expenses.....	74,216	85,981	91,905	94,055	93,578	43,034	47,294
Income from operations....	22,486	28,600	17,706	19,193	20,201	6,992	10,018
Net income.....	12,596	14,573	7,362	7,412	11,195	2,598	6,185
Basic net income per share.....	\$ 1.48	\$ 1.62	\$ 0.82	\$ 0.94	\$ 1.51	\$ 0.34	\$ 0.83
Diluted net income per share.....	\$ 1.40	\$ 1.56	\$ 0.80	\$ 0.91	\$ 1.43	\$ 0.32	\$ 0.76
Weighted average number of common shares outstanding.....	8,528	8,970	8,948	7,919	7,427	7,670	7,480
Weighted average number of common and common equivalent shares outstanding.....	9,014	9,365	9,219	8,178	7,833	8,034	8,122
SELECTED OPERATING DATA:							
Number of stores open at beginning of period....	132	165	199	222	222	222	228
Stores opened.....	33	34	35	8	12	2	1
Stores closed.....	0	0	12	8	6	4	3
Number of stores open at end of period.....	165	199	222	222	228	220	226
Comparable store sales....	5.5%	(5.4)%	(17.5)%	(10.5)%	(0.1)%	(0.2)%	13.1%
Capital expenditures.....	\$ 28,101	\$ 23,080	\$ 23,448	\$ 8,015	\$ 12,736	\$ 4,175	\$ 5,869

AS OF JULY 31, 1999

	ACTUAL	AS ADJUSTED
	(UNAUDITED)	
	(IN THOUSANDS)	

BALANCE SHEET DATA:

Working capital.....	\$ 82,854	\$115,085
Total assets.....	284,608	315,066
Long-term debt.....	58,708	32,374
Shareholders' equity.....	116,517	175,080

RISK FACTORS

You should carefully consider the risk factors described below as well as the other information in this prospectus before making an investment in our common stock.

WE FACE SIGNIFICANT COMPETITION FROM OTHER RETAILERS MANY OF WHOM HAVE GREATER FINANCIAL RESOURCES THAN US.

We face significant competition from a diverse group of retailers. Our competitors include national and regional large format merchandisers and superstores such as Best Buy Co., Inc. and Circuit City Stores, Inc., other specialty electronics retailers including RadioShack, the retail operating format of Tandy Corporation, department and discount stores such as Sears, Roebuck and Co., Wal-Mart Stores, Inc. and Montgomery Ward Holding Corp., furniture stores, warehouse clubs and home improvement retailers. In addition, we compete with small chains and specialty single-store operators in some markets, as well as Sears' dealer-operated units. We also face additional competition from Internet and store-based retailers who sell consumer electronics and home appliance products online. Some of our competitors have greater financial resources than us, which may increase their ability to purchase inventory at a lower cost, better withstand economic downturns or engage in aggressive price competition.

We expect competition within the consumer electronics/appliance retailing industry to increase. National merchandisers are expanding their geographic markets and entering markets traditionally served by us. In the event that competitors enter markets we serve, we may experience pricing pressures, reduced gross margins and declines in same store sales.

WE MAY BE UNABLE TO FULLY EXECUTE OUR NEW STORE EXPANSION PLAN AND CANNOT ASSURE YOU THAT OUR NEWLY OPENED STORES WILL BE PROFITABLE.

Our success depends, in part, on our ability to open and operate new stores profitably. Several factors could affect achievement of our planned store expansion or could adversely impact new store sales and profitability. These factors include:

- identifying new geographic markets in which we can successfully compete;

- identifying and acquiring or leasing suitable new store sites at an acceptable cost;

- obtaining governmental and other third-party consents, permits and licenses needed to operate new stores;

- securing favorable economic terms for newspaper, television and radio advertising;

- hiring, promoting and training qualified personnel, including new store managers;

- integrating new stores into our existing operations;

- adapting our existing information systems and distribution infrastructure to our growing number of stores; and

- having adequate financial resources available to us.

Although we believe that we have the management, operational and information systems, distribution infrastructure and other resources required to implement our store expansion goals, we may not be able to execute our new store expansion within the expected time frame, if at all. To meet our store expansion goals over the next three years, we may need to expend significant effort and additional managerial and financial resources to ensure the continuing adequacy of our financial controls, operating procedures, information systems, product purchasing and distribution systems and employee training programs.

A DECLINE IN ECONOMIC CONDITIONS COULD LEAD TO REDUCED CONSUMER DEMAND FOR THE PRODUCTS WE SELL.

Demand for consumer electronics and home appliance products is dependent upon various economic factors outside of our control. These factors include:

- general economic conditions;
- consumer confidence;
- consumer spending patterns and preferences; and
- new housing starts.

A slowdown in the national or regional economies or an uncertain economic outlook could adversely affect discretionary consumer spending habits and negatively impact our sales and operating results.

IF NEW PRODUCTS ARE NOT INTRODUCED OR CONSUMERS DO NOT ACCEPT NEW PRODUCTS OUR SALES MAY DECLINE.

We rely upon the periodic introduction of new products to help stimulate consumer demand. The lack of new products could reduce consumer interest and lower our sales.

In addition, many products which incorporate the newest technologies, such as DVD players and high definition television, are subject to technological and pricing limitations and may not achieve widespread or rapid consumer acceptance in the markets we serve. If these new products do not meet with widespread or rapid market acceptance, our results of operations may be impaired.

Furthermore, the introduction or expected introduction of new products may depress sales of existing products and technologies.

IF WE DO NOT ADEQUATELY ANTICIPATE AND RESPOND TO CHANGING CONSUMER DEMAND AND PREFERENCES OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

Our success depends, in part, on our ability to anticipate and respond in a timely manner to changing consumer demand and preferences regarding consumer electronics and home appliances. Our failure to adequately anticipate and respond to these changes could have a material adverse effect on our business, results of operations and financial condition either from lost sales or lower margins due to the need to mark down excess inventory.

OUR OPPORTUNISTIC PRODUCT BUYING STRATEGY COULD NEGATIVELY IMPACT OUR SALES AND GROSS MARGINS.

We frequently purchase large quantities of merchandise on an opportunistic or when-available basis at favorable prices. Our inability to find suitable opportunistic product buying opportunities could negatively impact our sales and gross margins.

Products purchased on an opportunistic basis generally are held in inventory longer than our other products. This can result in increased inventory levels and lower inventory turnover, which increase our working capital requirements and inventory carrying costs. Increased inventory levels and lower turnover rates also increase the risk of inventory mark-downs.

THE LOSS OF TAX CREDITS RESULTING FROM OUR INVESTMENT IN SYNTHETIC FUEL LIMITED PARTNERSHIPS COULD SIGNIFICANTLY INCREASE OUR EFFECTIVE TAX RATE AND REDUCE OUR NET INCOME.

Our net income for fiscal 1999 and the first six months of fiscal 2000 was positively impacted by our equity investment in two limited partnerships which produce solid synthetic fuels from four facilities. As a result of our share of the federal income tax credits earned by the partnerships under Section 29 of the Internal Revenue Code, our effective tax rate for fiscal 1999 and the first six months of fiscal 2000 was reduced to 26.3% and 25.0%, respectively, versus 39.5% for the

comparable periods in the prior year. Loss of these tax credits could significantly increase our effective tax rate and reduce our net income.

The limited partnerships earn tax credits based upon the tonnage and content of solid synthetic fuel sold to unrelated parties. As production and sales levels change, so will the amount of tax credits available to us. This could result in fluctuations in our effective tax rate and net income.

THE LOSS OF THE SERVICES OF OUR CHIEF EXECUTIVE OFFICER, OUR PRESIDENT OR OUR OTHER KEY EMPLOYEES COULD JEOPARDIZE OUR ABILITY TO MAINTAIN OUR COMPETITIVE POSITION.

We believe that our success depends on the continued service of our key executive management personnel. Loss of the services of Stuart Rose, our Chairman and Chief Executive Officer, Lawrence Tomchin, our President and Chief Operating Officer, or other key employees could jeopardize our ability to maintain our competitive position in the industry. We have entered into employment agreements with Mr. Rose and Mr. Tomchin which run through December 31, 2002, but we do not have employment agreements with any other members of our executive management team.

FLUCTUATIONS IN OUR COMPARABLE STORE SALES MAY CAUSE THE PRICE OF OUR COMMON STOCK TO FLUCTUATE SUBSTANTIALLY.

A number of factors have historically affected and will continue to affect our comparable store sales, including the following:

- competition;
- national and regional economic conditions;
- consumer trends;
- new product introductions;
- weather conditions which can impact store traffic as well as sales of seasonal products such as air conditioners;
- changes in our product mix;
- duration of the holiday selling season; and
- timing of promotional events.

Comparable store sales are often followed closely by the investment community and significant fluctuations in these results could cause the price of our common stock to fluctuate substantially.

OUR QUARTERLY OPERATING RESULTS ARE SUBJECT TO SEASONALITY.

Our business is seasonal. Our net sales and net income historically have been highest in our fourth fiscal quarter, which includes the Christmas selling season. The fourth quarter accounted for approximately 35% of our net sales, 50% of our income from operations and over 65% of our net income in fiscal 1998 and 1999. Our annual financial results would be adversely impacted if our sales were to fall substantially below what we normally expect during this period.

WE DEPEND ON OUR SUPPLIERS FOR PRODUCTS AND OUR BUSINESS COULD BE ADVERSELY AFFECTED IF WE DO NOT MAINTAIN RELATIONSHIPS WITH OUR KEY VENDORS.

Our success depends to a significant degree upon our suppliers of consumer electronics and home appliance products. We do not have any long-term supply agreements or exclusive arrangements with vendors. We typically order merchandise by issuing individual purchase orders to vendors. We rely significantly on a few suppliers. Our six largest suppliers accounted for approximately 55% of our purchases during fiscal 1999. The loss of any of these key vendors, our failure to establish and maintain relationships with our vendors, or any prolonged disruptions in product supply, could have a material adverse impact on our business.

WE MAY INCUR HIGHER COSTS OR DECREASED SALES AND GROSS MARGINS BECAUSE WE PURCHASE IMPORTED PRODUCTS.

A significant portion of our inventory is manufactured outside the United States. Changes in trade regulations, currency fluctuations or other factors may increase the cost of items manufactured outside the United States or create shortages of those items. We purchase all of our products in U.S. dollars. Significant reductions in the cost of such items in U.S. dollars may cause a significant reduction in retail price levels of those products, which could adversely effect our sales and gross margins.

OUR MANAGEMENT, INCLUDING OUR PRINCIPAL SHAREHOLDER, OWNS A SIGNIFICANT PORTION OF OUR COMMON STOCK AND WILL BE ABLE TO EXERCISE SIGNIFICANT INFLUENCE OVER OUR AFFAIRS.

After this offering, Stuart Rose, our Chairman and Chief Executive Officer, will own approximately 10.7% of our outstanding common stock and will hold options to acquire an additional 1,317,513 shares. In addition, our directors and executive officers as a group will own approximately 13.4% of our common stock after this offering and will hold options to acquire an additional 2,023,505 shares. As a result of this share ownership, our management, and in particular Mr. Rose, will be able to exert significant influence on corporate action requiring shareholder approval, including the election of directors. This share ownership could delay or prevent a change in control. It could also prevent our shareholders from realizing a premium over the market price for their common stock or effecting a change in management.

WE DO NOT ANTICIPATE PAYING CASH DIVIDENDS ON OUR COMMON STOCK IN THE FORESEEABLE FUTURE.

We have not paid cash dividends on our common stock in prior years. We currently intend to retain all of our earnings for use in our business and do not anticipate paying any cash dividends in the foreseeable future. Our revolving credit agreement limits and potentially prohibits the payment of dividends. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources' for a description of the revolving credit agreement.

SIGNIFICANT PROBLEMS RELATING TO THE YEAR 2000 ISSUE COULD ADVERSELY AFFECT OUR BUSINESS.

Certain software and hardware systems are time sensitive. Older time-sensitive systems often use a two digit dating convention ('00' rather than '2000') that could result in system failure and disruption of operations as the year 2000 approaches. This is referred to as the Year 2000 issue. The Year 2000 issue will impact us, our suppliers, customers and other third parties that transact business with us.

In the event that our Year 2000 remediation efforts and those of third parties fail, we could experience the following:

we could experience significant volumes of product returns due to widespread product failures;

we could lose communications links with some stores;

some stores could close due to loss of electric power;

store security systems may not operate; and

individual stores may be unable to process transactions or engage in normal business activity.

Any large-scale national or regional failure, if not quickly remedied, could have a material adverse effect on our business, results of operations and financial condition.

We have contacted our significant suppliers to determine the Year 2000 functionality of their products and minimize any disruptions to our business. However, we cannot assure you that our vendors will be Year 2000 compliant. Any significant disruption in our supply of goods could have a material adverse effect on our business, results of operations and financial condition.

We believe our vendors are responsible for the Year 2000 functionality of the products they supply to us for resale. However, if we are required to handle product returns or repairs with respect to those failures on a large-scale basis, it could have a material adverse effect on our business, results of operations and financial condition.

THE SUBSTANTIAL NUMBER OF SHARES THAT ARE ELIGIBLE FOR PUBLIC SALE AFTER THIS OFFERING MAY ADVERSELY AFFECT OUR STOCK PRICE.

After this offering, there will be 9,156,382 shares of our common stock outstanding. Of these outstanding shares, all 2,400,000 shares sold in this offering and 5,651,371 shares currently outstanding will be freely tradable without restriction or registration under the Securities Act. The remaining 1,105,011 shares are currently eligible for public sale under Rule 144 of the Securities Act.

As of August 26, 1999, 2,707,372 shares of common stock were issuable pursuant to options granted under our stock option plans. Of these option shares, 1,386,510 shares are currently exercisable. All shares issuable under our stock option plans have been registered under the Securities Act.

Sales of substantial amounts of common stock in the public market, including shares issued upon the exercise of stock options, or the perception that such sales could occur, could adversely impact the market price for our common stock.

The selling stockholders have agreed not to sell any shares for 270 days after the date of this prospectus, without the prior written consent of Salomon Smith Barney Inc. on behalf of the underwriters. We have agreed to a 90 day lock-up period.

OUR STOCK PRICE MAY FLUCTUATE SIGNIFICANTLY AFTER THIS OFFERING AND YOU COULD LOSE A SIGNIFICANT PART OF YOUR INVESTMENT AS A RESULT.

The trading price of our common stock has been volatile and is likely to continue to be volatile. Our stock price could be subject to wide fluctuations in response to a variety of factors. The stock market has experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies. The trading prices of many companies' stock, including our stock, are at or near historical highs. These trading prices may not be sustained. Broad market factors may have a material adverse effect on our stock price, regardless of our actual operating performance. Investors may not be able to resell their REX common stock at or above the public offering price due to the possible volatility of our common stock after this offering.

USE OF PROCEEDS

The net proceeds from the sale of the 1,500,000 shares of common stock offered by us are estimated to be approximately \$59.4 million, based on an assumed public offering price of \$42.375 per share, the closing price on August 26, 1999, and after deducting the underwriting discount and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, the net proceeds to us are estimated to be approximately \$68.3 million. We will not receive any of the net proceeds from the sale of common stock by the selling stockholders, but we will receive \$40,000 from the exercise of options by a selling stockholder.

We currently intend to use approximately \$28.5 million of the net proceeds to repay a portion of our long-term mortgage debt, which includes approximately \$0.7 million of associated prepayment penalties. This mortgage debt bears interest rates ranging from 8.6% to 10.0%, with maturities from May 1, 2001 to February 1, 2012, and was incurred to purchase existing store locations. We may change the amount of mortgage debt that we repay based on prevailing interest rates at the time of the offering. The balance of the net proceeds will be used to fund new store expansion and for other general corporate purposes, including seasonal working capital and reducing outstanding borrowings under our revolving credit agreement. The revolving credit agreement bears interest at prime or LIBOR plus 1.875% and expires on July 31, 2000.

Pending such uses, other than the repayment of mortgage debt, we intend to invest the net proceeds in short-term, investment grade, interest-bearing securities.

CAPITALIZATION

The following table sets forth the unaudited capitalization of REX at July 31, 1999 on an actual basis, and as adjusted to give effect to the sale of 1,500,000 shares of common stock offered by us at an assumed public offering price of \$42.375 per share, the closing price on August 26, 1999, and after:

deducting the underwriting discount and estimated offering expenses payable by us;

applying the net proceeds as described under 'Use of Proceeds;' and

recognizing an \$880,000 net of tax extraordinary loss, consisting primarily of the write-off of deferred loan acquisition costs and prepayment penalties, associated with the repayment of long-term mortgage debt.

	AS OF JULY 31, 1999	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Short-term debt, including current portion of long-term debt.....	\$ 3,203	\$ 1,723
Long-term debt, less current maturities.....	\$ 58,708	\$ 32,374
Shareholders' equity:		
Common stock, \$.01 par value; 45,000,000 shares authorized; 7,650,477 shares issued and outstanding; 9,154,332 shares as adjusted.....	99	114
Paid-in capital.....	57,226	116,654
Retained earnings.....	81,555	80,675
Treasury stock, 2,284,269 shares.....	(22,363)	(22,363)
Total shareholders' equity.....	116,517	175,080
Total capitalization.....	\$178,428	\$209,177

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected historical financial and operating data for the periods indicated. The Income Statement Data and Balance Sheet Data for and as of each of the fiscal years ended January 31, 1995, 1996, 1997, 1998 and 1999 have been derived from our consolidated financial statements audited by Arthur Andersen LLP, independent public accountants. The Selected Operating Data for and as of the periods indicated were derived or computed from our business and accounting records. The Income Statement Data and Balance Sheet Data for and as of the six months ended July 31, 1998 and 1999 have been derived from our unaudited consolidated financial statements. The unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include, in the opinion of management, all adjustments necessary for a fair presentation of the information presented. The information below should be read together with 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and our consolidated financial statements and related notes contained elsewhere in this prospectus.

	FISCAL YEAR ENDED JANUARY 31,					SIX MONTHS ENDED JULY 31,	
	1995	1996	1997	1998	1999	1998	1999
						(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND SELECTED OPERATING DATA)						
INCOME STATEMENT DATA:							
Net sales.....	\$382,775	\$442,217	\$427,378	\$411,005	\$416,673	\$180,410	\$206,795
Cost of merchandise sold.....	286,073	327,636	317,767	297,757	302,894	130,384	149,483
Gross profit.....	96,702	114,581	109,611	113,248	113,779	50,026	57,312
Selling, general and administrative expenses.....	74,216	85,981	91,905	94,055	93,578	43,034	47,294
Income from operations.....	22,486	28,600	17,706	19,193	20,201	6,992	10,018
Investment income.....	229	182	85	202	347	223	190
Interest expense.....	(1,899)	(4,707)	(5,624)	(7,143)	(6,448)	(2,918)	(2,756)
Gain on sale of real estate.....	--	--	--	--	2,410	--	--
Income (equity in losses) from limited partnerships.....	--	--	--	--	(1,312)	--	796
Income before provision for income taxes.....	20,816	24,075	12,167	12,252	15,198	4,297	8,248
Provision for income taxes.....	8,220	9,502	4,805	4,840	4,003	1,699	2,063
Net income.....	\$ 12,596	\$ 14,573	\$ 7,362	\$ 7,412	\$ 11,195	\$ 2,598	\$ 6,185
Basic net income per share.....	\$ 1.48	\$ 1.62	\$ 0.82	\$ 0.94	\$ 1.51	\$ 0.34	\$ 0.83
Diluted net income per share.....	\$ 1.40	\$ 1.56	\$ 0.80	\$ 0.91	\$ 1.43	\$ 0.32	\$ 0.76
Weighted average number of common shares outstanding.....	8,528	8,970	8,948	7,919	7,427	7,670	7,480
Weighted average number of common and common equivalent shares outstanding.....	9,014	9,365	9,219	8,178	7,833	8,034	8,122
SELECTED OPERATING DATA:							
Number of stores open at beginning of period.....	132	165	199	222	222	222	228
Stores opened.....	33	34	35	8	12	2	1
Stores closed.....	0	0	12	8	6	4	3
Number of stores open at end of period.....	165	199	222	222	228	220	226
Comparable store sales.....	5.5%	(5.4)%	(17.5)%	(10.5)%	(0.1)%	(0.2)%	13.1%
Capital expenditures.....	\$ 28,101	\$ 23,080	\$ 23,448	\$ 8,015	\$ 12,736	\$ 4,175	\$ 5,869
	AS OF JANUARY 31,					AS OF JULY 31,	
	1995	1996	1997	1998	1999	1998	1999
	(IN THOUSANDS)					(UNAUDITED)	
BALANCE SHEET DATA:							
Working capital.....	\$ 78,697	\$ 80,016	\$ 80,151	\$ 77,250	\$ 77,360	\$ 78,887	\$ 82,854
Total assets.....	192,616	234,599	248,034	260,530	268,282	260,530	284,608
Long-term debt.....	25,595	32,590	51,102	52,661	55,478	52,661	58,708
Shareholders' equity.....	89,394	102,346	102,720	105,782	110,210	105,782	116,517

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a leading specialty retailer in the consumer electronics/appliance industry. Since acquiring our first four stores in 1980, we have expanded into a national chain operating 226 stores in 35 states under the 'REX' trade name. By offering a broad selection of brand name products at guaranteed lowest prices, we believe we have become a leading consumer electronics/appliance retailer in our markets. Based on our 20 year operating history, we believe that these small to medium-sized markets with populations ranging from 20,000 to 300,000 present an opportunity to profitably operate and expand our store base.

Our comparable store sales declined 17.5%, 10.5% and 0.1% in fiscal 1997, 1998 and 1999, respectively. Negative comparable store sales in fiscal 1997 and 1998 were primarily driven by increased competitor openings in our markets with populations over 150,000, a lack of new product introductions within the industry and our decision to discontinue selling personal computers in fiscal 1998. Comparable store sales increased 11.9% and 14.2% for the first two quarters of fiscal 2000, respectively. The increases in comparable store sales that have occurred in fiscal 2000 have been primarily driven by increased air conditioner sales resulting from warm weather conditions, particularly in the second quarter, and the increased usage of local television and radio advertising in selected markets. We consider a store to be comparable after it has been open six full fiscal quarters. Comparable store sales comparisons do not include sales of extended service contracts.

During fiscal 1997, 1998 and 1999, we opened 35, 8 and 12 stores, and closed 12, 8 and 6 stores, respectively. During fiscal 2000 we plan to open 10 to 15 stores. We are accelerating our planned store openings for fiscal 2001 and 2002, with 30 to 35 new store openings planned in fiscal 2001 and 35 to 40 in fiscal 2002. In March 1998, we opened a third distribution center in Cheyenne, Wyoming, that will allow us to further expand in the western part of the United States. Future store openings are expected to occur in our existing geographical markets and selected new states. We are currently focusing most of our new store openings in markets with populations under 75,000, which generally are underserved by our competitors.

EXTENDED SERVICE CONTRACTS

Our extended service contract revenues, net of sales commissions, are deferred and amortized on a straight-line basis over the life of the contracts after the expiration of applicable manufacturers' warranty periods. Terms of coverage, including the manufacturers' warranty periods, are usually for periods of 12 to 60 months. Extended service contract revenues represented 2.9%, 3.5% and 3.7% of net sales for fiscal 1997, 1998 and 1999, respectively. Service contract costs are charged to operations as incurred. Gross profit realized from extended service contract revenues was \$9.6 million, \$11.0 million and \$10.3 million in fiscal 1997, 1998 and 1999, respectively.

INVESTMENT IN LIMITED PARTNERSHIPS

In fiscal 1999, we invested \$3.2 million in two limited partnerships which own four facilities producing synthetic fuel from coal fines. The partnerships earn federal income tax credits under Section 29 of the Internal Revenue Code based on the tonnage and content of solid synthetic fuel sold to unrelated parties. Our share of the credits generated may be used to reduce our federal income tax liability down to the alternative minimum tax (AMT) rate. Unused Section 29 credits convert to AMT credits and may be carried forward. Under current law, credits under Section 29 are available for qualified fuels sold before January 1, 2008.

We initially held a 30% interest in one partnership and an 18.75% interest in the other. Effective February 1, 1999, we sold a portion of our interest in one partnership, reducing our ownership percentage from 30% to 17%. We will receive cash payments from the sale on a quarterly basis through 2007. These payments are contingent upon and equal to 75% of the federal income tax credits attributable to the 13% interest sold.

We are a limited partner in each partnership. We have no managerial responsibility or liability for future working capital contributions, although our interest in each partnership could be diluted if we choose not to pay our share of necessary capital improvements to the partnerships' facilities. We account for our ownership interest in the partnerships under the equity method.

The limited partnerships have applied to the IRS for private letter rulings that the synthetic fuel produced by their facilities and sold to unrelated parties qualifies for the tax credits under Section 29 of the Internal Revenue Code. The IRS recently ruled favorably on the request of the partnership which owns one of the four facilities. The ruling request with respect to the partnership owning the other three facilities was made more recently and is still pending. The facts of the pending request are substantially identical to the facts in the ruling favorably issued. Accordingly, we anticipate that a favorable ruling will be issued with respect to the other three facilities, although we cannot be certain the IRS will issue a favorable ruling.

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:

	FISCAL YEAR ENDED JANUARY 31,			SIX MONTHS ENDED JULY 31,	
	1997	1998	1999	1998	1999
	-----	-----	-----	-----	-----
				(UNAUDITED)	
Net sales.....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of merchandise sold.....	74.4	72.4	72.7	72.3	72.3
Gross profit.....	25.6	27.6	27.3	27.7	27.7
Selling, general and administrative expenses.....	21.5	22.9	22.4	23.8	22.9
Income from operations.....	4.1	4.7	4.9	3.9	4.8
Interest, net.....	(1.3)	(1.7)	(1.5)	(1.5)	(1.2)
Gain on sale of real estate.....	--	--	0.6	--	--
Income (equity in losses) from limited partnerships.....	--	--	(0.3)	--	0.4
Income before provision for income taxes.....	2.8	3.0	3.7	2.4	4.0
Provision for income taxes.....	1.1	1.2	1.0	1.0	1.0
Net income.....	1.7%	1.8%	2.7%	1.4%	3.0%

COMPARISON OF SIX MONTHS ENDED JULY 31, 1999 AND 1998

NET SALES. Net sales for the first half of fiscal 2000 were \$206.8 million compared to \$180.4 million for the first half of fiscal 1999, representing an increase of \$26.4 million or 14.6%. This increase is primarily the result of an increase of 13.1% in comparable store sales for the first half of fiscal 2000. As of July 31, 1999, we had 226 stores compared to 220 stores one year earlier. There was one store opened and three closed in the first half of fiscal 2000. In the prior year's first half there were two stores opened and four closed.

Comparable store sales increased by 13.1% in the first half of fiscal 2000. All major product categories made positive contributions to comparable store sales. The appliance category impacted comparable store sales by 7.2%, led by strong air conditioner sales. This strong performance was due to warm weather throughout our markets in the second quarter, particularly in the Midwest and Northeast. Televisions impacted comparable store sales by 3.0%, primarily due to the strength of the big screen TV product lines. In addition, the audio and video categories impacted comparable store sales by 1.9% and 1.0%, respectively.

GROSS PROFIT. Gross profit in the first half of fiscal 2000 was \$57.3 million, or 27.7% of net sales, a 14.6% increase from \$50.0 million, or 27.7% of net sales, for the first half of fiscal 1999.

Gross profit as a percent of sales for the first half of fiscal 2000 was positively impacted by higher margins generated by air conditioner sales and improved margins in the television, video and other appliance categories primarily due to better merchandise buying opportunities. For the first six months of fiscal 2000, gross profit realized from sales of extended service contracts was \$5.4 million compared to \$5.6 million for the first six months of fiscal 1999. Sales of extended service contracts generally have a higher gross profit margin in comparison to other product categories and the decline in the amount recognized, as well as its percentage of total gross profit, served to offset the improvements as a percent of sales in other product categories on a year to date basis in fiscal 2000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses for the first half of fiscal 2000 were \$47.3 million, or 22.9% of net sales, a 9.9% increase from \$43.0 million, or 23.8% of net sales, for the first half of fiscal 1999. The increase in expenses for the first half of fiscal 2000 is primarily the result of increased incentive commissions and other selling costs associated with the increased sales levels. The reduction in selling, general and administrative expenses as a percent of net sales is primarily the result of the leveraging of store operating costs, such as advertising and occupancy expenses, on an increase in comparable store sales of 13.1% for the first half of fiscal 2000.

INCOME FROM OPERATIONS. Income from operations was \$10.0 million, or 4.8% of net sales, for the first half of fiscal 2000, a 43.3% increase from the \$7.0 million, or 3.9% of net sales, for the first half of fiscal 1999. The increase was primarily due to increased comparable store sales and the leveraging of store operating costs, such as advertising and occupancy expenses.

INTEREST EXPENSE. Interest expense for the first half of fiscal 2000 decreased to \$2.8 million, or 1.3% of net sales, from \$2.9 million, or 1.5% of net sales, for the first half of fiscal 1999. The decrease in interest expense was a result of lower borrowings under the line of credit for the first half of fiscal 2000.

INCOME FROM LIMITED PARTNERSHIPS. Results of the first half of fiscal 2000 also reflect the impact of our equity investment in two synthetic fuel limited partnerships. We reported income from the limited partnerships of \$796,000 for the first half of fiscal 2000, which consisted of \$1,853,000 of income generated by the sale of a portion of the interest in one of the partnerships, partially offset by a charge of \$1,057,000 to reflect our equity share of the partnerships' losses.

INCOME TAXES. Our effective tax rate was reduced to 25.0% for the first half of fiscal 2000 from 39.5% for the first half of fiscal 1999 as a result of our share of federal income tax credits earned by the limited partnerships.

NET INCOME. As a result of the foregoing, net income for the first half of fiscal 2000 was \$6.2 million, a 138.1% increase from \$2.6 million for the first half of fiscal 1999.

COMPARISON OF FISCAL YEARS ENDED JANUARY 31, 1999 AND 1998

NET SALES. Net sales in fiscal 1999 were \$416.7 million, a 1.4% increase from the \$411.0 million achieved in fiscal 1998. This increase was caused by the addition of 12 stores opened in fiscal 1999 and the first full year of sales for eight stores opened in the previous fiscal year. During fiscal 1999, we opened 12 stores and closed six, while during fiscal 1998 we opened eight stores and closed eight. We had 228 and 222 stores open at January 31, 1999 and 1998, respectively.

Comparable store sales declined by 0.1% in fiscal 1999. Comparable store sales were positively impacted by approximately 1.4% and 1.3% by the audio and appliance categories, respectively, as well as approximately 1.0% by ready to assemble (RTA) furniture. The increase in sales of appliances and RTA furniture was a result of expanded offerings in both categories.

Comparable store sales were negatively impacted by approximately 0.1% and 2.7% by the television and video products categories, respectively, and by approximately 1.0% by our decision to discontinue selling personal computers during fiscal 1998. Television and video products were negatively impacted by a continued decline in average selling prices. There was also a general softness in demand for video products due to the pending transition to digital products. There will

not be a continuing effect in fiscal 2000 on comparable store sales from personal computers as we sold a limited number of personal computers in fiscal 1999.

GROSS PROFIT. Gross profit was \$113.8 million in fiscal 1999, or 27.3% of net sales, versus \$113.2 million, or 27.6% of net sales, recorded the prior year. The reduced gross profit margin was primarily the result of the changes in merchandise sales mix discussed above and the continued decline in the average selling prices of television and video products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses for fiscal 1999 were \$93.6 million, or 22.4% of net sales, a 0.5% decline from \$94.1 million, or 22.9% of net sales, in fiscal 1998. The decrease in expenses was primarily due to lower advertising expenditures in certain markets of approximately \$2.3 million, partially offset by an increase in compensation expense of approximately \$1.2 million resulting from increased total sales and profits.

INCOME FROM OPERATIONS. Income from operations was \$20.2 million, or 4.9% of net sales, in fiscal 1999, a 5.2% increase from \$19.2 million, or 4.7% of net sales, for fiscal 1998. The increase was primarily due to increased total sales and controls over advertising expenditures.

INTEREST EXPENSE. Interest expense decreased to \$6.4 million in fiscal 1999 from \$7.1 million in fiscal 1998. The decrease in interest expense was primarily attributable to lower borrowings under the line of credit. Average outstanding borrowings under the line of credit were approximately \$15.8 million in fiscal 1999 versus approximately \$22.2 million in fiscal 1998.

GAIN ON SALE OF REAL ESTATE. During fiscal 1999, we sold two shopping centers in which we had previously operated retail stores. We recorded a gain of approximately \$2.4 million from the sale of this real estate.

LOSSES FROM LIMITED PARTNERSHIPS. Results for the fiscal year ended January 31, 1999 also reflect the impact of our investment in the two synthetic fuel limited partnerships. We recorded a pre-tax charge of approximately \$1.3 million to record our share of the partnerships' operating losses, lowering our total investment in the partnerships to \$1.8 million.

INCOME TAXES. Our effective tax rate was reduced to 26.3% in fiscal 1999 from 39.5% in fiscal 1998 as a result of our share of federal tax credits earned by the limited partnerships.

NET INCOME. As a result of the foregoing, net income was \$11.2 and \$7.4 million for fiscal 1999 and 1998, respectively.

COMPARISON OF FISCAL YEARS ENDED JANUARY 31, 1998 AND 1997

NET SALES. Net sales in fiscal 1998 were \$411.0 million, a 3.8% decrease from the \$427.4 million achieved in fiscal 1997. This decrease was caused by a decline of 10.5% in comparable store sales, partially offset by the first full year of sales for 35 stores opened in the previous fiscal year. During fiscal 1998, we opened eight stores and closed eight, while during fiscal 1997 we opened 35 stores and closed 12. We had 222 stores open at both January 31, 1998 and 1997.

Comparable store sales declined by 10.5% in fiscal 1998. Comparable store sales were negatively impacted by a general weakness in the video, audio and television categories, partly due to the approaching transition to digital technology, a decline in average selling prices and increased competition. Comparable store sales were also negatively impacted by our decision to discontinue selling personal computers. The decision to discontinue selling personal computers continued to negatively impact comparable store sales in fiscal 1999.

GROSS PROFIT. Gross profit was \$113.2 million in fiscal 1998, or 27.6% of net sales, versus \$109.6 million, or 25.6% of net sales, recorded in the prior year. The improved gross profit margin was 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. Selling, general and administrative expenses for fiscal 1998 were \$94.1 million, or 22.9% of net sales, a 2.4% increase over the \$91.9 million, or 21.5% of net sales, in fiscal 1997. The increase in expenses was primarily due to an increase in

incentive commissions for sales personnel of approximately \$2.6 million. Incentive commissions rates were increased in fiscal 1998. Selling, general and administrative expenses as a percent of net sales also increased due to the decline in comparable store sales.

INCOME FROM OPERATIONS. Income from operations was \$19.2 million, or 4.7% of net sales, in fiscal 1998, an 8.5% increase from the \$17.7 million, or 4.1% of net sales, for fiscal 1997. The increase was primarily due to the improved gross profit margin.

INTEREST EXPENSE. Interest expense increased to \$7.1 million in fiscal 1998 from \$5.6 million in fiscal 1997. The increase in interest expense was primarily attributable to additional mortgage debt outstanding for the full fiscal year on stores opened in fiscal 1997. Average outstanding mortgage debt was approximately \$55.1 million in fiscal 1998 compared to \$40.8 million in fiscal 1997.

INCOME TAXES. Our effective tax rate was 39.5% for fiscal 1998 and 1997.

NET INCOME. As a result of the foregoing, net income was \$7.4 million in fiscal 1998 and 1997.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of financing have been cash flow provided by operations, supplemented by mortgages on owned properties. We also use borrowings under our revolving line of credit to fund our seasonal working capital needs.

OPERATING ACTIVITIES. Net cash used in operating activities was \$0.6 million for the first six months of fiscal 2000, compared to \$13.4 million for the first six months of fiscal 1999. For the first six months of fiscal 2000, operating cash flow was provided by net income of \$6.2 million adjusted for the net impact of non-cash items of \$2.1 million, which consist of deferred income, depreciation and amortization and our equity interest in the losses of the synthetic fuel limited partnerships. Cash was also provided by an increase in accounts payable of \$4.2 million, primarily due to an increase in inventory and extended payment terms from certain vendors, and an increase in other liabilities of \$3.6 million, primarily due to the timing of payment for wages and taxes. The primary use of cash was an increase in inventory of \$17.4 million primarily due to the seasonal timing of inventory purchases.

Net cash provided by operating activities was \$10.2 million for fiscal 1999. For fiscal 1999, operating cash flow was provided by net income of \$11.2 million adjusted for the net impact of non-cash items of \$1.0 million, which primarily consisted of depreciation, the gain on sale of real estate and our equity interest in the losses of the synthetic fuel limited partnerships. Cash was also provided by an increase in accounts payable of \$2.8 million, primarily due to extended payment terms and the timing of payments to vendors. Cash was used by an increase in inventory of \$5.5 million generally due to the timing of purchases.

INVESTING ACTIVITIES. Capital expenditures in the first six months of fiscal 2000 totaled \$5.9 million and primarily relate to the acquisition of store sites and other construction expenditures associated with planned fiscal 2000 new store openings and the purchase of a previously leased store.

Capital expenditures in fiscal 1999 totaled \$12.7 million. Expenditures included approximately \$7.9 million to open 12 stores, approximately \$2.1 million to relocate two stores and approximately \$2.1 million to purchase three previously leased stores. In fiscal 1999, we also invested \$3.2 million in the synthetic fuel limited partnerships.

We plan to open 10 to 15 stores in fiscal 2000. Total capital expenditures for fiscal 2000 are expected to be approximately \$14.0 million. We plan to open 30 to 35 new stores in fiscal 2001, with anticipated capital expenditures of \$25.0 to \$30.0 million.

FINANCING ACTIVITIES. Cash provided by financing activities totaled \$3.4 million for the first six months of fiscal 2000. We received proceeds of \$3.3 million from the exercise of stock options by employees. During the first six months of fiscal 2000, we also purchased 209,000 shares of our common stock for \$3.2 million. During fiscal 1999, we purchased 632,000 shares of our common stock for \$7.5 million. We are currently authorized by our board of directors to purchase an additional 255,700 shares of common stock. All shares purchased will be held in treasury for possible future use.

We have a revolving credit agreement with seven banks through July 31, 2000, with interest at prime or LIBOR plus 1.875%. Amounts available for borrowing are equal to the lesser of (1) \$100 million for the months of January through June and \$150 million for the months of July through December or (2) the sum of specified percentages of eligible accounts receivable and eligible inventories, as defined. Amounts available for borrowing are reduced by any letter of credit commitments outstanding. Borrowings on the revolving credit agreement are secured by a lien on substantially all of our assets, including the capital stock of our subsidiaries.

At July 31, 1999, no borrowings were outstanding on the revolving credit agreement. A total of approximately \$94.9 million was available at July 31, 1999. Borrowing levels vary during the course of a year based on our seasonal working capital needs. The maximum direct borrowings outstanding during fiscal 1999 were approximately \$41.9 million, immediately prior to the Christmas selling season due to the build-up of seasonal inventory requirements. The weighted average interest rate was 9.6%, including commitment fees, for fiscal 1999. The revolving credit agreement contains restrictive covenants which require us to maintain specified levels of consolidated tangible net worth and limit capital expenditures and the incurrence of additional indebtedness. The revolving credit agreement also places restrictions on common stock repurchases and the payment of dividends.

At July 31, 1999, we had approximately \$61.9 million of mortgage debt outstanding, including \$5.3 million obtained in the first half of fiscal 2000 and \$7.0 million obtained in fiscal 1999 from mortgaging 16 properties at a weighted average interest rate of 8.6%, with maturities from 2000 to 2014.

We currently intend to use approximately \$28.5 million of the net proceeds from this offering to repay a portion of our long-term mortgage debt, which includes approximately \$0.7 million of associated prepayment penalties. This mortgage debt bears interest rates ranging from 8.6% to 10.0%, with maturities from May 1, 2001 to February 1, 2012. In connection with the repayment of this debt, we expect to incur an extraordinary loss of approximately \$880,000 in our third quarter ending October 31, 1999. The extraordinary loss will consist primarily of the write-off of the associated deferred loan acquisition costs and prepayment penalties, net of income tax benefits of approximately \$290,000. We may change the amount of mortgage debt that we repay based on prevailing interest rates at the time of the offering.

WORKING CAPITAL. At July 31, 1999, working capital was \$82.9 million compared to \$77.4 million at January 31, 1999. The ratio of current assets to current liabilities was 1.9 to 1 at July 31, 1999 and at January 31, 1999.

We believe the net proceeds from this offering, existing working capital, cash generated from operations and funds available under our revolving line of credit will be sufficient to fund our operations and planned expansion through fiscal 2001.

SEASONALITY AND QUARTERLY FLUCTUATIONS

Our business is seasonal. As is the case with many other retailers, our net sales and net income are greatest in our fourth fiscal quarter, which includes the Christmas selling season. The fourth fiscal quarter accounted for 35.2% and 34.5% of net sales, 50.4% and 49.8% of income from operations, and 65.7% and 70.3% of net income in fiscal 1998 and 1999, respectively. Year-to-year comparisons of quarterly results of operations and comparable store sales can be affected by a variety of factors, including the duration of the holiday selling season, weather conditions and the timing of new store openings.

The following table provides certain unaudited financial information for REX for each of the quarters shown.

FISCAL QUARTER ENDED

	APRIL 30		JULY 31		OCTOBER 31		JANUARY 31	
	\$000S	% OF ANNUAL	\$000S	% OF ANNUAL	\$000S	% OF ANNUAL	\$000S	% OF ANNUAL
(UNAUDITED)								
FISCAL 1998								
Net sales.....	\$88,265	21.5%	\$ 89,899	21.9%	\$87,967	21.4%	\$144,874	35.2%
Income from operations.....	2,822	14.7	4,188	21.8	2,519	13.1	9,664	50.4
Net income.....	797	10.8	1,359	18.3	383	5.2	4,873	65.7
FISCAL 1999								
Net sales.....	\$87,964	21.1%	\$ 92,446	22.2%	\$92,634	22.2%	\$143,629	34.5%
Income from operations.....	2,766	13.7	4,226	20.9	3,156	15.6	10,053	49.8
Net income.....	1,019	9.1	1,579	14.1	732	6.5	7,865	70.3
FISCAL 2000								
Net sales.....	\$99,056	--	\$107,739	--	--	--	--	--
Income from operations.....	3,658	--	6,360	--	--	--	--	--
Net income.....	2,087	--	4,098	--	--	--	--	--

IMPACT OF INFLATION

The impact of inflation has not been material to our results of operations for the past three fiscal years.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, 'Accounting for Derivative Instruments and Hedging Activities,' which requires companies to recognize all derivative contracts at their fair values, as either assets or liabilities on the balance sheet. Changes in the fair value of derivatives are recorded in current earnings or other comprehensive income. In June 1999, the FASB issued Statement No. 137, which amended SFAS No. 133 to defer the effective date of adoption to fiscal quarters beginning after June 15, 2000. We do not expect the adoption of SFAS No. 133 to have a material impact on the consolidated financial statements because we do not currently hold any derivative instruments. We do not intend to adopt SFAS No. 133 prior to its effective date.

YEAR 2000

The statements in this section include 'Year 2000 readiness disclosure' within the meaning of the Year 2000 Information and Readiness Disclosure Act.

Certain software and hardware systems are time sensitive. Older time-sensitive systems often use a two digit dating convention ('00' rather than '2000') that could result in system failure and disruption of operations as the year 2000 approaches. This is referred to as the Year 2000 issue. The Year 2000 issue will impact us, our suppliers, customers and other third parties that transact business with us.

We have a staff of internal resources to address Year 2000 issues. This team believes that it has identified substantially all hardware and software systems within REX which may be susceptible to Year 2000 issues. Projects have been established to address all significant Year 2000 issues. The Year 2000 team reports regularly to senior management on the progress of significant Year 2000 projects.

Most Year 2000 activities are to test hardware and software systems, including infrastructure systems such as telephones and store security systems. We determined that we needed to modify some of our software. We believe all hardware systems are Year 2000 compliant. We believe we have completed reprogramming and testing all of our critical systems impacted by Year 2000

issues. We are currently working with outside vendors on the compliance status of telephones and store security systems.

We have initiated communications with our significant suppliers and other third parties that transact business with us to identify and minimize disruptions to our operations and to assist in resolving Year 2000 issues. Information provided by our 15 largest suppliers states that they believe their products are Year 2000 compliant. Most of the companies operating our store security systems believe their systems are either Year 2000 compliant or are not date dependent. However, there can be no certainty that the impacted systems and products of other parties on which we rely will be Year 2000 compliant.

We generally believe that our suppliers are responsible for the Year 2000 functionality of the products they supply to us for resale. However, should product failures occur, we may be required to address the administrative aspects of those failures, such as handling product returns or repairs.

The estimated costs for resolving Year 2000 issues are approximately \$175,000. Most of these costs are internal labor related to reprogramming existing software. Estimates of Year 2000 costs are based on numerous assumptions and actual costs could be greater than estimates. Specific factors that might cause such differences include, but are not limited to, the continuing availability of personnel trained in this area and the ability to timely identify and correct all relevant software and hardware systems.

While we believe we are diligently addressing the Year 2000 issues to ensure Year 2000 readiness, there can be no absolute assurance that the objective will be achieved either internally or as it relates to third parties. At this time, we believe the most reasonably likely worst case scenario is that:

- we could experience significant volumes of product returns due to widespread product failures;

- we could lose communications links with some stores;

- some stores could close due to loss of electric power;

- store security systems may not operate; and

- individual stores may be unable to process transactions or engage in normal business activity.

Our contingency plans include conducting store operations on a manual basis, working to assess and correct system errors and possibly changing suppliers.

BUSINESS

We are a leading specialty retailer in the consumer electronics/appliance industry, serving over 200 small to medium-sized towns and communities. Since 1980, when our first four stores were acquired, we have expanded into a national chain operating 226 stores in 35 states under the 'REX' trade name. Our stores average approximately 10,900 square feet and offer a broad selection of brand name products within selected major product categories, including big screen and standard-sized televisions, video and audio equipment, camcorders and major household appliances.

INDUSTRY OVERVIEW

The consumer electronics/appliance industry, defined to include televisions, video and audio equipment, camcorders and home appliances, is large and highly fragmented. The industry consists of large, national chains selling a broad range of goods, small specialty single-store operators, consumer electronics departments of selected department and discount stores and home improvement centers.

Growth in the consumer electronics market has been driven by the introduction of new products and technological advancements. Industry growth accelerated during 1998, resulting from the introduction of products that incorporate digital technology, including Digital Versatile Disc (DVD) players and digital camcorders, both of which reached significant volume levels in 1998. These are the most significant new product introductions since VCRs and CD players. The most anticipated new products are digital and high definition television sets and related converter boxes. In some cases, sales of new products in smaller markets lag behind sales in larger metropolitan markets. For example, DVD player sales in small markets were limited until DVD rentals became readily available in those markets. Thus, we are only now beginning to benefit from the introduction and demand for these products.

Digital products offer significant advantages over their analog counterparts that include increased clarity and quality of video and audio, durability of recordings and compatibility with computers. Due to these advantages, we expect the digital revolution in the consumer electronics industry to drive growth in the coming years as consumers replace their existing analog based consumer electronics products with digital products.

CONTINUED PENETRATION OF DVD

The Consumer Electronics Manufacturing Association reports that the number of DVD players in U.S. homes as of the end of 1998 was approximately 1.4 million units, and now estimates that approximately four million units will be installed by year-end 1999. This far exceeds the sales penetration achieved by VCRs when they were first introduced.

INCREASED ACCEPTANCE AND AFFORDABILITY OF DIGITAL CAMCORDERS

Camcorders represent another category in which there has been strong, accelerating demand for the digital alternative. The advantages of digital camcorders compared to analog versions include dramatically higher resolution, clearer sound and increased recording time per tape. In addition, digital camcorders can be hooked up to a computer allowing for editing of home videos or still images and, unlike analog recordings, copies made from digital copies experience no deterioration in sound or picture quality. While digital camcorders represent less than 10% of the U.S. market, we believe this will grow as the units become more affordable.

EMERGENCE OF DIGITAL AND HIGH DEFINITION TELEVISION (HDTV)

The Federal Communications Commission has set a target of 2006 for all commercial television stations to transition from broadcasting analog signals to digital signals. Digital television allows broadcasters to send much more information over the same bandwidth used for traditional analog television. As a result, digital signals allow stations to broadcast sharper pictures and higher

quality sound, referred to as high definition television (HDTV), or to use the digital transmission for sending up to four programs in standard definition simultaneously, referred to as multicasting. Most stations plan to use digital signals for some combination of multicasting and HDTV broadcasting. According to the FCC's schedule, all commercial stations will be required to broadcast digital signals by 2002. Most stations plan to broadcast digital and analog simultaneously until 2006. In order to receive digital transmissions, consumers will need either a digital-ready television or a set-top box converter capable of converting the digital broadcast for viewing on an analog set.

PROLIFERATION OF HOME SATELLITE SYSTEMS

Home satellite systems offered by Hughes DirecTV and Echostar are now in approximately 9.4 million homes, according to industry publication TWICE. We expect increased penetration of these home satellite systems in the U.S. We also expect the demand for these home satellite systems to be particularly strong in our markets, which tend to be underserved by cable.

NEW APPLIANCE INNOVATIONS

The home appliance market is large and concentrated among a few major suppliers including Whirlpool, General Electric and Maytag. Demand is driven by a variety of factors including consumer confidence, household formations and new product introductions. Product design and innovation is rapidly becoming a key driver of growth in this sector. Products either recently introduced or scheduled to be offered include high speed ovens, custom refrigerators, appliances with stainless steel exteriors, a personal garment dry cleaning appliance and energy-efficient appliances. Since we carry products of the three largest manufacturers, we expect to benefit from the introduction of these new products.

BUSINESS STRATEGY

Our objective is to be the leading consumer electronics/appliance retailer in each of our markets. The key elements of our business strategy include:

FOCUSING ON SMALL MARKETS

We traditionally have concentrated our stores in markets with populations of 20,000 to 300,000. We are currently focusing most of our new store openings in markets with populations under 75,000, which generally are underserved by our competitors. We believe that our low-overhead store format and our ability to operate in free-standing as well as strip shopping centers and regional mall locations makes us well suited to these small markets.

MAINTAINING GUARANTEED LOWEST PRICES

We actively monitor prices at competing stores and adjust our prices as necessary to meet or beat the competition. We guarantee the lowest price on our products through a policy of refunding 125% of the difference between our price and a competitor's price on the same item.

OFFERING A BROAD SELECTION OF BRAND NAME PRODUCTS

We offer a broad selection of brand name products within key product categories. We carry most major brands of consumer electronics and appliances, having recently added Sony and Maytag products. We offer merchandise in each of our product categories at a range of price points and generally maintain sufficient product stock for immediate delivery to customers.

CAPITALIZING ON OUR OPPORTUNISTIC BUYING

We frequently purchase large quantities of products directly from manufacturers on an opportunistic basis at favorable prices. We believe this buying strategy makes us a unique and

attractive customer for manufacturers seeking to sell canceled orders and excess inventory and enables us to develop strong relationships and extended trade credit support with vendors.

STRIVING TO BE THE LOW COST OPERATOR IN OUR MARKETS

Our current prototype store is approximately 12,000 square feet and provides us with cost and space efficiencies. Our market selection criteria and operating philosophy allow us to minimize both occupancy and labor costs. All of our store employees, including our store managers, sell products, unload trucks, stock merchandise and process sales, which helps minimize employee count and overhead within each store. Most stores are staffed with between three and six employees.

LEVERAGING OUR STRONG OPERATIONAL CONTROLS

Our information systems and point-of-sale computer systems, which are installed in every store, allow management to monitor our merchandising programs, sales, employee productivity and in-store inventory levels on a daily basis. Our operational controls provide us with cost efficiencies which reduce overhead while allowing us to maintain high levels of in-stock merchandise. Our three distribution centers, strategically located in Dayton, Ohio, Pensacola, Florida and Cheyenne, Wyoming, reduce inventory requirements at individual stores and facilitate centralized inventory and accounting controls. We believe our current information systems and distribution infrastructure can support 100 to 150 new stores without significant additional capital expenditures.

GROWTH STRATEGY

The key elements of our growth strategy include:

EXPANDING OUR STORE BASE

We have identified between 500 and 600 potential markets that meet our site selection criteria. We plan to open 10 to 15 stores in fiscal 2000. We plan to accelerate our store expansion program by opening approximately 30 to 35 new stores in fiscal 2001 and approximately 35 to 40 new stores in fiscal 2002. Since February 1, 1999, we have opened one new store, have completed the purchase of five new store locations, have entered into agreements to purchase 14 new store locations, have leased one new store site, and have under consideration an additional 40 sites. We open the majority of our stores in our third and fourth fiscal quarters in time for the holiday selling season, and a substantial majority of our new stores are profitable on a store operating basis upon completion of their first holiday selling season.

INCREASING OUR SAME STORE SALES

We plan to increase our same store sales by:

- implementing new merchandising initiatives, including the recent introduction of Sony and Maytag products;

- offering new products and product categories including DVD players, digital camcorders, high definition television and cellular telephones and subscriptions; and

- increasing usage of local television and radio advertising to supplement our newspaper advertising.

EXPANDING OUR E-COMMERCE INITIATIVE

We plan to profitably expand our online retailing initiatives which include selling selected merchandise through third-party auction sites, including Amazon.com Auctions, eBay and Yahoo! and on our own Internet Web site at www.rexstores.com. By utilizing third-party auction sites, we are able to capitalize on their infrastructure, brand awareness and customer traffic. We plan to

seek other third-party auction sites. We also plan to expand our online product offerings, explore increased e-commerce advertising and improve the functionality of our Web site.

STORE OPERATIONS

STORES. We locate our stores in the general vicinity of major retail shopping districts and design our stores to generate their own traffic. Currently, 148 stores are located in free-standing buildings, with the balance situated in strip shopping centers and regional malls. Stores located in malls have exterior access and signage rights.

Our stores are designed with minimal interior fixtures to provide an open feeling and a view of all product categories upon entering the store. The stores are generally equipped with neon signage above each product category to further direct the customer to particular products. We believe the interior layout of our stores provides an inviting and pleasant shopping environment for the customer.

Our existing stores average approximately 10,900 square feet, including approximately 7,600 square feet of selling space and approximately 3,300 square feet of storage. New stores are planned to be approximately 12,000 square feet. Stores are open seven days and six nights per week, except for certain holidays. Hours of operation are 10:00 a.m. to 9:00 p.m. Monday through Saturday and 12:00 p.m. to 6:00 p.m., or 1:00 p.m. to 5:00 p.m. in some states, on Sunday.

Our operations are divided into regional districts, containing from two to 12 stores whose managers report to a district manager. Our 38 district managers report to one of four regional vice presidents. Each store is staffed with a full-time manager and one or two assistant managers, commissioned sales personnel and, in higher-traffic stores, seasonal support personnel. Store managers are paid on a commission basis and have the opportunity to earn bonuses based upon their store's sales and gross margins. Sales personnel work on a commission basis.

We evaluate the performance of our stores on a continuous basis and, based on an assessment of overall profitability, future cash flows and other factors we deem relevant, will close any store which is not adequately contributing to our profitability. We closed 12, 8 and 6 stores during fiscal 1997, 1998 and 1999, respectively, and have closed three stores in fiscal 2000. In fiscal 1999, we opened 12 new stores: three stores each in Idaho and New York, two stores in Pennsylvania and one store each in Alabama, Florida, Ohio and South Carolina. In fiscal 2000, we have opened one new store in Montana.

STORE LOCATIONS. The following table shows the states in which we operated stores and the number of stores in each state as of August 26, 1999:

STATE	NUMBER OF STORES
Alabama.....	12
Arkansas.....	1
Colorado.....	3
Florida.....	26
Georgia.....	7
Idaho.....	5
Illinois.....	10
Indiana.....	3
Iowa.....	12
Kansas.....	2
Kentucky.....	3
Louisiana.....	6
Maryland.....	2
Massachusetts.....	2
Michigan.....	3
Minnesota.....	1
Mississippi.....	11
Missouri.....	3

STATE	NUMBER OF STORES
Montana.....	3
Nebraska.....	3
New York.....	20
North Carolina.....	5
North Dakota.....	3
Ohio.....	17
Oklahoma.....	2
Pennsylvania.....	18
South Carolina.....	10
South Dakota.....	3
Tennessee.....	6
Texas.....	10
Virginia.....	1
Washington.....	2
West Virginia.....	5
Wisconsin.....	4
Wyoming.....	2

SITE SELECTION. We select locations for future stores based on our evaluation of individual site economics and market conditions. When deciding whether to enter a new market or open another store in an existing market, we evaluate a number of criteria, including:

sales volume potential;

competition within the market area, including size, strength and merchandising philosophy of former, existing and potential competitors;

cost of advertising;

newspaper circulation; and

size and growth pattern of the population.

In choosing specific sites, we apply standardized site selection criteria taking into account numerous factors, including:

local demographics;

real estate occupancy expense based upon ownership and/or leasing;

traffic patterns; and

overall retail activity.

Stores typically are located on high traffic arteries, adjacent to or in major shopping malls, with adequate parking to support high sales volume.

We either lease or purchase new store sites depending upon opportunities available to us and relative costs. Of the 20 new stores opened in fiscal 1999 and 1998, ten were leased sites and ten were purchased sites.

STORE ECONOMICS. For leased stores, we anticipate per store capital expenditures of \$75,000 to \$250,000. This amount may increase to the extent we are responsible for the remodeling or renovation of the new leased site. We anticipate expenditures of approximately \$800,000 to \$1,200,000 when we purchase real estate, which include the cost of the land purchased, building construction and fixtures. The purchase amount varies depending upon the size and location of the store. Historically, we have obtained long-term mortgage financing of approximately 75% of the land and building cost of opening owned stores. Mortgage financing is generally obtained after a

store is opened, either on a site by site or multiple store basis. The extent to which we seek mortgage financing for owned stores is dependent upon mortgage rates, terms and availability.

The inventory requirements for new stores are estimated at \$350,000 to \$500,000 per store depending upon the season and store size. Approximately one-third of this inventory is financed through trade credit.

A substantial majority of our new stores are profitable on a store operating basis upon completion of their first holiday selling season. Virtually all of our existing stores are profitable on a store operating basis.

PERSONNEL. We train our employees to explain and demonstrate to customers the use and operation of our merchandise and to develop good sales practices. Our in-house training program for new employees combines on-the-job training with use of a detailed company-developed manual entitled 'The REX Way.' Sales personnel attend in-house training sessions conducted by experienced salespeople or manufacturers' representatives and receive sales, product and other information in meetings with managers. Management and sales personnel are compensated on a commission basis.

We also have a manager-in-training program that consists of on-the-job training of the assistant manager at the store. Our policy is to staff store management positions with personnel promoted from within REX and to staff new store management positions with existing managers or assistant managers.

SERVICES. Virtually all of the products we sell carry manufacturers' warranties. Except for our least expensive items, we offer extended service contracts to customers, usually for an additional charge, which typically provide one to five years of extended warranty coverage. We offer maintenance and repair services for most of the products we sell. These services are generally subcontracted to independent repair firms.

Our return policy provides that any merchandise may be returned for exchange or refund within seven days of purchase if accompanied by original packaging material and verification of sale.

We accept MasterCard, Visa and Discover. We estimate that, during fiscal 1999, approximately 31% of our total sales were made on these credit cards, and approximately 11% were made on installment credit contracts arranged through banks or independent finance companies which bear the credit risk of these contracts. We work with local consumer finance companies in each of our markets in implementing these credit arrangements and are able to offer competitive credit packages, generally including 12 months of interest-free financing.

MERCHANDISING

PRODUCTS. We offer a broad selection of brand name consumer electronics and home appliance products at a range of price points. We emphasize depth of product selection within selected key product categories, with the greatest depth in televisions, big screen TVs, VCRs, camcorders and audio equipment. We sell approximately 1,000 products produced by approximately 50 manufacturers. Our product categories include:

TELEVISIONS - - - - -	VIDEO - - - - -	AUDIO - - - - -	APPLIANCES - - - - -	OTHER - - - - -
TVs	VCRs	Stereo Systems	Air Conditioners	Extended Service
Big Screen TVs	Camcorders	Receivers	Microwave Ovens	Contracts
TV/VCR	Digital Satellite Systems	Compact Disc Players	Washers	Ready to Assemble
Combos	DVD Players	Tape Decks	Dryers	Furniture
		Speakers	Ranges	Recordable Tapes
		Car Stereos	Dishwashers	Telephones
		Portable Radios	Refrigerators	Fax Machines
		Turntables	Freezers	Audio/Video Accessories
			Vacuum Cleaners	Radar Detectors
			Dehumidifiers	CB Radios
			Garbage Disposals	

Among the leading brands sold by us during fiscal 1999, in alphabetical order, were Aiwa, General Electric, Hitachi, Hotpoint, JVC, Panasonic, Phillips Magnavox, Pioneer, RCA, Sharp, Technics, Toshiba, Whirlpool and Zenith. In fiscal 2000 we added Sony and Maytag products.

All our stores carry a broad range of televisions, video and audio products, microwave ovens and air conditioners and a limited line of home office products. In addition, 223 stores carry major appliances.

The following table shows the approximate percent of net sales for each major product group for the last three fiscal years.

PRODUCT CATEGORY	FISCAL YEAR		
	1997	1998	1999
Televisions.....	36%	36%	36%
Video.....	18	19	17
Audio.....	18	17	18
Appliances.....	18	20	21
Other.....	10	8	8
	100%	100%	100%

PRICING. Our policy is to offer our products at guaranteed lowest prices combined with frequent special sales and promotions. Our retail prices are established by our merchandising department, but each district manager is responsible for monitoring the prices offered by competitors and has authority to adjust prices to meet local market conditions. Our commitment to offer the lowest prices is supported by our guarantee to refund 125% of the difference in price if, within 30 days of purchase, a customer can locate the same item offered by a local competitor at a lower price.

ADVERTISING. We use a 'price and item' approach in our advertising, stressing the offering of nationally recognized brands at significant savings. The emphasis of our advertising is our Guaranteed Lowest Price. Our guarantee states:

'Our prices are guaranteed in writing. If you find any other local store stocking and offering to sell for less the identical item in a factory sealed box within 30 days after your REX purchase, we'll refund the difference plus an additional 25% of the difference.'

Advertisements are concentrated principally in newspapers and preprinted newspaper inserts, which are produced for us by an outside advertising agency. We supplement our newspaper advertising with television and radio advertisements in certain markets. Advertisements are also complemented by in-store signage highlighting special values, including 'Value Every Day,' 'Best Value,' and 'Top of the Line.' Our advertising strategy includes preferred customer private mailers, special events such as 'Midnight Madness Sales' and coupon sales to provide shopping excitement and generate traffic.

PURCHASING. Our merchandise purchasing and opportunistic buying are performed predominantly by three members of senior management. Each individual has responsibility for a specific product category, and two share appliance buying responsibility. By purchasing merchandise in large volume, we are able to obtain quality products at competitive prices and advertising subsidies from vendors to promote the sale of their products. For fiscal 1999, six vendors accounted for approximately 55% of our purchases. We typically do not maintain long-term purchase contracts with vendors and operate principally on an order-by-order basis.

E-COMMERCE

In April 1999, we began selling selected televisions, audio and video products and small appliances on our Web site at www.rexstores.com. We are an Amazon.com Auctions Charter Merchant and also offer selected products on the eBay and Yahoo! auction Web sites. The entry into e-commerce offers us the opportunity to expand our sales into larger markets.

DISTRIBUTION

Our stores are supplied by three regional distribution centers. The distribution centers consist of:

- a 315,000 square foot leased facility in Dayton, Ohio;
- a 180,000 square foot owned facility in Pensacola, Florida, of which we lease 90,000 square feet to an outside company; and
- a 145,000 square foot owned facility in Cheyenne, Wyoming.

We also lease a 67,000 square foot auxiliary warehouse in Pensacola, Florida. In addition, we lease overflow warehouse space as needed to accommodate seasonal inventory requirements and opportunistic purchases.

INVENTORY MANAGEMENT

The regional distribution centers reduce inventory requirements at individual stores, while preserving the benefits of volume purchasing and facilitating centralized inventory and accounting controls. Virtually all of our merchandise is distributed through our distribution centers, with the exception of major appliances which are often shipped directly by the vendor to the retail location. All deliveries to stores are made by independent contract carriers.

MANAGEMENT INFORMATION SYSTEMS

We have developed a computerized management information system which operates an internally developed software package. Our computer system provides management with the information necessary to manage inventory by stock keeping unit (SKU), monitor sales and store activity on a daily basis, capture marketing and customer information, track productivity by salesperson and control our accounting operations.

Our mainframe computer is an IBM A/S 400E series model and is Year 2000 compliant. The host computer is integrated with our point-of-sale system which serves as the collection mechanism for all sales activity. The combined system provides for next-day review of inventory levels, sales by store and by SKU and commissions earned, assists in cash management and enables management to track merchandise from receipt at the distribution center until time of sale.

As is the case with most business organizations, we utilize software and related technology that are date sensitive and may be affected by the date change which will occur in the year 2000. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations' for further discussion of the Year 2000 issue.

COMPETITION

Our business is characterized by substantial competition. Our competitors include national and regional large format merchandisers and superstores such as Best Buy and Circuit City, other specialty electronics retailers including RadioShack, department and discount stores such as Sears, Wal-Mart and Montgomery Ward, furniture stores, warehouse clubs, home improvement retailers and Internet and store-based retailers who sell competitive products online. We also compete with small chains and specialty single-store operators in some markets, as well as Sears' dealer-operated units. Some of our competitors have greater financial and other resources than us, which may increase their ability to purchase inventory at a lower cost, better withstand economic downturns or engage in aggressive price competition. Competition within the consumer electronics/appliance retailing industry is based upon price, breadth of product selection, product quality and customer service. We expect competition within the industry to increase.

FACILITIES

We own 111 of our stores. The remaining 115 stores operate on leased premises, with the unexpired terms of the leases ranging from one year to 26 years, inclusive of options to renew,

except for four month to month leases. For fiscal 1999, the total net rent expense for our leased facilities was approximately \$6,932,000.

To date, we have not experienced difficulty in securing leases or purchasing sites for suitable store locations. We continue to remodel and upgrade existing stores as appropriate. In addition, to minimize construction costs, we have developed prototype formats for new store construction.

EMPLOYEES

At August 26, 1999, we had 142 hourly and salaried employees and 884 commission-based sales employees. We also employ additional personnel during peak selling seasons. None of our employees are represented by a labor union. We consider our relationship with our employees to be good.

SERVICE MARKS

We have registered our rights in our service mark 'REX' with the United States Patent and Trademark Office. We are not aware of any adverse claims concerning our service mark.

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

Set forth below is certain information concerning our directors, executive officers and key employees.

NAME ----	AGE ---	POSITION -----
DIRECTORS AND EXECUTIVE OFFICERS:		
Stuart Rose.....	44	Chairman of the Board and Chief Executive Officer(1)
Lawrence Tomchin.....	71	President, Chief Operating Officer and Director(1)
Douglas Bruggeman.....	39	Vice President -- Finance and Treasurer
Edward Kress.....	50	Secretary and Director
Robert Davidoff.....	72	Director(2)(3)
Lee Fisher.....	48	Director(2)(3)
KEY EMPLOYEES:		
David Fuchs.....	45	Vice President -- Management Information Systems
Keith Magby.....	40	Vice President -- Operations
Zafar Rizvi.....	49	Vice President -- Loss Prevention
Richard Santia.....	53	Vice President -- Corporate Development
David Hyatt.....	36	Vice President -- Store Operations
Robert Immekus.....	48	Vice President -- Store Operations
Philip Kellar.....	45	Vice President -- Store Operations
Walter Partlow, Jr.....	37	Vice President -- Store Operations

- -----
- (1) Member of Executive Committee
 - (2) Member of Audit Committee
 - (3) Member of Compensation Committee

Stuart Rose has been our Chairman of the Board and Chief Executive Officer since our incorporation in 1984 as a holding company to succeed to the ownership of Rex Radio and Television, Inc., Kelly & Cohen Appliances, Inc. and Stereo Town, Inc. Prior to 1984, Mr. Rose was Chairman of the Board and Chief Executive Officer of Rex Radio and Television, Inc., which he founded in 1980 to acquire the stock of a corporation which operated four retail stores.

Lawrence Tomchin has been our President and Chief Operating Officer since 1990. From 1984 to 1990, he was our Executive Vice President and Chief Operating Officer. Mr. Tomchin has been a director since 1984. Mr. Tomchin was Vice President and General Manager of the corporation which was acquired by Rex Radio and Television, Inc. in 1980 and served as Executive Vice President of Rex Radio and Television, Inc. after the acquisition.

Douglas Bruggeman has been our Vice President -- Finance and Treasurer since 1989. From 1987 to 1989, Mr. Bruggeman was our Manager of Corporate Accounting. Mr. Bruggeman was employed with the accounting firm of Ernst & Young prior to joining us in 1986.

Edward Kress has been our Secretary since 1984 and a director since 1985. Mr. Kress has been a partner of the law firm of Chernesky, Heyman & Kress P.L.L., our legal counsel, since 1988. From 1985 to 1988, Mr. Kress was a member of the law firm of Smith & Schnacke. Mr. Kress has practiced law in Dayton, Ohio since 1974.

Robert Davidoff has been a director since 1984. Mr. Davidoff has been employed by Carl Marks & Co., Inc., an investment banking firm, since 1950 and currently is Vice President in charge of corporate finance. Mr. Davidoff is also a director of Hubco Exploration, Inc., Marisa Christina, Inc. and Aquis Communications Group, Inc.

Lee Fisher has been a director since 1996. Mr. Fisher is the President and Chief Executive Officer of the Center for Families and Children, a private nonprofit human services organization.

Mr. Fisher was a partner of the law firm of Hahn Loeser & Parks LLP from 1995 to March 1999. Mr. Fisher served as Ohio Attorney General from 1991 to 1995, State Senator, Ohio General Assembly, from 1983 to 1991, and State Representative, Ohio General Assembly, from 1981 to 1983. Mr. Fisher also practiced law with Hahn Loeser & Parks from 1978 to 1991.

David Fuchs has been our Vice President -- Management Information Systems since 1989. From 1985 to 1989, Mr. Fuchs was our Manager of Management Information Systems. Mr. Fuchs is responsible for our management information systems and buys digital satellite systems.

Keith Magby joined us as Vice President -- Operations in 1991. Mr. Magby's primary responsibilities include warehouse and distribution operations and appliance buying. Mr. Magby has been employed within the consumer electronics/appliance retailing industry since 1982.

Zafar Rizvi joined us as Vice President -- Loss Prevention in 1991. Mr. Rizvi's primary responsibilities include internal audit and loss prevention, negotiating advertising contracts with newspapers, e-commerce initiatives and Web site development. Mr. Rizvi has served in various management positions within the video retailing industry since 1986.

Richard Santia has been our Vice President -- Corporate Development since 1984 and has been employed by us since 1980. Mr. Santia's primary responsibilities include site selection and store construction and remodeling. Mr. Santia has been employed within the consumer electronics/appliance retailing industry since 1975.

David Hyatt has been Vice President -- Store Operations for our southern region stores since 1996 and has been employed by us since 1985.

Robert Immekus has been Vice President -- Store Operations for our western region stores since 1996. Mr. Immekus has been employed by us and our subsidiary Kelly & Cohen Appliances, Inc. since 1974.

Philip Kellar has been Vice President -- Store Operations for our northern region stores since 1990 and has been employed by us since 1988. Mr. Kellar has been employed within the consumer electronics/appliance retailing industry since 1977.

Walter Partlow, Jr. has been Vice President -- Store Operations for our southern region stores since 1996 and has been employed by us since 1987.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of August 26, 1999, and as adjusted to give effect to the sale of common stock offered hereby, by:

each of our directors and executive officers;
 all directors and executive officers as a group;
 each selling stockholder; and
 each person or group known by us to own more than 5% of our common stock.

NAME ----	BENEFICIAL OWNERSHIP PRIOR TO OFFERING(1)		SHARES BEING OFFERED -----
	NUMBER -----	PERCENT -----	
DIRECTORS, EXECUTIVE OFFICERS AND SELLING STOCKHOLDERS:(3)			
Stuart Rose(4).....	2,300,059	27.8%	700,747
Lawrence Tomchin(5).....	583,912	7.4	177,898
Douglas Bruggeman(6).....	54,266	*	17,500
Edward Kress(7).....	53,735	*	--
Robert Davidoff(8).....	97,983	1.3	--
Lee Fisher(9).....	9,037	*	3,855
All directors and executive officers as a group (6 persons)(10).....	3,098,992	35.9	900,000
5% BENEFICIAL OWNERS:			
FMR Corp.(11)	636,400	8.3	--
82 Devonshire Street Boston, MA 02109			
Investment Counselors of Maryland, Inc.(12)	583,500	7.6	--
803 Cathedral Street Baltimore, MD 21201-5297			
Dimensional Fund Advisors Inc.(13) ...	533,100	7.0	--
1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401			
The TCW Group, Inc.(14)	513,100	6.7	--
865 South Figueroa St. Los Angeles, CA 90017			

NAME ----	BENEFICIAL OWNERSHIP AFTER THE OFFERING(2)		SHARES BEING OFFERED -----
	NUMBER -----	PERCENT -----	
DIRECTORS, EXECUTIVE OFFICERS AND SELLING STOCKHOLDERS:(3)			
Stuart Rose(4).....	1,599,312	16.4%	
Lawrence Tomchin(5).....	406,014	4.3	
Douglas Bruggeman(6).....	36,766	*	
Edward Kress(7).....	53,735	*	
Robert Davidoff(8).....	97,983	1.1	
Lee Fisher(9).....	5,182	*	
All directors and executive officers as a group (6 persons)(10).....	2,198,992	21.7	
5% BENEFICIAL OWNERS:			
FMR Corp.(11)	636,400	7.0	
82 Devonshire Street Boston, MA 02109			
Investment Counselors of Maryland, Inc.(12)	583,500	6.4	
803 Cathedral Street Baltimore, MD 21201-5297			
Dimensional Fund Advisors Inc.(13) ...	533,100	5.8	
1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401			
The TCW Group, Inc.(14)	513,100	5.6	
865 South Figueroa St. Los Angeles, CA 90017			

* Less than 1%.

(1) Beneficial ownership numbers and percentages are calculated on the basis of the number of shares owned and outstanding on August 26, 1999 plus the number of shares issuable upon the exercise of options held by the person or group which are exercisable within 60 days after August 26, 1999.

(2) Assumes no exercise of the underwriters' over-allotment option. If the underwriters' over-allotment option is exercised in full, the number of shares owned and the percentage of ownership after the offering for Mr. Rose would be 1,494,200 shares and 14.9%, for Mr. Tomchin would be 379,329

shares and 3.9%, for Mr. Bruggeman would be 34,141 shares and less than 1%, for Mr. Fisher would be 4,604 shares and less than 1% and for all directors and executive officers as a group would be 2,063,992 shares and 20.0%.

- (3) The address of Mr. Rose, Mr. Tomchin and Mr. Bruggeman is 2875 Needmore Road, Dayton, Ohio 45414. Mr. Fisher's address is Western Reserve Building, 1468 West 9th Street, Cleveland, Ohio 44113.
- (4) Includes 146,084 shares held by the Stuart Rose Family Foundation, an Ohio nonprofit corporation of which Mr. Rose is the sole member, chief executive officer and one of three

(footnotes continued on next page)

(footnotes continued from previous page)

members of the board of trustees, the other two being members of his immediate family. Also includes 621,818 shares issuable upon the exercise of options.

- (5) Includes 4,583 shares held by Mr. Tomchin's wife and 278,497 shares issuable upon the exercise of options.
- (6) Includes 36,766 shares issuable upon the exercise of options.
- (7) Includes 16,960 shares held by Mr. Kress as co-trustee of a trust for the benefit of adult children of Mr. Tomchin with respect to which Mr. Kress has shared voting and investment power, 2,123 shares held by Mr. Kress as trustee of two trusts for the benefit of his minor children and 14,651 shares issuable upon the exercise of options.
- (8) Includes 14,651 shares issuable upon the exercise of options.
- (9) Includes 9,037 shares issuable upon the exercise of options. Mr. Fisher will exercise options to purchase 3,855 shares at an exercise price of \$10.38 per share for sale to the underwriters in this offering.
- (10) Includes 975,420 shares issuable upon the exercise of options.
- (11) Based on a Schedule 13G filing dated February 1, 1999. Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp. and a registered investment adviser, is the beneficial owner of 636,400 shares of REX common stock as a result of acting as investment adviser to various registered investment companies. One investment company, Fidelity Low-Priced Stock Fund, owns 571,400 shares. Edward C. Johnson 3d (Chairman of FMR Corp.), FMR Corp., through its control of Fidelity Management & Research Company, and the funds each has sole power to dispose of the 636,400 shares owned by the funds, while the sole power to vote or direct the voting of such shares resides solely with the funds' boards of trustees.
- (12) Based on a Schedule 13G filing dated February 1, 1999. All shares of common stock are owned by various investment advisory clients of Investment Counselors of Maryland, Inc., which is deemed to be a beneficial owner of those shares due to its discretionary power to make investment decisions over such shares for its clients and its ability to vote such shares. Investment Counselors of Maryland, Inc. has sole power to vote and dispose of 583,500 shares.
- (13) Based on a Schedule 13G filing dated February 11, 1999. Dimensional Fund Advisors Inc., a registered investment adviser, furnishes investment advice to four registered investment companies and serves as investment manager to certain other investment vehicles, including commingled group trusts. Dimensional Fund Advisors Inc. has sole power to vote and dispose of 533,100 shares owned by those portfolios. Dimensional Fund Advisors Inc. disclaims beneficial ownership of all such shares.
- (14) Based on a Schedule 13G filing dated February 12, 1999. The TCW Group, Inc. and Robert Day (an individual who may be deemed to control The TCW Group, Inc.) have shared power to vote and dispose of 513,100 shares, which shares are held by Trust Company of the West, TCW Asset Management Company and Oakmont Corporation.

DESCRIPTION OF CAPITAL STOCK

COMMON STOCK

Our authorized capital stock consists of 45,000,000 shares of common stock, \$.01 par value per share. Each share of common stock is entitled to participate pro rata in distributions upon liquidation and to one vote on all matters submitted to a vote of shareholders. The holders of common stock may receive dividends as declared by the board of directors out of funds legally available for dividends, subject to limitations in our revolving credit agreement. Holders of common stock have no preemptive or similar rights, nor do they have cumulative voting rights. The outstanding shares of common stock are, and the shares offered by us hereby when issued will be, fully paid and nonassessable. The holders of a majority of the outstanding shares have the voting power to elect all directors and to approve mergers, sales of assets and similar material corporate transactions.

ANTI-TAKEOVER EFFECTS OF DELAWARE LAW

We are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents a publicly-held Delaware corporation from engaging in a 'business combination' with an 'interested stockholder' for three years after the date the person became an interested stockholder, unless:

Prior to the date the person became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

Upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding stock held by persons who are directors and also officers of the corporation and stock held by certain employee stock plans; or

On or subsequent to the date of the transaction in which the person became an interested stockholder, the business combination is approved by the board of directors of the corporation and authorized at a meeting of stockholders by the affirmative vote of the holders of at least two-thirds of the outstanding voting stock of the corporation which is not owned by the interested stockholder.

A 'business combination' includes:

Any merger or consolidation involving the corporation and an interested stockholder;

Any sale, lease, exchange, mortgage, pledge, transfer or other disposition involving an interested stockholder of 10% or more of the assets of the corporation;

Subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation of any stock of the corporation to an interested stockholder;

Any transaction involving the corporation or any majority-owned subsidiary of the corporation which has the effect of increasing the proportionate share of the stock of any class or series of the corporation or of any such subsidiary beneficially owned by the interested stockholder; or

The receipt by an interested stockholder of any loans, guarantees, pledges or other financial benefits provided by or through the corporation or any majority-owned subsidiary.

An 'interested stockholder' is any person who beneficially owns 15% or more of the outstanding voting stock of the corporation or any person affiliated with or controlling or controlled by any such person.

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company, New York, New York is the transfer agent and registrar for our common stock.

UNDERWRITING

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has severally agreed to purchase, and REX and the selling stockholders have agreed to sell to each underwriter, the number of shares of common stock set forth opposite the name of that underwriter.

NAME ----	NUMBER OF SHARES -----
Salomon Smith Barney Inc.	
Credit Suisse First Boston Corporation.....	
Gerard Klauer Mattison & Co., Inc.	
ING Barings LLC.....	
Morgan Keegan & Company, Inc.	

Total.....	2,400,000

The underwriting agreement provides that the obligations of the several underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares, other than those covered by the over-allotment option described below, if they purchase any of the shares.

The underwriters, for whom Salomon Smith Barney Inc., Credit Suisse First Boston Corporation, Gerard Klauer Mattison & Co., Inc., ING Barings LLC and Morgan Keegan & Company, Inc. are acting as representatives, propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to certain dealers at the public offering price less a concession not in excess of \$ per share. The underwriters may allow, and such dealers may reallow, a concession not in excess of \$ per share on sales to certain other brokers and dealers. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

REX and the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 360,000 additional shares of common stock at the public offering price less the underwriting discount. Such additional shares will be purchased from REX and the selling stockholders on a pro rata basis. The underwriters may exercise such option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent such option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares approximately proportionate to such underwriter's initial purchase commitment.

REX and the selling stockholders have agreed that, for a period of 90 days and 270 days, respectively, from the date of this prospectus, they will not, without the prior written consent of Salomon Smith Barney Inc., on behalf of the underwriters, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, or otherwise dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock. These restrictions shall not apply, however, to:

- the common stock to be sold in this offering;
- the issuance by REX of common stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date of this prospectus;
- the issuance by REX of additional options to purchase shares of common stock pursuant to REX's existing stock option plans; and
- certain other limited transactions.

Salomon Smith Barney Inc. in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

The common stock is listed on the New York Stock Exchange under the symbol 'RSC.'

The following table shows the underwriting discounts and commissions to be paid to the underwriters by REX and the selling stockholders in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

	PAID BY REX		PAID BY SELLING STOCKHOLDERS	
	NO EXERCISE	FULL EXERCISE	NO EXERCISE	FULL EXERCISE
Per share.....	\$	\$	\$	\$
Total.....	\$	\$	\$	\$

In connection with the offering, Salomon Smith Barney Inc., on behalf of the underwriters, may purchase and sell shares of common stock in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of common stock made for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Salomon Smith Barney Inc., in covering syndicate short positions or making stabilizing purchases, repurchases shares originally sold by that syndicate member.

Any of these activities may cause the price of the common stock to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be effected on the New York Stock Exchange or in the over-the-counter market, or otherwise and, if commenced, may be discontinued at any time.

REX and the selling stockholders estimate that their respective portions of the total expenses of this offering will be \$218,750 and \$131,250.

REX and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make in respect of any of those liabilities.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for REX and the selling stockholders by Chernesky, Heyman & Kress P.L.L., Dayton, Ohio. Edward Kress, a partner of Chernesky, Heyman & Kress P.L.L., is secretary and a director of REX. Mr. Kress owns 20,001 shares of REX common stock for his own account, holds 19,083 shares as trustee for the benefit of others and holds options to purchase 35,032 shares. Certain legal matters in connection with this offering will be passed upon for the underwriters by Cahill Gordon & Reindel (a partnership including a professional corporation), New York, New York.

EXPERTS

The audited consolidated financial statements and schedule included or incorporated by reference in this prospectus and elsewhere in the registration statement, to the extent and for the periods indicated in their reports, have been audited by Arthur Andersen LLP, independent public accountants, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. Investors may read and copy these reports, proxy statements and other information at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of these documents are available upon payment of a duplicating fee by writing to the SEC. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of the site is <http://www.sec.gov>. Reports, proxy statements and other information concerning us can also be inspected and copied at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

For more information concerning us and the common stock offered hereby, we refer you to the registration statement on Form S-3 filed by us with the SEC under the Securities Act. This prospectus does not contain all of the information set forth in the registration statement and the exhibits to the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document referred to are not necessarily complete, and, in each instance, reference is made to the copy of such contract or document filed as an exhibit to the registration statement.

The SEC allows us to 'incorporate by reference' the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information.

The following documents filed by us with the SEC are incorporated by reference in this prospectus:

Our annual report on Form 10-K for the fiscal year ended January 31, 1999;

Our quarterly reports on Form 10-Q for the quarters ended April 30 and July 31, 1999; and

The description of common stock contained in our registration statement on Form 8-A filed under the Exchange Act.

All documents subsequently filed by us with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of this offering shall be deemed to be incorporated by reference in this prospectus and to be a part of this prospectus from the date of filing.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide to each person, including any beneficial owner, to whom this prospectus is delivered, a copy of any or all of the information incorporated by reference in this prospectus other than exhibits to documents which are not specifically incorporated by reference in such documents. We will provide this information upon written or oral request and at no cost to the requester. Requests for this information must be made to Douglas Bruggeman, Vice President -- Finance and Treasurer, REX Stores Corporation, 2875 Needmore Road, Dayton, Ohio 45414, telephone (937) 276-3931.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors
of REX STORES CORPORATION:

We have audited the accompanying consolidated balance sheets of REX Stores Corporation (a Delaware corporation) and subsidiaries as of January 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three fiscal years in the period ended January 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of REX Stores Corporation and subsidiaries as of January 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 31, 1999, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Cincinnati, Ohio
March 24, 1999

REX STORES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JANUARY 31, 1998 AND 1999

	1998	1999
	----	----
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 16,937	\$ 11,912
Accounts receivable, net of allowance for doubtful accounts of \$428 and \$430 in 1998 and 1999, respectively (Note 5).....	2,775	2,297
Merchandise inventory (Note 5).....	126,498	132,002
Prepaid expenses and other.....	2,078	2,039
Equity investment in limited partnerships (Note 2).....	--	1,838
Future income tax benefits.....	7,899	9,366
	-----	-----
Total current assets.....	156,187	159,454
Property and equipment, net (Notes 1, 5 and 6).....	93,165	98,891
Future income tax benefits.....	9,541	8,109
Restricted investments (Note 1).....	1,637	1,828
	-----	-----
Total assets.....	\$260,530	\$268,282
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term mortgage debt (Note 6)....	\$ 2,959	\$ 3,114
Current portion of deferred income and deferred gain on sale and leaseback (Notes 1 and 8).....	11,402	11,453
Accounts payable, trade.....	49,832	52,674
Accrued income taxes.....	1,671	147
Accrued payroll.....	5,810	5,889
Other current liabilities.....	7,263	8,817
	-----	-----
Total current liabilities.....	78,937	82,094
Long-term liabilities:		
Long-term mortgage debt (Note 6).....	52,661	55,478
Deferred income (Note 1).....	17,886	16,723
Deferred gain on sale and leaseback (Note 8).....	5,264	3,777
	-----	-----
Total long-term liabilities.....	75,811	75,978
Commitments and contingencies (Notes 8 and 10)		
Shareholders' equity (Notes 4, 5, and 7):		
Common stock, 45,000 shares authorized, 9,688 and 9,767 shares issued, at par.....	97	98
Paid-in capital.....	57,896	58,596
Retained earnings.....	64,175	75,370
Treasury stock, 1,955 and 2,587 shares.....	(16,386)	(23,854)
	-----	-----
Total shareholders' equity.....	105,782	110,210
	-----	-----
Total liabilities and shareholders' equity.....	\$260,530	\$268,282
	-----	-----

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

REX STORES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED JANUARY 31, 1997, 1998 AND 1999

	1997	1998	1999
	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Net sales.....	\$427,378	\$411,005	\$416,673
	-----	-----	-----
Costs and expenses:			
Cost of merchandise sold.....	317,767	297,757	302,894
Selling, general and administrative expenses.....	91,905	94,055	93,578
	-----	-----	-----
Total costs and expenses.....	409,672	391,812	396,472
	-----	-----	-----
Income from operations.....	17,706	19,193	20,201
Investment income.....	85	202	347
Interest expense.....	(5,624)	(7,143)	(6,448)
Gain on sale of real estate.....	--	--	2,410
Equity in losses of limited partnerships.....	--	--	(1,312)
	-----	-----	-----
Income before provision for income taxes.....	12,167	12,252	15,198
Provision for income taxes.....	4,805	4,840	4,003
	-----	-----	-----
Net income.....	\$ 7,362	\$ 7,412	\$ 11,195
	-----	-----	-----
Weighted average number of common shares outstanding.....	8,948	7,919	7,427
	-----	-----	-----
Basic net income per share.....	\$ 0.82	\$ 0.94	\$ 1.51
	-----	-----	-----
Weighted average number of common and common equivalent shares outstanding.....	9,219	8,178	7,833
	-----	-----	-----
Diluted net income per share.....	\$ 0.80	\$ 0.91	\$ 1.43
	-----	-----	-----

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

REX STORES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JANUARY 31, 1997, 1998 AND 1999

	COMMON STOCK					
	ISSUED		TREASURY		PAID-IN CAPITAL	RETAINED EARNINGS
	SHARES	AMOUNT	SHARES	AMOUNT		
	(IN THOUSANDS)					
Balance, January 31, 1996.....	9,521	\$95	534	\$ 3,882	\$56,732	\$49,401
Net income.....	--	--	--	--	--	7,362
Treasury stock acquired.....	--	--	854	7,486	--	--
Common stock issued.....	81	1	--	--	497	--
Balance, January 31, 1997.....	9,602	96	1,388	11,368	57,229	56,763
Net income.....	--	--	--	--	--	7,412
Treasury stock acquired.....	--	--	567	5,018	--	--
Common stock issued.....	86	1	--	--	667	--
Balance, January 31, 1998.....	9,688	97	1,955	16,386	57,896	64,175
Net income.....	--	--	--	--	--	11,195
Treasury stock acquired.....	--	--	632	7,468	--	--
Common stock issued.....	79	1	--	--	700	--
Balance, January 31, 1999.....	9,767	\$98	2,587	\$23,854	\$58,596	\$75,370

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

REX STORES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 1997, 1998 AND 1999

	1997	1998	1999
	----	----	----
	(IN THOUSANDS)		
Cash flows from operating activities:			
Net income.....	\$ 7,362	\$ 7,412	\$11,195
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, net.....	2,943	2,979	3,194
Gain on sale of real estate.....	--	--	(2,410)
Equity in losses of limited partnerships.....	--	--	1,312
Deferred income.....	3,221	165	(993)
Deferred income tax provision.....	(2,054)	(1,015)	(137)
Changes in assets and liabilities:			
Accounts receivable.....	127	(1,298)	478
Merchandise inventory.....	11,533	8,535	(5,504)
Other current assets.....	(323)	(2,228)	131
Accounts payable, trade.....	(8,260)	18,567	2,842
Other current liabilities.....	(3,678)	2,400	109
Net cash provided by operating activities....	10,871	35,517	10,217
Cash flows from investing activities:			
Capital expenditures.....	(23,448)	(8,015)	(12,736)
Proceeds from sale of real estate and capital disposals.....	552	573	4,630
Equity investment in limited partnerships.....	--	--	(3,150)
Restricted investments.....	(120)	8	(191)
Net cash used in investing activities.....	(23,016)	(7,434)	(11,447)
Cash flows from financing activities:			
Increase (decrease) in note payable.....	2,815	(12,142)	--
Proceeds from long-term debt.....	21,911	4,473	7,003
Payments of long-term debt.....	(2,318)	(3,086)	(4,031)
Common stock issued.....	497	668	701
Treasury stock acquired.....	(7,486)	(5,018)	(7,468)
Net cash provided by (used in) financing activities.....	15,419	(15,105)	(3,795)
Net increase (decrease) in cash and cash equivalents.....	3,274	12,978	(5,025)
Cash and cash equivalents, beginning of year.....	685	3,959	16,937
Cash and cash equivalents, end of year.....	\$ 3,959	\$16,937	\$11,912

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

REX STORES CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JANUARY 31, 1998 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation -- The accompanying financial statements consolidate the operating results and financial position of REX Stores Corporation and its wholly-owned subsidiaries (the Company). All significant intercompany balances and transactions have been eliminated. The Company operates 228 retail consumer electronics and appliance stores under the REX name in 35 states.

b. Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Cash Equivalents -- Cash equivalents are principally short-term investments with original maturities of less than three months. The carrying amount of cash equivalents is a reasonable estimate of fair value.

d. Merchandise Inventory -- Substantially all inventory is valued at the lower of average cost or market, which approximates cost on a first-in, first-out (FIFO) basis, including certain costs associated with purchasing, warehousing and transporting merchandise. The inventory of an acquired subsidiary, Kelly & Cohen Appliances, Inc. (K&C), is valued at the lower of cost or market using the last-in, first-out (LIFO) method. Following the lower of cost or market principle, the K&C inventory value using the LIFO method (\$30,203,000 and \$32,405,000 at January 31, 1998 and 1999, respectively) is equivalent to the FIFO value for all years presented. Six suppliers accounted for approximately 55% of the Company's purchases in 1999.

e. Property and Equipment -- Property and equipment is recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives are 15 to 40 years for buildings and improvements, and 3 to 12 years for fixtures and equipment. Leasehold improvements are depreciated over 10 to 12 years. The components of property and equipment at January 31, 1998 and 1999 are as follows:

	1998	1999
	----	----
	(IN THOUSANDS)	
Land.....	\$ 24,779	\$ 26,716
Buildings and improvements.....	59,006	64,586
Fixtures and equipment.....	14,615	15,477
Leasehold improvements.....	9,747	10,217
	-----	-----
	108,147	116,996
Less: accumulated depreciation.....	(14,982)	(18,105)
	-----	-----
	\$ 93,165	\$ 98,891
	-----	-----

In accordance with SFAS No. 121 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of', the carrying value of long-lived assets is assessed for recoverability by management when changes in circumstances indicate that the carrying amount may not be recoverable, based on an analysis of undiscounted future expected cash flows from the use and ultimate disposition of the asset. There were no material impairment losses incurred in the fiscal years ended January 31, 1997, 1998 and 1999.

f. Restricted Investments -- Restricted investments, which are principally marketable securities, are stated at cost plus accrued interest, which approximates market. The carrying amount of restricted investments approximates fair value. Restricted investments at January 31, 1998 and 1999 are restricted by two states to cover possible future claims under product service contracts.

REX STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
FOR THE YEARS ENDED JANUARY 31, 1998 AND 1999

g. Revenue Recognition -- The Company recognizes sales of products upon receipt by the customer. The Company will honor returns from customers within seven days from the date of sale. The Company establishes liabilities for estimated returns at the point of sale.

The Company also sells product service contracts covering periods beyond the normal manufacturers' warranty periods, usually with terms of coverage (including manufacturers' warranty periods) of between 12 to 60 months. Contract revenues, net of sales commissions, are deferred and amortized on a straight-line basis over the life of the contracts after the expiration of applicable manufacturers' warranty periods. The Company retains the obligation to perform warranty services and such costs are charged to operations as incurred.

h. Interest Cost -- Interest expense of \$5,624,000, \$7,143,000 and \$6,448,000 for the years ended January 31, 1997, 1998 and 1999, respectively, is net of approximately \$193,000, \$33,000 and \$238,000 of interest capitalized related to store construction. Total interest expense approximates interest paid for all years presented.

i. Loan Acquisition Costs -- Direct expenses and fees associated with obtaining notes payable or long-term mortgage debt are capitalized and amortized to interest expense over the life of the loan.

j. Advertising Costs -- Advertising costs are expensed as incurred. Advertising expense was approximately \$33,473,000, \$32,813,000 and \$30,468,000 in 1997, 1998 and 1999, respectively.

k. Store Opening and Closing Costs -- Store opening costs are expensed as incurred. The costs associated with closing stores are accrued when the decision is made to close a location. Store closing costs incurred in the fiscal years ended January 31, 1997, 1998 and 1999 were not material.

2. INVESTMENT IN LIMITED PARTNERSHIPS

During fiscal 1999, the Company invested \$3,150,000 in two limited partnerships which produce synthetic fuels. The Company accounts for its ownership interest in the limited partnerships, which approximates 30%, under the equity method. The Company recorded a pre-tax charge of \$1,312,000 in fiscal 1999 to reflect its equity in the losses of the limited partnerships. The limited partnerships also earn Federal income tax credits under Section 29 of the Internal Revenue Code based upon the quantity and content of synthetic fuel production. The Company accounts for its share of the income tax credits (approximately \$2,000,000 earned in fiscal 1999) as a reduction of the income tax provision in the period earned (see Note 9).

3. NET INCOME PER SHARE

The Company reports net income per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128 'Earnings per Share.'

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted net income per share is computed by dividing net income available to common shareholders by the weighted average number of common and common equivalent shares outstanding during the year. Common share equivalents include the number of shares issuable upon the exercise of outstanding options, less the shares that could be purchased with the proceeds from the exercise of the options, based on the average trading price of the Company's common stock for 1997, 1998 and 1999.

REX STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
FOR THE YEARS ENDED JANUARY 31, 1998 AND 1999

The following table reconciles the basic and diluted net income per share computations for each year presented (in thousands, except per share data):

	1997		
	INCOME	SHARES	PER SHARE
Basic net income per share.....	\$ 7,362	8,948	\$0.82
Effect of stock options.....	--	271	
Diluted net income per share.....	\$ 7,362	9,219	\$0.80
1998			
	INCOME	SHARES	PER SHARE
Basic net income per share.	7,412	7,919	0.94
Effect of stock options.....	--	259	
Diluted net income per share.....	\$ 7,412	8,178	\$0.91
1999			
	INCOME	SHARES	PER SHARE
Basic net income per share.	11,195	7,427	1.51
Effect of stock options.....	--	406	
Diluted net income per share.....	\$11,195	7,833	\$1.43

For the years ended January 31, 1997, 1998 and 1999, a total of 1,509,000, 1,413,000, and 1,164,000 shares, subject to outstanding options were not included in the common equivalent shares calculation as the exercise prices were above the average trading price of the Company's common stock for those periods.

SFAS No. 128 replaced the calculation of primary and fully diluted net income per share under previous accounting standards with basic and diluted net income per share. As a result of adopting SFAS No. 128, the Company restated primary net income per share of \$0.80 to basic net income per share of \$0.82 for the year ended January 31, 1997. There was no impact of restating fully diluted net income per share to diluted net income per share for the year ended January 31, 1997.

4. COMMON STOCK TRANSACTIONS

During the years ended January 31, 1997, 1998 and 1999, the Company purchased 854,000, 567,000 and 632,000 shares of its common stock for \$7,486,000, \$5,018,000 and \$7,468,000, respectively. The Company is authorized by its Board of Directors to purchase an additional 465,000 shares of its common stock and all shares purchased will be held in treasury for possible future use.

5. REVOLVING LINE OF CREDIT

The Company has a revolving credit agreement with seven banks which expires on 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, as defined. Borrowings available are reduced by any letter of credit commitments outstanding. The Company had no outstanding borrowings under the revolving credit agreement at January 31, 1998 and January 31, 1999. At January 31, 1999, a total of approximately \$84.1 million was available for borrowings under the revolving credit agreement.

REX STORES CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 FOR THE YEARS ENDED JANUARY 31, 1998 AND 1999

The interest rate charged on borrowings is prime or LIBOR plus 1.875% 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 specified levels of consolidated tangible net worth and limit capital expenditures and the incurrence of additional indebtedness. The revolving credit agreement also places restrictions on the amount of common stock repurchases and the payment of dividends.

6. LONG-TERM MORTGAGE DEBT

Long-term mortgage debt consists of notes payable secured by certain land, buildings and leasehold improvements. Interest rates range from 6.9% to 10.0%. Principal and interest are payable monthly over terms which generally range from 10 to 15 years. Substantially all of the notes payable require balloon payments at the end of the scheduled term.

Maturities of long-term debt are as follows (in thousands):

YEAR ENDING JANUARY 31, -----	AMOUNT -----
2000.....	\$ 3,114
2001.....	4,060
2002.....	6,166
2003.....	5,067
2004.....	5,325
Thereafter.....	34,860

	\$58,592

The fair value of the Company's long-term debt at January 31, 1998 and 1999 was approximately \$56.6 million and \$60.9 million, respectively. The fair value was estimated based on rates available to the Company for debt with similar terms and maturities.

7. EMPLOYEE BENEFITS

Stock Option Plans -- The Company maintains the REX Stores Corporation 1995 Omnibus Stock Incentive Plan (the Omnibus Plan). Under the Omnibus Plan, the Company may grant to officers and key employees awards in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, other stock-based awards and cash incentive awards. The Omnibus Plan also provides for yearly grants of non-qualified stock options to directors who are not employees of the Company. The exercise price of each stock based award must be at least 100% of the fair market value of the Company's common stock on the date of grant. A maximum of 2,000,000 shares of common stock are authorized for issuance under the Omnibus Plan and at January 31, 1999, 21,405 shares remained available for issuance. At January 31, 1999, 91,559 stock options also remained outstanding under the 1984 Incentive Stock Option Plan which expired in fiscal 1995.

On October 14, 1998, the Company's Board of Directors approved a grant of non-qualified stock options to two key executives for 650,000 shares at an exercise price of \$9.94, which represented the market price on the date of grant. These options vest over a three-year period commencing on December 31, 2000, and all of these options remained outstanding at January 31, 1999. At January 31, 1999, non-qualified stock options awarded in 1989 also remained outstanding and exercisable for 512,079 shares at an exercise price of \$3.38 per share, which represented the market price on the date of grant. All 512,079 of these non-qualified stock options were exercised subsequent to year-end on March 23, 1999.

REX STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
FOR THE YEARS ENDED JANUARY 31, 1998 AND 1999

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 \$18.98 per share, to the market price as of the date of approval of \$8.13 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.

The Company accounts for its stock-based compensation plans under APB Opinion No. 25, 'Accounting for Stock Issued to Employees', under which no compensation cost has been recognized. Had compensation cost for these plans been determined at fair value consistent with SFAS No. 123, 'Accounting for Stock-Based Compensation', the Company's net income and net income per share would have been reduced to the following pro forma amounts:

	1997	1998	1999
	----	----	----
Net income (000's):			
As reported.....	\$7,362	\$7,412	\$11,195
Pro forma.....	5,932	6,167	9,370
Basic net income per share:			
As reported.....	\$ 0.82	\$ 0.94	\$ 1.51
Pro forma.....	0.66	0.78	1.26
Diluted net income per share:			
As reported.....	\$ 0.80	\$ 0.91	\$ 1.43
Pro forma.....	0.72	0.79	1.25

The fair values of options granted were estimated as of the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions used for grants in fiscal 1997, 1998 and 1999, respectively: risk-free interest rate of 6.3%, 5.7% and 5.7%; expected volatility of 46.7%, 41.5% and 39.2%; and a weighted average stock option life of 5 years, 5 years and 9 years. In accordance with the provisions of SFAS No. 123, the fair value method of accounting was not applied to options granted prior to February 1, 1995 in estimating the pro forma amounts. Therefore, the pro forma effect on net income and net income per share may not be representative of that to be expected in future years.

The following summarizes stock option activity for the years ended January 31, 1997, 1998 and 1999 (options granted and cancelled during fiscal 1998 include the effect of the February 26, 1997 re-pricing):

	1997		1998		1999	
	SHARES (000'S)	WEIGHTED AVERAGE EXERCISE PRICE	SHARES (000'S)	WEIGHTED AVERAGE EXERCISE PRICE	SHARES (000'S)	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----	-----	-----	-----	-----
Outstanding at beginning of year.....	2,069	\$11.60	2,119	\$12.15	2,288	\$11.06
Granted.....	202	15.47	653	9.13	997	10.54
Exercised.....	(81)	5.34	(86)	7.20	(79)	7.54
Cancelled or expired.....	(71)	14.62	(398)	14.54	(11)	13.18
Outstanding at end of year.....	2,119	\$12.15	2,288	\$11.06	3,195	\$10.98
Exercisable at end of year.....	1,143	\$10.37	1,368	\$10.62	1,639	\$11.10
Weighted average fair value of options granted.....	\$8.30		\$4.68		\$6.46	

REX STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
FOR THE YEARS ENDED JANUARY 31, 1998 AND 1999

Price ranges and other information for stock options outstanding as of January 31, 1999 were as follows:

RANGE OF EXERCISE PRICES	OUTSTANDING			EXERCISABLE	
	SHARES (000'S)	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING LIFE	SHARES (000'S)	WEIGHTED AVERAGE EXERCISE PRICE
\$3.38.....	512	\$ 3.38	0.8 yrs.	512	\$ 3.38
\$8.13 to \$11.50.....	1,519	9.98	8.0 yrs.	225	8.69
\$12.50 to \$18.13.....	1,159	15.60	5.5 yrs.	898	16.07
\$18.98.....	5	18.98	0.2 yrs.	4	18.98
	3,195	\$10.98	5.9 yrs.	1,639	\$11.10

Profit Sharing Plan -- The Company has a qualified, noncontributory profit sharing plan covering full-time employees who meet certain eligibility requirements. The Plan also allows 401(k) savings contributions by participants with certain Company matching contributions. Aggregate contributions to the Plan are determined annually by the Board of Directors and are not to exceed 15% of total compensation paid to all participants during such year. The Company contributed matching amounts of approximately \$28,000, \$31,000 and \$36,000 for the years ended January 31, 1997, 1998 and 1999, respectively, under the Plan.

8. LEASES AND COMMITMENTS

The Company is committed under operating leases for certain warehouse and retail store locations. The lease agreements are for varying terms through 2007 and contain renewal options for additional periods. Real estate taxes, insurance and maintenance costs are generally paid by the Company. Contingent rentals based on sales volume are not significant. Certain leases contain scheduled rent increases and rent expense is recognized on a straight-line basis over the term of the leases.

On August 30, 1989, the Company completed a transaction for the sale and leaseback of certain stores and warehouse facilities under an initial 15-year lease term. This transaction resulted in a pre-tax financial statement gain of \$15.6 million, which was deferred and is being amortized as a reduction to lease expense over the term of the leases. The unamortized deferred gain at January 31, 1999 was approximately \$4.6 million.

During the year ended January 31, 1999, the Company purchased three store locations that were leased pursuant to the sale/leaseback. For financial statement purposes, the purchase of these three stores resulted in approximately \$660,000 of the deferred gain associated with the sale/leaseback being recorded as a reduction in the carrying value of properties purchased.

The following is a summary of rent expense under operating leases (in thousands):

YEARS ENDED JANUARY 31,	MINIMUM RENTALS	GAIN AMORTIZATION	SUBLEASE INCOME	TOTAL
1997.....	\$9,076	\$(629)	\$(1,503)	\$6,944
1998.....	9,453	(943)	(1,713)	6,797
1999.....	9,729	(943)	(1,854)	6,932

REX STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
FOR THE YEARS ENDED JANUARY 31, 1998 AND 1999

Future minimum annual rentals and gain amortization on non-cancelable leases as of January 31, 1999 are as follows (in thousands):

YEARS ENDED JANUARY 31, -----	MINIMUM RENTALS -----	GAIN AMORTIZATION -----
2000.....	\$8,663	\$ 824
2001.....	8,113	824
2002.....	7,102	824
2003.....	5,924	824
2004.....	5,384	824
Thereafter.....	3,981	481
	-----	-----
	\$39,167	\$4,601
	-----	-----
	-----	-----

9. INCOME TAXES

The provision for income taxes for the years ended January 31, 1997, 1998 and 1999 consists of the following (in thousands):

	YEARS ENDED JANUARY 31, -----		
	1997 ----	1998 ----	1999 ----
Federal:			
Current.....	\$5,803	\$5,007	\$3,304
Deferred.....	(1,824)	(957)	(217)
	-----	-----	-----
	3,979	4,050	3,087
	-----	-----	-----
State and Local:			
Current.....	1,056	848	836
Deferred.....	(230)	(58)	80
	-----	-----	-----
	826	790	916
	-----	-----	-----
	\$4,805	\$4,840	\$4,003
	-----	-----	-----
	-----	-----	-----

The tax effects of significant temporary differences representing deferred tax assets and liabilities are as follows:

	JANUARY 31, -----	
	1998 ----	1999 ----
Assets:		
Deferral of service contract income.....	\$ 9,991	\$ 9,853
Sale and leaseback deferred gain.....	2,172	1,842
Accrued liabilities.....	2,257	2,757
Other items.....	3,291	4,053
	-----	-----
	17,711	18,505
Liabilities:		
Depreciation.....	(271)	(1,030)
	-----	-----
Total net future income tax benefits.....	\$17,440	\$17,475
	-----	-----
	-----	-----

The Company paid income taxes of \$9,801,000, \$7,604,000 and \$5,633,000 in the years ended January 31, 1997, 1998 and 1999, respectively.

REX STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
FOR THE YEARS ENDED JANUARY 31, 1998 AND 1999

The effective income tax rate on consolidated pre-tax income differs from the Federal income tax statutory rate as follows:

	YEARS ENDED JANUARY 31,		
	1997	1998	1999
Federal income tax at statutory rate.....	35.0%	35.0%	35.0%
Tax credits from investment in limited partnerships (See Note 2).....	--	--	(13.2)
State and local taxes, net of federal tax benefit...	4.1	4.2	3.9
Other.....	0.4	0.3	0.6
	39.5%	39.5%	26.3%
	----	----	----

10. CONTINGENCIES

The Company is involved in various legal actions arising in the normal course of business. After taking into consideration legal counsels' evaluation of such actions, management is of the opinion that their outcome will not have a significant effect on the Company's consolidated financial statements.

REX STORES CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS
JULY 31, 1998 AND 1999

	1998	1999
	----	----
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 6,014	\$ 9,734
Accounts receivable, net.....	518	1,414
Merchandise inventory.....	144,523	149,362
Prepaid expenses and other.....	2,833	2,177
Equity investment in limited partnerships.....	3,150	781
Future income tax benefits.....	7,899	9,366
	-----	-----
Total current assets.....	164,937	172,834
Property and equipment, net.....	93,624	101,716
Future income tax benefits.....	9,577	8,109
Restricted investments.....	1,744	1,949
	-----	-----
Total assets.....	\$269,882	\$284,608
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable.....	\$ 13,618	\$ --
Current portion of long-term debt.....	3,011	3,203
Current portion, deferred income and deferred gain on sale and leaseback.....	11,379	11,349
Accounts payable, trade.....	49,507	56,908
Accrued income taxes.....	--	663
Accrued payroll.....	4,388	6,515
Other liabilities.....	10,612	11,342
	-----	-----
Total current liabilities.....	92,515	89,980
	-----	-----
Long-term liabilities:		
Long-term debt.....	53,093	58,708
Deferred income.....	16,928	16,038
Deferred gain on sale and leaseback.....	4,793	3,365
	-----	-----
Total long-term liabilities.....	74,814	78,111
	-----	-----
Shareholders' equity:		
Common stock.....	97	99
Paid-in capital.....	58,403	57,226
Retained earnings.....	66,773	81,555
Treasury stock.....	(22,720)	(22,363)
	-----	-----
Total shareholders' equity.....	102,553	116,517
	-----	-----
Total liabilities and shareholders' equity.....	\$269,882	\$284,608
	-----	-----

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

REX STORES CORPORATION AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
 FOR THE SIX MONTHS ENDED JULY 31, 1998 AND 1999

	1998	1999
	----	----
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	
Net sales.....	\$180,410	\$206,795
Costs and expenses:		
Cost of merchandise sold.....	130,384	149,483
Selling, general and administrative expenses.....	43,034	47,294
	-----	-----
Total costs and expenses.....	173,418	196,777
	-----	-----
Income from operations.....	6,992	10,018
Investment income.....	223	190
Interest expense.....	(2,918)	(2,756)
Income from limited partnerships.....	--	796
	-----	-----
Income before provision for income taxes.....	4,297	8,248
Provision for income taxes.....	1,699	2,063
	-----	-----
Net income.....	\$ 2,598	\$ 6,185
	-----	-----
Weighted average number of common shares outstanding.....	7,670	7,480
	-----	-----
Basic net income per share.....	\$ 0.34	\$ 0.83
	-----	-----
Weighted average number of common and common equivalent shares outstanding.....	8,034	8,122
	-----	-----
Diluted net income per share.....	\$ 0.32	\$ 0.76
	-----	-----

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

REX STORES CORPORATION AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 FOR THE PERIODS ENDED JULY 31, 1998, JANUARY 31, 1999 AND JULY 31, 1999

	COMMON SHARES				PAID-IN CAPITAL	RETAINED EARNINGS
	ISSUED		TREASURY			
	SHARES	AMOUNT	SHARES	AMOUNT		
	(IN THOUSANDS)					
Balance at July 31, 1998.....	9,756	\$97	2,484	\$22,720	\$58,403	\$66,773
Common stock issued.....	11	1	--	--	193	--
Treasury stock acquired.....	--	--	103	1,134	--	--
Net income.....	--	--	--	--	--	8,597
Balance at January 31, 1999.....	9,767	98	2,587	23,854	58,596	75,370
Common stock issued.....	167	1	(512)	(4,721)	(1,370)	--
Treasury stock acquired.....	--	--	209	3,230	--	--
Net income.....	--	--	--	--	--	6,185
Balance at July 31, 1999.....	9,934	\$99	2,284	\$22,363	\$57,226	\$81,555

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

REX STORES CORPORATION AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED JULY 31, 1998 AND 1999

	SIX MONTHS ENDED JULY 31,	
	1998	1999
	(IN THOUSANDS)	
Cash flows from operating activities:		
Net income.....	\$ 2,598	\$ 6,185
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization, net.....	1,573	1,693
Equity in losses of limited partnerships.....	--	1,057
Deferred income.....	(981)	(696)
Changes in assets and liabilities:		
Accounts receivable.....	2,258	883
Merchandise inventory.....	(18,025)	(17,360)
Other current assets.....	(758)	(141)
Accounts payable, trade.....	(325)	4,234
Other liabilities.....	256	3,574
	-----	-----
Net cash used in operating activities.....	(13,404)	(571)
	-----	-----
Cash flows from investing activities:		
Capital expenditures.....	(4,175)	(5,869)
Capital disposals.....	1,675	943
Equity investment in limited partnerships.....	(3,150)	--
Restricted investments.....	(143)	(121)
	-----	-----
Net cash used in investing activities.....	(5,793)	(5,047)
	-----	-----
Cash flows from financing activities:		
Increase in notes payable.....	13,618	--
Payments of long-term debt.....	(2,224)	(2,003)
Long-term debt borrowings.....	2,707	5,322
Common stock issued.....	507	1,623
Treasury stock issued.....	--	1,728
Treasury stock acquired.....	(6,334)	(3,230)
	-----	-----
Net cash provided by financing activities....	8,274	3,440
	-----	-----
Net decrease in cash and cash equivalents.....	(10,923)	(2,178)
Cash and cash equivalents, beginning of period.....	16,937	11,912
	-----	-----
Cash and cash equivalents, end of period.....	\$ 6,014	\$ 9,734
	-----	-----

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

REX STORES CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 1999

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, 1999.

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 1999 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 and the provision for income taxes. Any adjustments pursuant to such estimates during the quarter were of a normal recurring nature.

Certain reclassifications have been made to prior year amounts to conform with their fiscal 2000 presentation.

NOTE 3. STOCK OPTION PLANS

The following summarizes options granted, exercised and canceled or expired during the six months ended July 31, 1999:

	SHARES UNDER STOCK OPTION PLANS -----
Outstanding at January 31, 1999 (\$3.38 to \$18.98 per share).....	3,194,951
Granted (\$11.50 to \$22.69 per share).....	212,221
Exercised (\$3.38 to \$10.38 per share).....	(680,080)
Canceled or expired (\$8.13 to \$17.25 per share).....	(17,670)

Outstanding at July 31, 1999 (\$8.13 to \$22.69 per share)....	2,709,422

INSIDE BACK COVER

Map showing store and warehouse locations.

Alabama: (12)	Idaho: (5)	Massachusetts: (2)	North Carolina: (5)	South Carolina: (10)
-----	-----	-----	-----	-----
Athens	Coeur d'Alene	Hadley	Asheville	Aiken
Auburn	Idaho Falls	Lanesborough	Goldsboro	Anderson
Daphne	Lewiston		Hendersonville	Charleston
Decatur	Pocatello	Michigan: (3)	Rocky Mount	Florence
Florence	Twin Falls	-----	Salisbury	Greenwood
Gadsden		Adrian		Murrell's Inlet
Huntsville	Illinois: (10)	Bay City	North Dakota: (3)	North Myrtle Beach
Mobile (2)	-----	Benton Harbor	-----	Orangeburg
Montgomery	Alton		Bismarck	Rock Hill
Oxford	Bradley	Minnesota: (1)	Grand Forks	Sumter
Tuscaloosa	Carbondale	-----	Minot	
	Danville	Willmar		South Dakota: (3)
Arkansas: (1)	Decatur		Ohio: (17)	-----
-----	Galesburg	Mississippi: (11)	-----	Aberdeen
Springdale	Pekin	-----	Ashtabula	Rapid City
	Peru	Columbus	Beavercreek	Watertown
Colorado: (3)	Quincy	Gautier	Dayton (2)	
-----	Sterling	Greenville	Defiance	Tennessee: (6)
Grand Junction		Gulfport	Kettering	-----
Greeley	Indiana: (3)	Hattiesburg	Lima	Bristol
Pueblo	-----	Jackson (2)	Marion	Chattanooga
	Anderson	Meridian	Miamisburg	Cleveland
Florida: (26)	Muncie	Ridgeland	Middletown	Johnson City
-----	Richmond	Tupelo	New Philadelphia	Kingsport
Charlotte Harbor		Vicksburg	Piqua	Morristown
Crystal River	Iowa: (12)		Sandusky	
Ft. Pierce	-----	Missouri: (3)	St. Clairsville	Texas: (10)
Gainesville	Burlington	-----	Springfield	-----
Hudson	Council Bluffs	Jefferson City	Wheelersburg	Brownsville
Lake City	Des Moines (2)	Joplin	Wooster	Denton
Largo	Dubuque	St. Joseph		Harlingen
Leesburg	Ft. Dodge		Oklahoma: (2)	Lake Jackson
Mary Esther	Marshalltown	Montana: (3)	-----	Longview
Melbourne	Mason City	-----	Enid	Midland
Merritt Island	Ottumwa	Butte	Lawton	Odessa
Naples (2)	Sioux City	Great Falls		San Angelo
Ocala	Waterloo	Missoula	Pennsylvania: (18)	Sherman
Palm Harbor	West Des Moines		-----	Victoria
Panama City		Nebraska: (3)	Altoona	
Pensacola (2)	Kansas: (2)	-----	Bloomsburg	Virginia: (1)
St. Augustine	-----	Grand Island	Chambersburg	-----
St. Petersburg	Hutchinson	Norfolk	Cranberry	Danville
Spring Hill	Lawrence	North Platte	Erie (2)	
Stuart			Frackville	Washington: (2)
Tallahassee (2)	Kentucky: (3)	New York: (20)	Greensburg	-----
Titusville	-----	-----	Hanover	Union Gap
Vero Beach	Ashland	Auburn	Hazleton	Wenatchee
	Hopkinsville	Clifton Park	Hermitage	
Georgia: (7)	Paducah	Cortland	Indiana	West Virginia: (5)
-----		Fredonia	Johnstown	-----
Albany	Louisiana: (6)	Geneva	Lower Burrell	Beckley
Brunswick	-----	Horseheads	Meadville	Bluefield
LaGrange	Alexandria	Ithaca	New Castle	Bridgeport
Macon	Baton Rouge	Kingston	Scranton	Morgantown
Rome	Houma	Lakewood	Wilkes-Barre	Vienna
Valdosta	Lake Charles	Latham		
Warner Robins	New Iberia	Lockport		Wisconsin: (4)
	Opelousas	New Hartford		-----
		Niagara Falls		Fond du Lac
	Maryland: (2)	Olean		Janesville
	-----	Plattsburg		Manitowac
	Cumberland	Queensbury		Oshkosh
	Hagerstown	Rome		
		Schenectady		Wyoming: (2)
		Utica		-----
		Watertown		Casper
				Cheyenne

Warehouse/Store Location

Store Locations

2,400,000 SHARES
REX STORES CORPORATION
COMMON STOCK

[LOGO]

PROSPECTUS
, 1999

SALOMON SMITH BARNEY
CREDIT SUISSE FIRST BOSTON
GERARD KLAUER MATTISON & CO., INC.
ING BARINGS
MORGAN KEEGAN & COMPANY, INC.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The estimated expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions, are as follows:

SEC registration fee.....	\$ 30,308
NASD filing fees.....	\$ 11,402
NYSE listing fee.....	\$ 6,038
Printing fees.....	\$125,000
Legal fees and expenses.....	\$100,000
Accounting fees and expenses.....	\$ 50,000
Transfer agent and registrar fees.....	\$ 3,500
Miscellaneous expenses.....	\$ 23,752

Total.....	\$350,000*

- -----

* The selling stockholders named herein will pay the expenses of the offering attributable to the common stock being sold by them and the fees of their counsel and other representatives, in addition to the underwriting discounts and commissions on the common stock to be sold by them.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article VII of the registrant's By-laws provides that it shall indemnify its officers and directors to the extent permitted by the General Corporation Law of Delaware.

Section 145 of the Delaware General Corporation Law, as amended, provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. Section 145 further provides that a corporation similarly may indemnify any such person serving in any such capacity who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor, against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or such other court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

Under Section 145, a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving

at the request of the corporation as a director, officer, employee or agent of another corporation or other legal entity, against any liability asserted against or incurred by such person in any such capacity whether or not the corporation would have the power to provide indemnity under Section 145. The registrant maintains directors and officers liability insurance coverage.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to include in its certificate of incorporation a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director: (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law (relating to unlawful payment of dividends and unlawful stock purchase and redemption) or (iv) for any transaction from which the director derived an improper personal benefit. The registrant's Certificate of Incorporation provides that, to the fullest extent permitted by the Delaware General Corporation Law, directors of the registrant shall not be liable to the registrant or its stockholders for monetary damages for breach of fiduciary duty as a director.

ITEM 16. EXHIBITS.

See Exhibit Index on Page II-4.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described under Item 15 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dayton, State of Ohio, on August 26, 1999.

REX STORES CORPORATION

By /s/ STUART ROSE

(STUART ROSE,
 CHAIRMAN OF THE BOARD)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	CAPACITY -----	DATE ----
/s/ STUART ROSE (STUART ROSE)	Chairman of the Board and Chief Executive Officer (principal executive officer)	
/s/ DOUGLAS BRUGGEMAN (DOUGLAS BRUGGEMAN)	Vice President -- Finance and Treasurer (principal financial and accounting officer)	
LAWRENCE TOMCHIN* (LAWRENCE TOMCHIN)	President, Chief Operating Officer and Director	August 26, 1999
/s/ EDWARD KRESS (EDWARD KRESS)	Secretary and Director	
ROBERT DAVIDOFF* (ROBERT DAVIDOFF)	Director	
LEE FISHER* (LEE FISHER)	Director	
*By /s/ STUART ROSE (STUART ROSE, ATTORNEY-IN-FACT)		

- (1) Underwriting agreement:
 1(a) Form of Underwriting Agreement*.....
- (3) Articles of incorporation and by-laws:
 3(a)(1) Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3(a) to Form 10-K for fiscal year ended January 31, 1994, File No. 0-13283).....
 3(b)(1) By-Laws, as amended (incorporated by reference to Registration Statement No. 2-95738, Exhibit 3(b), filed February 8, 1985).....
 3(b)(2) Amendment to By-Laws adopted June 29, 1987 (incorporated by reference to Exhibit 4.5 to Form 10-Q for quarter ended July 31, 1987, File No. 0-13283).....
- (4) Instruments defining the rights of security holders, including indentures:
 4(a) Amended and Restated Loan Agreement dated July 31, 1995 among Rex Radio and Television, Inc., Kelly & Cohen Appliances, Inc., Stereo Town, Inc. and Rex Kansas, Inc. (the 'Borrowers'), the lenders named therein, and NatWest Bank N.A. as agent (incorporated by reference to Exhibit 4(a) to Form 10-Q for quarter ended July 31, 1995, File No. 0-13283).....
 4(b) Guaranty of registrant dated July 31, 1995 (incorporated by reference to Exhibit 4(c) to Form 10-Q for quarter ended July 31, 1995, File No. 0-13283).....
 4(c) 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 (incorporated by reference to Exhibit 4(h) to Form 10-Q for quarter ended April 30, 1997, File No. 0-13283).....
- (5) Opinion re legality:
 5(a) Opinion of Chernesky, Heyman & Kress P.L.L.*.....
- (23) Consents of experts and counsel:
 23(a) Consent of Arthur Andersen LLP*.....
 23(b) Consent of Chernesky, Heyman & Kress P.L.L. (included in Exhibit 5(a))
- (24) Power of attorney:
 Powers of attorney of each person whose name is signed to this registration statement pursuant to a power of attorney*.....

- - - - -
 * Filed herewith

REX Stores Corporation

2,400,000 Shares(1)
Common Stock
(\$0.01 par value)

Underwriting Agreement

New York, New York
, 1999

Salomon Smith Barney Inc.
Credit Suisse First Boston Corporation
Gerard Klauer Mattison & Co., Inc.
ING Barings LLC
Morgan Keegan & Company, Inc.
As Representatives of the several Underwriters,
c/o Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

REX Stores Corporation, a corporation organized under the laws of Delaware (the "Company"), proposes to sell to the several underwriters named in Schedule I hereto (the "Underwriters"), for whom you (the "Representatives") are acting as representatives, 1,500,000 shares of Common Stock, \$0.01 par value ("Common Stock") of the Company, and the persons named in Schedule II hereto (the "Selling Stockholders") propose to sell to the several Underwriters 900,000 shares of Common Stock (said shares to be issued and sold by the Company and shares to be sold by the Selling Stockholders collectively being hereinafter called the "Underwritten Securities"). The Company and the Selling Stockholders named in Schedule II hereto also propose to grant to the Underwriters an option to purchase up to 225,000 and 135,000, respectively, additional shares of Common Stock to cover over-allotments (the "Option Securities"; the Option Securities, together with the Underwrit-

(1) Plus an option to purchase from the Company and the Selling Stockholders up to 360,000 additional shares of common stock to cover over-allotments.

ten Securities, being hereinafter called the "Securities"). To the extent there are no additional Underwriters listed on Schedule I other than you, the term Representatives as used herein shall mean you, as Underwriters, and the terms Representatives and Underwriters shall mean either the singular or plural as the context requires. In addition, to the extent that there is not more than one Selling Stockholder named in Schedule II, the term Selling Stockholders shall mean either the singular or plural. The use of the neuter in this Agreement shall include the feminine and masculine wherever appropriate. Any reference herein to the Registration Statement, a Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 which were filed under the Exchange Act on or before the Effective Date of the Registration Statement or the issue date of such Preliminary Prospectus or the Prospectus, as the case may be; and any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the filing of any document under the Exchange Act after the Effective Date of the Registration Statement, or the issue date of any Preliminary Prospectus or the Prospectus, as the case may be, deemed to be incorporated therein by reference. Certain terms used herein are defined in Section 17 hereof.

1. Representations and Warranties.

(i) The Company and each of the Selling Stockholders jointly and severally represent and warrant to, and agree with, each Underwriter as set forth below in this Section 1.

(a) The Company meets the requirements for use of Form S-3 under the Act and has prepared and filed with the Commission a registration statement (file number 333-[] on Form S-3, including a related preliminary prospectus, for registration under the Act of the offering and sale of the Securities. The Company may have filed one or more amendments thereto, including a related preliminary prospectus, each of which has previously been furnished to you. Each preliminary prospectus included as part of the registration statement as originally filed or as part of any amendment or supplement thereto, or filed pursuant to Rule 424 under the Act, complied when so filed in all material respects with the applicable requirements of the Act; provided, however, that the Company and the Selling Stockholders make no representations or warranties as to the information contained in or omitted from any such preliminary prospectus (or any supplement thereto) in reliance upon and in conformity with the information furnished in writing to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion in any such preliminary prospectus (or any supplement thereto). The Commission has not issued any order preventing or suspending the use of any preliminary prospectus. The Company will next file with the Commission one of the following: either (1) prior to the Effective Date of such registration statement, a further amendment to such registration statement, (in-

cluding the form of final prospectus) or (2) after the Effective Date of such registration statement, a final prospectus in accordance with Rules 430A and 424(b). In the case of clause (2), the Company has included in such registration statement, as amended at the Effective Date, all information (other than Rule 430A Information) required by the Act and the rules thereunder to be included in such registration statement and the Prospectus. As filed, such amendment and form of final prospectus, or such final prospectus, shall contain all Rule 430A Information, together with all other such required information, and, except to the extent the Representatives shall agree in writing to a modification, shall be in all substantive respects in the form furnished to you prior to the Execution Time or, to the extent not completed at the Execution Time, shall contain only such specific additional information and other changes (beyond that contained in the latest Preliminary Prospectus) as the Company has advised you, prior to the Execution Time, will be included or made therein.

(b) On the Effective Date, the Registration Statement did or will, and when the Prospectus is first filed (if required) in accordance with Rule 424(b) and on the Closing Date (as defined herein) and on any date on which Option Securities are purchased, if such date is not the Closing Date (a "settlement date"), the Prospectus (and any supplements thereto) will, comply in all material respects with the applicable requirements of the Act and the Exchange Act and the respective rules thereunder; on the Effective Date and at the Execution Time, the Registration Statement did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and, on the Effective Date, the Prospectus, if not filed pursuant to Rule 424(b), will not, and on the date of any filing pursuant to Rule 424(b) and on the Closing Date and any settlement date, the Prospectus (together with any supplement thereto) will not, include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company and the Selling Stockholders make no representations or warranties as to the information contained in or omitted from the Registration Statement or the Prospectus (or any supplement thereto) in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion in the Registration Statement or the Prospectus (or any supplement thereto).

(c) Each of the Company and its subsidiaries has been duly incorporated or organized, as the case may be, and is validly existing as a corporation or limited liability company in good standing under the laws of the jurisdiction in which it is chartered or organized with full power and authority to own or lease, as the case may be, and to operate its properties and conduct its business as described in the Prospectus, and is

duly qualified to do business as a foreign corporation or limited liability company and is in good standing under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties or conducts material business and where the failure to be so qualified would, individually or in the aggregate, have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus; notwithstanding the foregoing, the Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of the State of Ohio. The Company has full power and authority to enter into this Agreement and to carry out all the terms and provisions hereof to be carried out by it. All of the Company's subsidiaries (collectively, the "Subsidiaries") are listed on Schedule III hereto.

(d) all the outstanding shares of capital stock or membership interests of each Subsidiary have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise set forth in the Prospectus, all outstanding shares of capital stock and membership interests of the Subsidiaries (to the extent owned by the Company) are owned by the Company either directly or through wholly owned subsidiaries free and clear of any perfected security interest or any other security interest, claim, lien or encumbrance. The Company owns, directly or through wholly owned subsidiaries, 100% of the capital stock or membership interests of each Subsidiary, except for Rex Investment, LLC, as to which the Company owns through wholly owned subsidiaries 98.032%, 95.46% and 100% of the Class A, Class B and Class C membership interests, respectively.

(e) the Company's authorized equity capitalization is as set forth in the Prospectus; the capital stock of the Company conforms in all material respects to the description thereof contained in the Prospectus; the outstanding shares of Common Stock (including the Securities being sold hereunder by the Selling Stockholders) have been duly and validly authorized and issued and are fully paid and nonassessable; the Securities being sold hereunder by the Company have been duly and validly authorized, and, when issued and delivered to and paid for by the Underwriters pursuant to this Agreement, will be fully paid and nonassessable; the Securities being sold by the Selling Stockholders are duly listed, and admitted and authorized for trading, on the New York Stock Exchange and the Securities being sold hereunder by the Company are duly listed, and admitted and authorized for trading, subject to official notice of issuance, on the New York Stock Exchange; the certificates for the Securities are in valid and sufficient form; the holders of outstanding shares of capital stock of the Company are not entitled to preemptive or other rights to subscribe for the Securities; and, except as set forth in the Prospectus, no options, warrants or other rights to pur-

chase, agreements or other obligations to issue, or rights to convert any obligations into or exchange any securities for, shares of capital stock of or ownership interests in the Company are outstanding.

(f) There is no franchise, contract or other document of a character required to be described in the Registration Statement or Prospectus, or to be filed as an exhibit thereto, which is not described or filed as required.

(g) This Agreement has been duly authorized, executed and delivered by the Company.

(h) The Company is not and, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as defined in the Investment Company Act of 1940, as amended.

(i) No consent, approval, authorization, filing with or order of any court or governmental agency or body is required in connection with the transactions contemplated herein, except such as have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters in the manner contemplated herein and in the Prospectus and such other approvals as have been obtained.

(j) Neither the issue and sale of the Securities nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with, result in a breach or violation of, constitute a default under or result in the imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its Subsidiaries pursuant to, (i) the charter, by-laws or similar organizational documents of the Company or any of its Subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Company or any of its Subsidiaries is a party or bound or to which its or their property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Company or any of its Subsidiaries of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or any of its Subsidiaries or any of its or their properties.

(k) No holders of securities of the Company have rights to the registration of such securities under the Registration Statement, except for the Selling Stockholders with respect to the Securities being sold by them pursuant to this Agreement or with respect to certain other shares of Common Stock as to which the right to such registration has been waived.

(l) The consolidated historical financial statements and schedules of the Company and its consolidated subsidiaries included in the Prospectus and the Registration Statement present fairly in all material respects the financial condition, results of operations and cash flows of the Company as of the dates and for the periods indicated, comply as to form with the applicable accounting requirements of the Act and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as otherwise noted therein). The selected financial data set forth under the caption "Selected Consolidated Financial Data" in the Prospectus and Registration Statement fairly present, on the basis stated in the Prospectus and the Registration Statement, the information included therein.

(m) No action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries or its or their property is pending or, to the best knowledge of the Company, threatened that (i) could reasonably be expected to have a material adverse effect on the performance of this Agreement or the consummation of any of the transactions contemplated hereby or (ii) could reasonably be expected to have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(n) Each of the Company and each of its Subsidiaries owns or leases all such properties as are necessary to the conduct of its operations as presently conducted.

(o) Neither the Company nor any Subsidiary is in violation or default of (i) any provision of its charter, bylaws or similar organizational documents, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or bound or to which its property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or such Subsidiary or any of its properties, as applicable, which violation or default would, in the case of clauses (ii) and (iii) above, either individually or in the aggregate with all other violations and defaults referred to in this paragraph (o) (if any), have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole.

(p) Arthur Andersen LLP, who have certified certain financial statements of the Company and its consolidated subsidiaries and delivered their report with respect

to the audited consolidated financial statements and schedules included in the Prospectus, are independent public accountants with respect to the Company within the meaning of the Act and the applicable published rules and regulations thereunder.

(q) There are no transfer taxes or other similar fees or charges under Federal law or the laws of any state, or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the issuance by the Company or sale by the Company of the Securities.

(r) The Company has filed all foreign, federal, state and local tax returns that are required to be filed or has requested extensions thereof (except in any case in which the failure so to file would not have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto) and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or as would not have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(s) No labor problem or dispute with the employees of the Company or any of its Subsidiaries exists or is threatened or imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or its Subsidiaries' principal suppliers, contractors or customers, that could have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(t) The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; all policies of insurance and any fidelity or surety bonds insuring the Company or any of its Subsidiaries or their respective businesses, assets, employees, officers and directors are in full force and effect; the Company and its Subsidiaries are in compliance with the terms of such policies and instruments in all material respects; and there are no claims by the Company or any of its Subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights

clause except which individually or in the aggregate would not reasonably be expected to have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole; neither the Company nor any such Subsidiary has been refused any insurance coverage sought or applied for; and neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(u) No Subsidiary of the Company is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's property or assets to the Company or any other Subsidiary, except as described in or contemplated by the Prospectus.

(v) The Company and its Subsidiaries possess all licenses, certificates, permits and other authorizations issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither the Company nor any such Subsidiary has failed to obtain, or received any notice of proceedings relating to the revocation or modification of, any such certificate, authorization or permit which, singly or in the aggregate, if not obtained or the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(w) The Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(x) The Company has not taken, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(y) The Company and its Subsidiaries are (i) in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to (A) consumer product safety, communications and occupational safety ("Operational Laws") and (B) the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received and are in compliance with all permits, licenses or other approvals required of them under applicable Operational Laws and Environmental Laws to conduct their respective businesses and (iii) have not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except where such non-compliance with Operational Laws, Environmental Laws, failure to receive required permits, licenses or other approvals, or liability would not, individually or in the aggregate, have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto). Except as set forth in the Prospectus, neither the Company nor any of the Subsidiaries has been named as a "potentially responsible party" under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

(z) In the ordinary course of its business, the Company periodically reviews the effect of Environmental Laws on the business, operations and properties of the Company and its Subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws, or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, the Company has reasonably concluded that such associated costs and liabilities would not, singly or in the aggregate, have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(aa) Each of the Company and its Subsidiaries has fulfilled its obligations, if any, under the minimum funding standards of Section 412 of the Internal Revenue Code of 1986, as amended, and Section 302 of the United States Employee Retirement Income Security Act of 1974 ("ERISA") and the regulations and published interpretations thereunder with respect to each "plan" (as defined in Section 3(3) of ERISA and such regulations and published interpretations) in which employees of the Company and its Subsidiaries are eligible to participate and each such plan is in compliance in all material respects with the presently applicable provisions of ERISA and such regulations and published interpretations. The Company and its Subsidiaries have not incurred any unpaid liability to the Pension Benefit Guaranty Corporation (other than for the payment of premiums in the ordinary course) or to any such plan under Title IV of ERISA.

(bb) The Company and its Subsidiaries have implemented a comprehensive, detailed program to analyze and address the risk that their computer hardware and software may be unable to recognize and properly execute date-sensitive functions involving certain dates prior to and any dates after December 31, 1999 (the "Year 2000 Problem") and has determined that their computer hardware and software are and will be able to process all date information prior to and after December 31, 1999 without any errors, aborts, delays or other interruptions in operations associated with the Year 2000 Problem; and the Company believes, after due inquiry, that each key supplier, vendor, customer or financial service organization used or serviced by the Company and its Subsidiaries has remedied or will remedy on a timely basis the Year 2000 Problem, except to the extent that a failure to remedy by any such supplier, vendor, customer or financial service organization would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole. The Company is in compliance with the Commission's staff legal bulletin No. 5 dated January 12, 1998 related to Year 2000 compliance, as amended to date.

Any certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

(ii) Each Selling Stockholder represents and warrants to, and agrees with, each Underwriter that:

(a) Such Selling Stockholder has full power to enter into this Agreement and the Custody Agreement (as defined below) and to sell, assign, transfer and deliver to the Underwriters the Securities to be sold by such Selling Stockholder hereunder in accordance with the terms of this Agreement; this Agreement and the Custody Agreement have been duly executed and delivered by such Selling Stockholder; and the

Custody Agreement is the valid and binding agreement of such Selling Stockholder enforceable against such Selling Stockholder in accordance with its terms.

(b) Such Selling Stockholder is the lawful owner of the Securities to be sold by such Selling Stockholder hereunder and upon sale and delivery of, and payment for, such Securities, as provided herein, such Selling Stockholder will convey to the Underwriters good and marketable title to such Securities, free and clear of all liens, encumbrances, equities and claims whatsoever.

(c) Such Selling Stockholder has not taken, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(d) Certificates in negotiable form for such Selling Stockholder's Securities have been placed in custody, for delivery pursuant to the terms of this Agreement, under a Custody Agreement and Power of Attorney duly authorized (if applicable) executed and delivered by such Selling Stockholder, in the form heretofore furnished to you (the "Custody Agreement") with Edward Kress, as Custodian (the "Custodian"); the Securities represented by the certificates so held in custody for each Selling Stockholder are subject to the interests hereunder of the Underwriters; the arrangements for custody and delivery of such certificates, made by such Selling Stockholder hereunder and under the Custody Agreement, are not subject to termination by any acts of such Selling Stockholder, or by operation of law, whether by the death or incapacity of such Selling Stockholder or the occurrence of any other event; and if any such death, incapacity or any other such event shall occur before the delivery of such Securities hereunder, certificates for the Securities will be delivered by the Custodian in accordance with the terms and conditions of this Agreement and the Custody Agreement as if such death, incapacity or other event had not occurred, regardless of whether or not the Custodian shall have received notice of such death, incapacity or other event. Notwithstanding the foregoing, Securities to be sold by Selling Stockholders that are to be acquired upon the exercise of options need not be delivered in the manner set forth above but shall be delivered in a manner and upon terms satisfactory to the Representatives.

(e) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by such Selling Stockholder of the transactions contemplated herein, except such as may have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters in the manner contemplated herein and in the Prospectus and such other approvals as have been obtained.

(f) Neither the sale of the Securities being sold by such Selling Stockholder nor the consummation of any other of the transactions herein contemplated by such Selling Stockholder or the fulfillment of the terms hereof by such Selling Stockholder will conflict with, result in a breach or violation of, or constitute a default under the terms of any indenture or other agreement or instrument to which such Selling Stockholder is a party or bound, or any statute, law, rule, regulation, judgment, order or decree applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder.

Any certificate signed by any Selling Stockholder and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by such Selling Stockholder, as to matters covered thereby, to each Underwriter.

2. Purchase and Sale.

(a) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company and the Selling Stockholders agree, severally and not jointly, to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company and the Selling Stockholders, at a purchase price of \$[] per share, the amount of the Underwritten Securities set forth opposite such Underwriter's name in Schedule I hereto.

(b) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company and the Selling Stockholders named in Schedule II hereto hereby grant an option to the several Underwriters to purchase, severally and not jointly, up to 360,000 Option Securities at the same purchase price per share as the Underwriters shall pay for the Underwritten Securities, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Underwritten Securities but not payable on the Option Securities. Said option may be exercised only to cover over-allotments in the sale of the Underwritten Securities by the Underwriters. Said option may be exercised in whole or in part at any time (but not more than once) on or before the 30th day after the date of the Prospectus upon written or telegraphic notice by the Representatives to the Company and such Selling Stockholders setting forth the number of shares of the Option Securities as to which the several Underwriters are exercising the option and the settlement date. The maximum number of Option Securities to be sold by the Company is 225,000 and the maximum aggregate number of Option Securities to be sold by the Selling Stockholders is 135,000. The maximum number of Option Securities which each Selling Stockholder agrees to sell is set forth in Schedule II hereto. In the event that the Underwriters exercise less than their full over-allotment option, the number of Option Securities to be sold by the Company and each Selling Stockholder listed on Schedule II shall be, as nearly as

practicable, in the respective proportions which the maximum number of Option Securities to be sold by each of them bears to the aggregate maximum number of Option Securities to be sold hereunder. The number of Option Securities to be purchased by each Underwriter shall be the same percentage of the total number of shares of the Option Securities to be purchased by the several Underwriters as such Underwriter is purchasing of the Underwritten Securities, subject to such adjustments as you in your absolute discretion shall make to eliminate any fractional shares.

3. Delivery and Payment. Delivery of and payment for the Underwritten Securities and the Option Securities (if the option provided for in Section 2(b) hereof shall have been exercised on or before the third Business Day prior to the Closing Date) shall be made at 10:00 AM, New York City time, on [], 1999, or at such time on such later date not more than three Business Days after the foregoing date as the Representatives shall designate, which date and time may be postponed by agreement among the Representatives, the Company and the Selling Stockholders or as provided in Section 9 hereof (such date and time of delivery and payment for the Securities being herein called the "Closing Date"). Delivery of the Securities shall be made to the Representatives for the respective accounts of the several Underwriters against payment by the several Underwriters through the Representatives of the respective aggregate purchase prices of the Securities being sold by the Company and each of the Selling Stockholders to or upon the order of the Company and the Selling Stockholders by wire transfer payable in same-day funds to the accounts specified by the Company and the Selling Stockholders. Delivery of the Underwritten Securities and the Option Securities shall be made through the facilities of The Depository Trust Company unless the Representatives shall otherwise instruct.

Each Selling Stockholder will pay all applicable state transfer taxes, if any, involved in the transfer to the several Underwriters of the Securities to be purchased by them from such Selling Stockholder and the respective Underwriters will pay any additional stock transfer taxes involved in further transfers.

If the option provided for in Section 2(b) hereof is exercised after the third Business Day prior to the Closing Date, the Company and the Selling Stockholders named in Schedule II hereto will deliver the Option Securities (at the expense of the Company and the Selling Stockholders) to the Representatives, at 388 Greenwich Street, New York, New York, on the date specified by the Representatives (which shall be within three Business Days after exercise of said option) for the respective accounts of the several Underwriters, against payment by the several Underwriters through the Representatives of the purchase price thereof to or upon the order of the Company and the Selling Stockholders named in Schedule II by wire transfer payable in same-day funds to the accounts specified by the Company and the Selling Stockholders named in Schedule II hereto. If settlement for the Option Securities occurs after the Closing Date, the Company and such Selling Stockholders will deliver to the Representa-

tives on the settlement date for the Option Securities, and the obligation of the Underwriters to purchase the Option Securities shall be conditioned upon receipt of, supplemental opinions, certificates and letters confirming as of such date the opinions, certificates and letters delivered on the Closing Date pursuant to Section 6 hereof.

4. Offering by Underwriters. It is understood that the several Underwriters propose to offer the Securities for sale to the public as set forth in the Prospectus.

5. Agreements.

(i) The Company agrees with the several Underwriters that:

(a) The Company will use its best efforts to cause the Registration Statement, if not effective at the Execution Time, and any amendment thereof, to become effective. Prior to the termination of the offering of the Securities, the Company will not file any amendment of the Registration Statement or supplement to the Prospectus or any Rule 462(b) Registration Statement unless the Company has furnished you a copy for your review prior to filing and will not file any such proposed amendment or supplement to which you reasonably object. Subject to the foregoing sentence, if the Registration Statement has become or becomes effective pursuant to Rule 430A, or filing of the Prospectus is otherwise required under Rule 424(b), the Company will cause the Prospectus, properly completed, and any supplement thereto to be filed with the Commission pursuant to the applicable paragraph of Rule 424(b) within the time period prescribed and will provide evidence satisfactory to the Representatives of such timely filing. The Company will promptly advise the Representatives (1) when the Registration Statement, if not effective at the Execution Time, shall have become effective, (2) when the Prospectus, and any supplement thereto, shall have been filed (if required) with the Commission pursuant to Rule 424(b) or when any Rule 462(b) Registration Statement shall have been filed with the Commission, (3) when, prior to termination of the offering of the Securities, any amendment to the Registration Statement shall have been filed or become effective, (4) of any request by the Commission or its staff for any amendment of the Registration Statement, or any Rule 462(b) Registration Statement, or for any supplement to the Prospectus or for any additional information, (5) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the institution or threatening of any proceeding for that purpose and (6) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the institution or threatening of any proceeding for such purpose. The Company will use its best efforts to prevent the issuance of any such stop order or the suspension of any such qualification and, if issued, to obtain as soon as possible the withdrawal thereof.

(b) If, at any time when a prospectus relating to the Securities is required to be delivered under the Act, any event occurs as a result of which the Prospectus as then supplemented would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, or if it shall be necessary to amend the Registration Statement or supplement the Prospectus to comply with the Act or the Exchange Act or the respective rules thereunder, the Company promptly will (1) notify the Representatives of such event, (2) prepare and file with the Commission, subject to the second sentence of paragraph (i)(a) of this Section 5, an amendment or supplement which will correct such statement or omission or effect such compliance and (3) supply any supplemented Prospectus to you in such quantities as you may reasonably request. Neither Salomon Smith Barney Inc.'s consent to nor the Underwriters' delivery of any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 6.

(c) As soon as practicable, the Company will make generally available to its security holders and to the Representatives an earnings statement or statements of the Company and its Subsidiaries which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act.

(d) The Company will furnish to the Representatives and counsel for the Underwriters, without charge, signed copies of the Registration Statement (including exhibits thereto) and to each other Underwriter a copy of the Registration Statement (without exhibits thereto) and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Act, as many copies of each Preliminary Prospectus and the Prospectus and any supplement thereto as the Representatives may reasonably request.

(e) The Company will arrange, if necessary, for the qualification of the Securities for sale under the laws of such jurisdictions as the Representatives may designate, will maintain such qualifications in effect so long as required for the distribution of the Securities and will pay any fee of the National Association of Securities Dealers, Inc., in connection with its review of the offering; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to service of process in suits, other than those arising out of the offering or sale of the Securities, in any jurisdiction where it is not now so subject.

(f) The Company will not, without the prior written consent of Salomon Smith Barney Inc., offer, sell, contract to sell, pledge, or otherwise dispose of, (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to

cash settlement or otherwise) by the Company or any affiliate of the Company or any person in privity with the Company or any affiliate of the Company) directly or indirectly, including the filing (or participation in the filing) of a registration statement with the Commission in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act with respect to, any shares of Common Stock (except for sales to the Underwriters pursuant to this Agreement) or any securities convertible into or exercisable or exchangeable for shares of Common Stock, or publicly announce an intention to effect any such transaction, for a period of 90 days after the date of this Agreement, provided, however, that the Company may grant options and issue and sell Common Stock pursuant to any employee stock option plan, stock ownership plan or dividend reinvestment plan of the Company in effect at the Execution Time and the Company may issue Common Stock issuable upon the conversion of securities or the exercise of warrants outstanding at the Execution Time.

(g) The Company will not take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(h) During a period of three years from the Effective Date, the Company agrees to furnish to the Representatives copies of all reports or other communications (financial or other) furnished to stockholders, and to deliver to the Representatives such additional information concerning the business and financial condition of the Company as the Representatives may from time to time reasonably request.

(i) The Company agrees to use the net proceeds received by it from the sale of the Securities pursuant to this Agreement in the manner specified in the Prospectus under "Use of Proceeds."

(j) The Company and the Selling Stockholders agree to pay the following costs and expenses and all other costs and expenses incident to the performance by the Company and the Selling Stockholders' obligations hereunder: (i) the preparation, printing or reproduction, and filing with the Commission of the Registration Statement (including financial statements and exhibits thereto), each Preliminary Prospectus, each Prospectus, and each amendment or supplement to any of them; (ii) the printing (or reproduction) and delivery (including postage, air freight charges and charges for counting and packaging) of such copies of the Registration Statement, each Preliminary Prospectus, each Prospectus, and all amendments or supplements to any of them, as may be requested for use in connection with the offering and sale of the Securities; (iii) the preparation, printing, authentication, issuance and delivery of certificates for the Securities, including any stamp taxes in connection with the original issuance and

sale of the Securities; (iv) the printing (or reproduction) and delivery of this Agreement, any blue sky memoranda and all other agreements or documents printed (or reproduced) and delivered in connection with the offering of the Securities; (v) the listing of the Securities on the New York Stock Exchange; (vi) any registration or qualification of the Shares for offer and sale under the securities or blue sky laws of the several states as provided in Section 5(i)(e) hereof (including the reasonable fees, expenses and disbursements of counsel for the Underwriters relating to the preparation, printing or reproduction, and delivery of any blue sky memoranda and such registration and qualification); (vii) the filing fees in connection with any filings required to be made with the National Association of Securities Dealers, Inc.; (viii) the transportation and other expenses incurred by or on behalf of Company representatives in connection with presentations to prospective purchasers of the Securities; and (ix) the fees and expenses of the Company's accountants and the fees and expenses of counsel (including local and special counsel) for the Company and the Selling Stockholders.

The provisions of this Section 5(i)(j) shall not affect, as between the Company and the Selling Stockholders, any agreement between them regarding allocation of expenses to be paid by them hereunder.

(ii) Each Selling Stockholder agrees with the several Underwriters that:

(a) Such Selling Stockholder will not, without the prior written consent of Salomon Smith Barney Inc., offer, sell, contract to sell, pledge or otherwise dispose of, (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any affiliate of the Company or any person in privity with the Company or any affiliate of the Company) directly or indirectly, including the filing (or participation in the filing) of a registration statement with the Commission in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act with respect to, any shares of Common Stock (except for sales to the Underwriters pursuant to this Agreement) or any securities convertible into or exercisable or exchangeable for shares of Common Stock, or publicly announce an intention to effect any such transaction, for a period of 270 days after the date of this Agreement, other than shares of Common Stock disposed of as bona fide gifts approved by Salomon Smith Barney Inc.

(b) Such Selling Stockholder will not take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(c) Such Selling Stockholder will advise you promptly, and if requested by you, will confirm such advice in writing, so long as delivery of a prospectus relating to the Securities by an underwriter or dealer may be required under the Act, of (i) any material change in the Company's condition (financial or otherwise), prospects, earnings, business or properties, (ii) any change in information in the Registration Statement or the Prospectus relating to such Selling Stockholder or (iii) any new material information relating to the Company or relating to any matter stated in the Prospectus which comes to the attention of such Selling Stockholder.

6. Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Underwritten Securities and the Option Securities, as the case may be, shall be subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders contained herein as of the Execution Time, the Closing Date and any settlement date pursuant to Section 3 hereof, to the accuracy of the statements of the Company and the Selling Stockholders made in any certificates pursuant to the provisions hereof, to the performance by the Company and the Selling Stockholders of their respective obligations hereunder and to the following additional conditions:

(a) If the Registration Statement has not become effective prior to the Execution Time, unless the Representatives agree in writing to a later time, the Registration Statement will become effective not later than (i) 6:00 PM New York City time on the date of determination of the public offering price, if such determination occurred at or prior to 3:00 PM New York City time on such date or (ii) 9:30 AM on the Business Day following the day on which the public offering price was determined, if such determination occurred after 3:00 PM New York City time on such date; if filing of the Prospectus, or any supplement thereto, is required pursuant to Rule 424(b), the Prospectus, and any such supplement, will be filed in the manner and within the time period required by Rule 424(b); and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or threatened.

(b) The Company and the Selling Stockholders shall have requested and caused Chernesky, Heyman & Kress P.L.L., counsel for the Company and the Selling Stockholders, to have furnished to the Representatives their opinion, dated the Closing Date and addressed to the Representatives, to the effect that:

(i) each of the Company and Rex Radio and Television, Inc., Stereo Town, Inc., Kelly & Cohen Appliances, Inc., Rex Kansas, Inc., Rex Louisiana, Inc., Rex Alabama, Inc., rexstores.com, Inc., AVA Acquisition Corp. and Rex Investment, LLC (individually a "Subsidiary" and collectively the "Subsidiaries") has been duly incorporated or organized, as the case may be, and is validly existing as a corporation or limited liability company in good standing

under the laws of the jurisdiction in which it is chartered or organized, with full power and authority to own or lease, as the case may be, and to operate its properties and conduct its business as described in the Prospectus, and is duly qualified to do business as a foreign corporation or limited liability company and is in good standing under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties or conducts material business and where the failure to be so qualified would, individually or in the aggregate, have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus; notwithstanding the foregoing, the Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of the State of Ohio; and the Company has full power and authority to enter into this Agreement and to carry out all the terms and provisions hereof to be carried out by it;

(ii) all the outstanding shares of capital stock or membership interests of each Subsidiary have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise set forth in the Prospectus, all outstanding shares of capital stock and membership interests of the Subsidiaries (to the extent owned by the Company) are owned by the Company either directly or through wholly owned subsidiaries free and clear of any perfected security interest and, to the knowledge of such counsel, after due inquiry, any other security interest, claim, lien or encumbrance;

(iii) the Company's authorized equity capitalization is as set forth in the Prospectus; the capital stock of the Company conforms in all material respects to the description thereof contained in the Prospectus; the outstanding shares of Common Stock (including the Securities being sold hereunder by the Selling Stockholders) have been duly and validly authorized and issued and are fully paid and nonassessable; the Securities being sold hereunder by the Company have been duly and validly authorized, and, when issued and delivered to and paid for by the Underwriters pursuant to this Agreement, will be fully paid and nonassessable; the Securities being sold by the Selling Stockholders are duly listed, and admitted and authorized for trading, on the New York Stock Exchange and the Securities being sold hereunder by the Company are duly listed, and admitted and authorized for trading, subject to official notice of issuance, on the New York Stock Exchange; the certificates for the Securities are in valid and sufficient form; the holders of outstanding shares of capital stock of the Company are not entitled to preemptive or other rights to subscribe for

the Securities; and, except as set forth in the Prospectus, no options, warrants or other rights to purchase, agreements or other obligations to issue, or rights to convert any obligations into or exchange any securities for, shares of capital stock of or ownership interests in the Company are outstanding;

(iv) to the knowledge of such counsel, there is no pending or threatened action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries or its or their property of a character required to be disclosed in the Registration Statement which is not adequately disclosed in the Prospectus, and there is no franchise, contract or other document of a character required to be described in the Registration Statement or Prospectus, or to be filed as an exhibit thereto, which is not described or filed as required;

(v) the Registration Statement has become effective under the Act; any required filing of the Prospectus, and any supplements thereto, pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued, no proceedings for that purpose have been instituted or threatened and the Registration Statement and the Prospectus (other than the financial statements and other financial information contained therein or incorporated therein by reference, as to which such counsel need express no opinion) comply as to form in all material respects with the applicable requirements of the Act and the Exchange Act and the respective rules thereunder;

(vi) this Agreement has been duly authorized, executed and delivered by the Company;

(vii) the Company is not and, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Prospectus, will not be, an "investment company" as defined in the Investment Company Act of 1940, as amended;

(viii) no consent, approval, authorization, filing with or order of any court or governmental agency or body is required in connection with the transactions contemplated herein, except such as have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters in the manner contemplated in this Agreement and in the Prospectus and such other approvals (specified in such opinion) as have been obtained;

(ix) neither the issue and sale of the Securities, nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with, result in a breach or violation of, constitute a default under or result in the imposition of any lien, charge or encumbrance upon any property or assets of the Company or its Subsidiaries pursuant to, (i) the charter, by-laws or similar organizational documents of the Company or its Subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument known to such counsel to which the Company or its Subsidiaries is a party or bound or to which its or their property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree known to such counsel and applicable to the Company or its Subsidiaries of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or its Subsidiaries or any of its or their properties; and

(x) no holders of securities of the Company have rights to the registration of such securities under the Registration Statement, except for the Selling Stockholders with respect to the Securities being sold by them pursuant to this Agreement or with respect to certain other shares of Common Stock as to which the right to such registration has been waived.

(xi) this Agreement and the Custody Agreement have been duly executed and delivered by the Selling Stockholders, the Custody Agreement is valid and binding on the Selling Stockholders and each Selling Stockholder has full legal right and authority to sell, transfer and deliver in the manner provided in this Agreement and the Custody Agreement the Securities being sold by such Selling Stockholder hereunder;

(xii) the delivery by each Selling Stockholder to the several Underwriters of the Securities being sold hereunder by such Selling Stockholder against payment therefor as provided herein, will pass good and marketable title to such Securities to the several Underwriters, free and clear of all liens, encumbrances, equities and claims whatsoever, assuming the Underwriters are bona fide purchasers without knowledge of any adverse claim;

(xiii) no consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by any Selling Stockholder of the transactions contemplated herein, except such as may have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters in the manner contemplated in this Agreement

and in the Prospectus and such other approvals (specified in such opinion) as have been obtained; and

(xiv) neither the sale of the Securities being sold by any Selling Stockholder nor the consummation of any other of the transactions herein contemplated by any Selling Stockholder or the fulfillment of the terms hereof by any Selling Stockholder will conflict with, result in a breach or violation of, or constitute a default under the terms of any indenture or other agreement or instrument known to such counsel and to which any Selling Stockholder is a party or bound, or any statute, law, rule, regulation, judgment, order or decree known to such counsel to be applicable to any Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over any Selling Stockholder.

Such counsel shall also state that it has no reason to believe that on the Effective Date or at the Execution Time the Registration Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus (or any amendment or supplement thereto) as of its date and on the Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (in each case, other than the financial statements and other financial information contained therein or incorporated therein by reference, as to which such counsel need express no opinion).

In rendering such opinion, such counsel may rely (A) as to matters involving the application of laws of any jurisdiction other than the State of Ohio, the general corporation laws of the States of Delaware, Georgia and Kansas or the Federal laws of the United States, to the extent they deem proper and specified in such opinion, upon the opinion of other counsel of good standing whom they believe to be reliable and who are satisfactory to counsel for the Underwriters and (B) as to matters of fact, to the extent they deem proper, on certificates of responsible officers of the Company, the Selling Stockholders and public officials. References to the Prospectus in this paragraph (b) include any supplements thereto at the Closing Date.

(c) The Representatives shall have received from Cahill Gordon & Reindel, counsel for the Underwriters, such opinion or opinions, dated the Closing Date and addressed to the Representatives, with respect to the issuance and sale of the Securities, the Registration Statement, the Prospectus (together with any supplement thereto) and other related matters as the Representatives may reasonably require, and the Company and each Selling Stockholder shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(d) The Company shall have furnished to the Representatives a certificate of the Company, signed by the Chairman of the Board or the President and the principal financial or accounting officer of the Company, dated the Closing Date, to the effect that the signers of such certificate have carefully examined the Registration Statement, the Prospectus, any supplements to the Prospectus and this Agreement and that:

(i) the representations and warranties of the Company in this Agreement are true and correct on and as of the Closing Date with the same effect as if made on the Closing Date and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or, to the Company's knowledge, threatened; and

(iii) since the date of the most recent financial statements included or incorporated by reference in the Prospectus (exclusive of any supplement thereto), there has been no material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(e) Each Selling Stockholder shall have furnished to the Representatives a certificate, signed by such Selling Stockholder, dated the Closing Date, to the effect that the signer of such certificate have carefully examined the Registration Statement, the Prospectus, any supplement to the Prospectus and this Agreement and that the representations and warranties of such Selling Stockholder in this Agreement are true and correct on and as of the Closing Date to the same effect as if made on the Closing Date.

(f) The Company shall have requested and caused Arthur Andersen LLP to have furnished to the Representatives, at the Execution Time and at the Closing Date, letters, dated respectively as of the Execution Time and as of the Closing Date, in form and substance satisfactory to the Representatives, confirming that they are independent accountants within the meaning of the Act and the Exchange Act and the respective applicable rules and regulations adopted by the Commission thereunder and that they have (A) audited the consolidated financial statements of the Company and its Subsidiaries as of and for each of the fiscal years ended January 31, 1995, 1996, 1997, 1998 and 1999 included or incorporated by reference in the Registration Statement and

the Prospectus and (B) performed a review of the unaudited interim financial information of the Company and its Subsidiaries for the six-month periods ended July 31, 1999 and July 31, 1998 and as at July 31, 1999 and July 31, 1998 in accordance with Statement on Auditing Standards No. 71, and stating in effect that:

(i) in their opinion the audited financial statements and financial statement schedules included or incorporated by reference in the Registration Statement and the Prospectus and reported on by them comply as to form in all material respects with the applicable accounting requirements of the Act and the Exchange Act and the related rules and regulations adopted by the Commission;

(ii) on the basis of a reading of the latest unaudited financial statements made available by the Company and its Subsidiaries; their limited review, in accordance with standards established under Statement on Auditing Standards No. 71, of the unaudited interim financial information for the six-month periods ended July 31, 1999 and July 31, 1998, and as at July 31, 1999 and July 31, 1998, included in or incorporated by reference in the Registration Statement and the Prospectus; carrying out certain specified procedures (but not an examination in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comments set forth in such letter; a reading of the minutes of the meetings of the stockholders, directors and the executive, audit and compensation committees of the Company and the Subsidiaries; and inquiries of certain officials of the Company who have responsibility for financial and accounting matters of the Company and its Subsidiaries as to transactions and events subsequent to July 31, 1999, nothing came to their attention which caused them to believe that:

(1) any unaudited financial statements included or incorporated by reference in the Registration Statement and the Prospectus do not comply as to form in all material respects with applicable accounting requirements of the Act and with the related rules and regulations adopted by the Commission with respect to financial statements included or incorporated by reference in quarterly reports on Form 10-Q under the Exchange Act; and said unaudited financial statements are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements included or incorporated by reference in the Registration Statement and the Prospectus;

(2) with respect to the period subsequent to July 31, 1999, there were any changes, at a specified date not more than five days prior to the date of the letter, in the capital stock of the Company, increases in long-term debt or decreases in the current assets or shareholders' equity of the Company and its Subsidiaries as compared with the amounts shown on the July 31, 1999 consolidated balance sheet included or incorporated by reference in the Registration Statement and the Prospectus, or for the period from August 1, 1999 to such specified date there were any decreases, as compared with the corresponding period in the preceding year, in net sales, income from operations or income before provision for income taxes or in total or per share amounts of net income of the Company and its Subsidiaries, except in all instances for changes, increases or decreases set forth in or contemplated in the Prospectus (exclusive of any supplement thereto) or as set forth in such letter, in which case the letter shall be accompanied by an explanation by the Company as to the significance thereof unless said explanation is not deemed necessary by the Representatives; or

(3) the information included or incorporated by reference in the Registration Statement and Prospectus in response to Regulation S-K, Item 301 (Selected Financial Data), Item 302 (Supplementary Financial Information) and Item 402 (Executive Compensation) is not in conformity with the applicable disclosure requirements of Regulation S-K; and

(iii) they have performed certain other specified procedures as a result of which they determined that certain information of an accounting, financial or statistical nature (which is limited to accounting, financial or statistical information derived from the general accounting records of the Company and its Subsidiaries) set forth in the Registration Statement and the Prospectus, including the information set forth under the captions "Prospectus Summary," "Capitalization," "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" in the Prospectus, the information included or incorporated by reference in Items 1, 6, 7 and 11 of the Company's Annual Report on Form 10-K, incorporated by reference in the Registration Statement and the Prospectus, and the information included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included or incorporated by reference in the Company's Quarterly Reports on Form 10-Q, incorporated by reference in the Registration Statement and the Prospectus, agrees with the ac-

counting records of the Company and its Subsidiaries, excluding any questions of legal interpretation.

References to the Prospectus in this paragraph (f) include any supplement thereto at the date of the letter.

(g) Subsequent to the Execution Time or, if earlier, the dates as of which information is given in the Registration Statement (exclusive of any amendment thereof) and the Prospectus (exclusive of any supplement thereto), there shall not have been (i) any change or decrease specified in the letter or letters referred to in paragraph (f) of this Section 6 or (ii) any change, or any development involving a prospective change, in or affecting the condition (financial or otherwise), earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto) the effect of which, in any case referred to in clause (i) or (ii) above, is, in the sole judgment of the Representatives, so material and adverse as to make it impractical or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Registration Statement (exclusive of any amendment thereof) and the Prospectus (exclusive of any supplement thereto).

(h) Prior to the Closing Date, the Company and the Selling Stockholders shall have furnished to the Representatives such further information, certificates and documents as the Representatives may reasonably request.

(i) The Securities shall have been listed and admitted and authorized for trading on the New York Stock Exchange, and satisfactory evidence of such actions shall have been provided to the Representatives.

(j) At the Execution Time, each of the Selling Stockholders shall have furnished to the Representatives a letter substantially in the form of Exhibit A hereto addressed to the Representatives.

If any of the conditions specified in this Section 6 shall not have been fulfilled in all material respects when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be in all material respects reasonably satisfactory in form and substance to the Representatives and counsel for the Underwriters, this Agreement and all obligations of the Underwriters hereunder may be canceled at, or at any time prior to, the Closing Date by the Representatives. Notice of such cancellation shall be given to the Company and each Selling Stockholder in writing or by telephone or facsimile confirmed in writing.

The documents required to be delivered by this Section 6 shall be delivered at the office of Cahill Gordon & Reindel, counsel for the Underwriters, at 80 Pine Street, New York, New York 10005, on or before the Closing Date.

7. Reimbursement of Underwriters' Expenses. If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 6 hereof is not satisfied, because of any termination pursuant to Section 10 hereof or because of any refusal, inability or failure on the part of the Company or any Selling Stockholders to perform any agreement herein or comply with any provision hereof other than by reason of a default by any of the Underwriters, the Company will reimburse the Underwriters severally through Salomon Smith Barney Inc. on demand for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Securities. If the Company is required to make any payments to the Underwriters under this Section 7 because of any Selling Stockholder's refusal, inability or failure to satisfy any condition to the obligations of the Underwriters set forth in Section 6, the Selling Stockholders, pro rata in proportion to the percentage of Securities to be sold by each, shall reimburse the Company on demand for all amounts so paid.

8. Indemnification and Contribution.

(a) The Company and the Selling Stockholders jointly and severally agree to indemnify and hold harmless each Underwriter, the directors, officers, employees and agents of each Underwriter and each person who controls any Underwriter within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement for the registration of the Securities as originally filed or in any amendment thereof, or in any Preliminary Prospectus or the Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company and the Selling Stockholders will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion therein. This indem-

nity agreement will be in addition to any liability which the Company or the Selling Stockholders may otherwise have.

(b) Each Underwriter severally and not jointly agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Registration Statement, and each person who controls the Company within the meaning of either the Act or the Exchange Act and each Selling Stockholder, to the same extent as the foregoing indemnity to each Underwriter, but only with reference to written information relating to such Underwriter furnished to the Company by or on behalf of such Underwriter through the Representatives specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any Underwriter may otherwise have. The Company and each Selling Stockholder acknowledge that the statements set forth in the last paragraph of the cover page regarding delivery of the Securities and, under the heading "Underwriting," (i) the list of Underwriters and their respective participation in the sale of the Securities, (ii) the paragraph related to concessions and reallowances and (iii) the paragraphs related to stabilization, syndicate covering transactions and penalty bids in any Preliminary Prospectus and the Prospectus constitute the only information furnished in writing by or on behalf of the several Underwriters for inclusion in any Preliminary Prospectus or the Prospectus.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof; but the failure to so notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded

that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and does not include a statement as to or an admission of fault, culpability or failure to act by or on behalf of any indemnified party.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 8 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the Company and the Selling Stockholders, jointly and severally, and the Underwriters severally agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which the Company, the Selling Stockholders and one or more of the Underwriters may be subject in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and by the Underwriters on the other from the offering of the Securities; provided, however, that in no case shall any Underwriter (except as may be provided in any agreement among underwriters relating to the offering of the Securities) be responsible for any amount in excess of the underwriting discount or commission applicable to the Securities purchased by such Underwriter hereunder. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Company and the Selling Stockholders, jointly and severally, and the Underwriters severally shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Stockholders on the one hand and of the Underwriters on the other in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Company and the Selling Stockholders shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses) received by each of them, and benefits received by the Underwriters shall be deemed to be equal to the total underwriting discounts and commissions, in each case as set forth on the cover page of the Prospectus. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the Company or the Selling Stockholders on the one hand or the Underwriters on the other, the intent of the parties

and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, each person who controls an Underwriter within the meaning of either the Act or the Exchange Act and each director, officer, employee and agent of an Underwriter shall have the same rights to contribution as such Underwriter, and each person who controls the Company within the meaning of either the Act or the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

(e) Notwithstanding the provisions of this Section 8, the liability of each Selling Stockholder under such Selling Stockholder's representations and warranties contained in Section 1 hereof and under the indemnity and contribution agreements contained in this Section 8 shall be limited to an amount equal to the initial public offering price of the Securities sold by such Selling Stockholder to the Underwriters. The Company and the Selling Stockholders may agree, as among themselves and without limiting the rights of the Underwriters under this Agreement, as to the respective amounts of such liability for which they each shall be responsible.

9. Default by an Underwriter. If any one or more Underwriters shall fail to purchase and pay for any of the Securities agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Underwriters shall be obligated severally to take up and pay for (in the respective proportions which the amount of Securities set forth opposite their names in Schedule I hereto bears to the aggregate amount of Securities set forth opposite the names of all the remaining Underwriters) the Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase; provided, however, that in the event that the aggregate amount of Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase shall exceed 10% of the aggregate amount of Securities set forth in Schedule I hereto, the remaining Underwriters shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Securities, and if such nondefaulting Underwriters do not purchase all the Securities, this Agreement will terminate without liability to any nondefaulting Underwriter, the Selling Stockholders or the Company. In the event of a default by any Underwriter as set forth in this Section 9, the Closing Date shall be postponed for such period, not exceeding five Business Days, as the Representatives shall determine in order that the required changes in the Registration Statement and the Pro-

spectus or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Underwriter of its liability, if any, to the Company, the Selling Stockholders and any nondefaulting Underwriter for damages occasioned by its default hereunder.

10. Termination. This Agreement shall be subject to termination in the absolute discretion of the Representatives, by notice given to the Company prior to delivery of and payment for the Securities, if at any time prior to such time (i) trading in the Company's Common Stock shall have been suspended by the Commission or the New York Stock Exchange or trading in securities generally on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange, (ii) a banking moratorium shall have been declared either by Federal or New York State authorities or (iii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war, or other calamity or crisis the effect of which on financial markets is such as to make it, in the sole judgment of the Representatives, impractical or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Prospectus (exclusive of any supplement thereto).

11. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers, of each Selling Stockholder and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, any Selling Stockholder or the Company or any of the officers, directors, employees, agents or controlling persons referred to in Section 8 hereof, and will survive delivery of and payment for the Securities. The provisions of Sections 7 and 8 hereof shall survive the termination or cancellation of this Agreement.

12. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Representatives, will be mailed, delivered or telefaxed to the Salomon Smith Barney Inc. General Counsel (fax no.: (212) 816-7912) and confirmed to the General Counsel, Salomon Smith Barney Inc., at 388 Greenwich Street, New York, New York, 10013, Attention: General Counsel; or, if sent to the Company, will be mailed, delivered or telefaxed to REX Stores Corporation (fax no.: (937) 276-8643) and confirmed to it at 2875 Needmore Road, Dayton, Ohio 45414, Attention: Vice President-Finance, with a copy to Edward M. Kress (fax no.: (937) 463-4947) and confirmed to him at 1100 Courthouse Plaza S.W., Dayton, Ohio 45402; or if sent to any Selling Stockholder, will be mailed, delivered or telefaxed and confirmed to it at the address set forth in Schedule II hereto.

13. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers, directors, employees, agents and controlling persons referred to in Section 8 hereof, and no other person will have any right or obligation hereunder.

14. Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

15. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

16. Headings. The section headings used herein are for convenience only and shall not affect the construction hereof.

17. Definitions. The terms which follow, when used in this Agreement, shall have the meanings indicated.

"Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in New York City.

"Commission" shall mean the Securities and Exchange Commission.

"Effective Date" shall mean each date and time that the Registration Statement, any post-effective amendment or amendments thereto and any Rule 462(b) Registration Statement became or become effective.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Execution Time" shall mean the date and time that this Agreement is executed and delivered by the parties hereto.

"Preliminary Prospectus" shall mean any preliminary prospectus referred to in paragraph 1(i)(a) above and any preliminary prospectus included in the Registration Statement at the Effective Date that omits Rule 430A Information.

"Prospectus" shall mean the prospectus relating to the Securities that is first filed pursuant to Rule 424(b) after the Execution Time or, if no filing pursuant to Rule 424(b) is required, shall mean the form of final prospectus relating to the Securities included in the Registration Statement at the Effective Date.

"Registration Statement" shall mean the registration statement referred to in paragraph 1(i)(a) above, including exhibits and financial statements, as amended at the Execution Time (or, if not effective at the Execution Time, in the form in which it shall become effective) and, in the event any post-effective amendment thereto or any Rule 462(b) Registration Statement becomes effective prior to the Closing Date, shall also mean such registration statement as so amended or such Rule 462(b) Registration Statement, as the case may be. Such term shall include any Rule 430A Information deemed to be included therein at the Effective Date as provided by Rule 430A.

"Rule 424", "Rule 430A" and "Rule 462" refer to such rules under the Act.

"Rule 430A Information" shall mean information with respect to the Securities and the offering thereof permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A.

"Rule 462(b) Registration Statement" shall mean a registration statement and any amendments thereto filed pursuant to Rule 462(b) relating to the offering covered by the registration statement referred to in Section 1(a) hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company and the several Underwriters.

Very truly yours,

REX STORES CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

As Attorney-In-Fact for the Selling Stockholders listed on Schedule II to the foregoing Agreement.

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

Salomon Smith Barney Inc.
Credit Suisse First Boston Corporation
Gerard Klauer Mattison & Co., Inc.
ING Barings LLC
Morgan Keegan & Company, Inc.

By: Salomon Smith Barney Inc.

By: _____
Name:
Title:

For themselves and the other several Underwriters named in Schedule I to the foregoing Agreement.

SCHEDULE I

UNDERWRITERS	NUMBER OF UNDERWRITTEN SECURITIES TO BE PURCHASED
-----	-----
Salomon Smith Barney Inc.....	
Credit Suisse First Boston Corporation.....	
Gerard Klauer Mattison & Co., Inc.....	
ING Barings LLC.....	
Morgan Keegan & Company, Inc.....	

Total.....	2,400,000
	=====

SCHEDULE II

SELLING STOCKHOLDERS: -----	NUMBER OF UNDERWRITTEN SECURITIES TO BE SOLD -----	MAXIMUM NUMBER OF OPTION SECURITIES TO BE SOLD -----
Stuart Rose c/o REX Stores Corporation 2875 Needmore Road Dayton, Ohio 45414	700,747	105,112
Lawrence Tomchin c/o REX Stores Corporation 2875 Needmore Road Dayton, Ohio 45414	177,898	26,685
Douglas Bruggeman c/o REX Stores Corporation 2875 Needmore Road Dayton, Ohio 45414	17,500	2,625
Lee Fisher Western Reserve Building 1468 West 9th Street Cleveland, Ohio 44113	3,855	578
	-----	-----
Total.....	900,000 =====	135,000 =====

SCHEDULE III

SUBSIDIARIES

- - - - -

1. Rex Radio and Television, Inc. (1)
 2. Stereo Town, Inc. (1)
 3. Kelly & Cohen Appliances, Inc. (1)
 4. Rex Kansas, Inc. (2)
 5. Rex Louisiana, Inc. (1)
 6. Rex Alabama, Inc. (2)
 7. rexstores.com, Inc. (1)
 8. AVA Acquisition Corp. (3)
 9. Rex Investment, LLC (4)
-
- (1) Wholly owned subsidiary of REX Stores Corporation.
 - (2) Wholly owned subsidiary of Rex Radio and Television, Inc.
 - (3) Wholly owned subsidiary of Kelly & Cohen Appliances, Inc.
 - (4) Kelly & Cohen Appliances, Inc. owns 98.032% and 95% of the Class A and Class C membership interests, respectively, and AVA Acquisition Corp. owns 95.46% and 5% of the Class B and Class C membership interests, respectively.

[LETTERHEAD OF SELLING STOCKHOLDER OF
REX STORES CORPORATION]

REX Stores Corporation
Public Offering of Common Stock

, 1999

Salomon Smith Barney Inc.
Credit Suisse First Boston Corporation
Gerard Klauer Mattison & Co., Inc.
ING Barings LLC
Morgan Keegan & Company, Inc.
As Representatives of the several Underwriters,
c/o Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

This letter is being delivered to you in connection with the proposed Underwriting Agreement (the "Underwriting Agreement"), between REX Stores Corporation, a Delaware corporation (the "Company"), and each of you as representatives of a group of Underwriters named therein, relating to an underwritten public offering of Common Stock, \$0.01 par value (the "Common Stock"), of the Company.

In order to induce you and the other Underwriters to enter into the Underwriting Agreement, the undersigned will not, without the prior written consent of Salomon Smith Barney Inc., offer, sell, contract to sell, pledge or otherwise dispose of, (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any affiliate of the Company or any person in privity with the Company or any affiliate of the Company) directly or indirectly, including the filing (or participation in the filing) of a registration statement with the Securities and Exchange Commission in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder with respect to, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock, or publicly announce an intention to effect any such transaction, for a period of 270 days after the date of

the Underwriting Agreement, other than shares of Common Stock disposed of as bona fide gifts approved by Salomon Smith Barney Inc.

If for any reason the Underwriting Agreement shall be terminated prior to the Closing Date (as defined in the Underwriting Agreement), the agreement set forth above shall likewise be terminated.

Yours very truly,

[SIGNATURE OF SELLING STOCKHOLDER]

[NAME AND ADDRESS OF SELLING STOCKHOLDER]

August 26, 1999

REX Stores Corporation
2875 Needmore Road
Dayton, Ohio 45414

Gentlemen:

We have acted as counsel for REX Stores Corporation, a Delaware corporation (the "Company"), in connection with the proposed offering by the Company and certain stockholders of the Company (the "Selling Stockholders") of up to an aggregate of 2,760,000 shares of the Company's Common Stock, \$.01 par value (the "Shares") pursuant to a Registration Statement on Form S-3 under the Securities Act of 1933 filed with the Securities and Exchange Commission. Of the Shares, 1,725,000 (including 225,000 shares subject to an over-allotment option granted by the Company to the Underwriters named in the Registration Statement) are being offered by the Company and are referred to herein as the "Company Shares," and 1,035,000 (including 135,000 shares subject to an over-allotment option granted by the Selling Stockholders to such Underwriters) are being offered by the Selling Stockholders and are referred to herein as the "Selling Stockholders Shares." Of the Selling Stockholders Shares, 7,058 will be issued pursuant to options to be exercised by a Selling Stockholder and are referred to herein as the "Option Shares."

For purposes of rendering this opinion, we have examined the Company's Certificate of Incorporation, as amended, and the various corporate records and proceedings relating to the organization of the Company and the issuance of the Shares, and have made investigation of such other matters as in our judgment permit us to render an informed opinion on the matters set forth herein.

Based on the foregoing, it is our opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.
2. The Company Shares have been duly authorized and, upon issuance thereof and payment therefor in accordance with the Underwriting Agreement filed as an exhibit to the Registration Statement, will be validly issued, fully paid and non-assessable.

3. The Selling Stockholders Shares, other than the Option Shares, are duly authorized, validly issued, fully paid and non-assessable.

4. The Option Shares have been duly authorized and, upon issuance thereof and payment therefor in accordance with the Company's 1995 Omnibus Stock Incentive Plan, will be duly authorized, validly issued, fully paid and non-assessable.

We consent to the use of this opinion as an exhibit to the Registration Statement on Form S-3, and we consent to the reference to our firm under the caption "Legal Matters" in the Prospectus forming a part of the Registration Statement.

Very truly yours,

/s/ Chernesky, Heyman & Kress P.L.L.

Chernesky, Heyman & Kress P.L.L.

This letter prepared
and signed by:
Steven R. Watts, Partner

As independent public accountants, we hereby consent to the use of our report included in this registration statement and to the incorporation by reference in this registration statement of our report dated March 24, 1999 included in REX Stores Corporation's Form 10-K for the fiscal year ended January 31, 1999 and to all references to our Firm included in this registration statement.

Cincinnati, Ohio
August 26, 1999

ARTHUR ANDERSEN LLP

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, in his capacity as a director or officer, or both, of REX Stores Corporation, a Delaware corporation (the "Company"), hereby constitutes and appoints Stuart A. Rose and Edward M. Kress, or either of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Registration Statement on Form S-3 relating to 2,760,000 shares (or such greater or lesser number as may be approved by such attorneys-in-fact and agents, or any one of them) and to sign any and all amendments (including post-effective amendments) thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and any one of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any one of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument as of August 20, 1999.

LAWRENCE TOMCHIN

Lawrence Tomchin

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, in his capacity as a director or officer, or both, of REX Stores Corporation, a Delaware corporation (the "Company"), hereby constitutes and appoints Stuart A. Rose and Edward M. Kress, or either of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Registration Statement on Form S-3 relating to 2,760,000 shares (or such greater or lesser number as may be approved by such attorneys-in-fact and agents, or any one of them) and to sign any and all amendments (including post-effective amendments) thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and any one of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any one of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument as of August 20, 1999.

ROBERT DAVIDOFF

Robert Davidoff

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, in his capacity as a director or officer, or both, of REX Stores Corporation, a Delaware corporation (the "Company"), hereby constitutes and appoints Stuart A. Rose and Edward M. Kress, or either of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Registration Statement on Form S-3 relating to 2,760,000 shares (or such greater or lesser number as may be approved by such attorneys-in-fact and agents, or any one of them) and to sign any and all amendments (including post-effective amendments) thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and any one of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any one of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument as of August 20, 1999.

LEE FISHER

Lee Fisher