

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 1999

OR

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

Commission File Number 0-13283

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

Delaware
(State or other jurisdiction of incorporation or organization)

31-1095548
(I.R.S. Employer Identification Number)

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

45414
(Zip Code)

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

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

At the close of business on December 13, 1999, the registrant had 9,184,882 shares of Common Stock, par value \$.01 per share, outstanding.

REX STORES CORPORATION AND SUBSIDIARIES

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REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

A S S E T S

	October 31 1999	January 31 1999	October 31 1998
	(In Thousands)		
ASSETS:			
Cash and cash equivalents	\$ 4,915	\$ 11,912	\$ 7,362
Accounts receivable, net	1,864	2,297	1,154
Merchandise inventory	172,712	132,002	177,207
Prepaid expenses and other	1,767	2,039	3,357
Equity investment in limited partnerships	407	1,838	2,959
Future income tax benefits	9,366	9,366	7,899
	-----	-----	-----
Total current assets	191,031	159,454	199,938
PROPERTY AND EQUIPMENT, NET	110,386	98,891	95,624
FUTURE INCOME TAX BENEFITS	8,109	8,109	9,541
RESTRICTED INVESTMENTS	1,962	1,828	1,816
	-----	-----	-----
Total assets	\$ 311,488	\$ 268,282	\$306,919
	=====	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:			
Notes payable	\$ 295	\$ -	\$ 36,797
Current portion of long-term debt	2,278	3,114	2,998
Current portion, deferred income and deferred gain on sale and leaseback	11,201	11,453	11,463
Accounts payable, trade	54,910	52,674	64,662
Accrued income taxes	748	147	-
Accrued payroll	5,658	5,889	4,407
Other liabilities	10,594	8,817	10,740
	-----	-----	-----
Total current liabilities	85,684	82,094	131,067
	-----	-----	-----

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Liabilities and Shareholders' Equity (Continued)

LONG-TERM LIABILITIES:			
Long-term debt	42,756	55,478	52,634
Deferred income	15,904	16,723	16,452
Deferred gain on sale and leaseback	3,159	3,777	4,557
	-----	-----	-----
Total long-term liabilities	61,819	75,978	73,643
	-----	-----	-----
SHAREHOLDERS' EQUITY:			
Common stock	115	98	97
Paid-in capital	102,214	58,596	58,403
Retained earnings	84,019	75,370	67,505
Treasury stock	(22,363)	(23,854)	(23,796)
	-----	-----	-----
Total shareholders' equity	163,985	110,210	102,209
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 311,488	\$ 268,282	\$306,919
	=====	=====	=====

[FN]

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended October 31		Nine Months Ended October 31	
	1999	1998	1999	1998
	(In Thousands, Except Per Share Amounts)			
NET SALES	\$102,432	\$92,634	\$309,227	\$273,044
COSTS AND EXPENSES:				
Cost of merchandise sold	74,651	67,326	224,134	197,710
Selling, general and administrative expenses	24,088	22,152	71,382	65,186
Total costs and expenses	98,739	89,478	295,516	262,896
INCOME FROM OPERATIONS	3,693	3,156	13,711	10,148
INVESTMENT INCOME	60	64	249	287
INTEREST EXPENSE	(1,471)	(1,911)	(4,226)	(4,829)
INCOME(LOSS) FROM LIMITED PARTNERSHIPS	1,173	(270)	1,969	(270)
GAIN ON SALE OF REAL ESTATE	787	-	787	-
Income before income taxes	4,242	1,039	12,490	5,336
PROVISION FOR INCOME TAXES	1,061	307	3,124	2,006
Income before extraordinary item	3,181	732	9,366	3,330
Extraordinary loss from early extinguishment of debt, net of income tax effect of \$239	717	-	717	-
NET INCOME	\$ 2,464	\$ 732	\$ 8,649	\$ 3,330

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Consolidated Statements of Income (Continued)

WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	8,110	7,202	7,692	7,512
Basic net income per share before extraordinary item	\$ 0.39	\$ 0.10	\$ 1.22	\$ 0.44
Extraordinary item	(0.09)	-	(0.09)	-
BASIC NET INCOME PER SHARE	\$ 0.30	\$ 0.10	\$ 1.13	\$ 0.44
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVA- LENT SHARES OUTSTANDING	9,224	7,509	8,551	7,916
Dilutive net income per share before extraordinary item	\$ 0.35	\$ 0.10	\$ 1.10	\$ 0.42
Extraordinary item	(0.08)	-	(0.08)	-
DILUTED NET INCOME PER SHARE	\$ 0.27	\$ 0.10	\$ 1.02	\$ 0.42

[FN]

The accompanying notes are an integral part of

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Shares					
	Issued Shares	Amount	Treasury Shares	Amount (In Thousands)	Paid-in Capital	Retained Earnings
Balance at October 31, 1998	9,756	\$ 97	2,582	\$23,796	\$ 58,403	\$67,505
Common stock issued	11	1	-	-	193	-
Treasury stock acquired	-	-	5	58	-	-
Net income	-	-	-	-	-	7,865
Balance at January 31, 1999	9,767	98	2,587	23,854	58,596	75,370
Common stock issued	1,700	17	(512)	(4,721)	43,618	-
Treasury stock acquired	-	-	209	3,230	-	-
Net income	-	-	-	-	-	8,649
Balance at October 31, 1999	<u>11,467</u>	<u>\$ 115</u>	<u>2,284</u>	<u>\$22,363</u>	<u>\$102,214</u>	<u>\$84,019</u>

[FN]

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended October 31	
	1999	1998
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$8,649	\$3,330
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization, net	2,556	2,360
Equity in losses of limited partnerships	1,431	-
Deferred income	(1,733)	(1,373)
Changes in assets and liabilities		
Accounts receivable	433	1,621
Merchandise inventory	(40,710)	(50,709)
Other current assets	267	(1,284)
Accounts payable, trade	2,236	14,830
Other liabilities	2,054	403
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(24,817)	(30,822)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(14,852)	(7,926)
Capital disposals	943	2,404
Equity investment in limited partnerships	-	(2,959)
Restricted investments	(134)	(178)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(14,043)	(8,659)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in notes payable	295	36,797
Payments of long-term debt	(21,641)	(3,277)
Long-term debt borrowings	8,083	3,289
Common stock issued	46,628	507
Treasury stock issued	1,728	-
Treasury stock acquired	(3,230)	(7,410)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	31,863	29,906
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,997)	(9,575)

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Consolidated Statements of Cash Flows (Continued)

CASH AND CASH EQUIVALENTS, beginning of period	11,912	16,937
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$4,915	\$7,362
	=====	=====

[FN]

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

REX STORES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 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), 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.

Notes to Consolidated Financial Statements (Continued)

Note 3. Stock Option Plans

The following summarizes options granted, exercised and canceled or expired during the nine months ended October 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 \$16.75 per share)	(712,485)
Canceled or expired (\$8.13 to \$17.25 per share)	(17,670)

Outstanding at October 31, 1999 (\$8.13 to \$22.69 per share)	2,677,017
	=====

Note 4. Sale of Common Stock

On September 29, 1999, the Company completed the sale of 1,500,000 shares of common stock under a Form S-3 registration statement and received net proceeds of approximately \$44.7 million. The Company used \$19.5 million of the proceeds to pay a portion of its outstanding long-term mortgage debt and related prepayment fees. The Company incurred an extraordinary loss for early extinguishment of debt of \$717,000, net of the income tax effect of \$239,000. The remaining proceeds are being used to fund new store expansion and for other general corporate purposes.

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

The Company is a leader in the consumer electronics/appliance retailing industry with 228 stores in 35 states, operating predominantly in small to medium-sized markets under the trade name "REX".

Results of Operations

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

	Three Months Ended		Nine Months Ended	
	October 31		October 31	
	1999	1998	1999	1998
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of merchandise sold	72.9	72.7	72.5	72.4
	-----	-----	-----	-----
Gross profit	27.1	27.3	27.5	27.6
Selling, general and administrative expenses	23.5	23.9	23.1	23.9
	-----	-----	-----	-----
Income from operations	3.6	3.4	4.4	3.7
Interest expense, net	(1.4)	(2.0)	(1.3)	(1.7)
Income (loss) from limited partnerships	1.1	(0.3)	0.6	(0.1)
Gain on sale of real estate	0.8	-	0.3	-
	-----	-----	-----	-----
Income before income taxes	4.1	1.1	4.0	1.9
Provision for income taxes	1.0	0.3	1.0	0.7
	-----	-----	-----	-----
Income before extraordinary item	3.1	0.8	3.0	1.2
Extraordinary loss from early extinguishment of debt	0.7	-	0.2	-
	-----	-----	-----	-----
Net income	2.4%	0.8%	2.8%	1.2%
	=====	=====	=====	=====

Comparison of Three and Nine Months Ended October 31, 1999 and 1998

Net sales in the third quarter ended October 31, 1999 were \$102.4 million compared to \$92.6 million in the prior year's comparable period, representing an increase of \$9.8 million or 10.6%. This increase is primarily the result of a 7.7% increase in comparable store sales for the quarter. The Company considers a store to be comparable after it has been open six full fiscal quarters.

The television category generated the majority of the comparable store sales increase for the quarter, with the strongest sales coming from big screen televisions. The next strongest product for the Company was sales of digital video disc (DVD) players, with lower retail sales from video cassette recorders (VCR) generally offsetting those sales increases.

Net sales for the first nine months of fiscal 2000 were \$309.2 million compared to \$273.0 million for the first nine months of fiscal 1999, representing an increase of \$36.2 million or 13.3%. This increase is primarily the result of an increase of 11.2% in comparable store sales for the first nine months of fiscal 2000. All major product categories made positive contributions to comparable store sales. The appliance category accounted for 5.0% of the 11.2% increase in comparable store sales, led by strong air conditioner sales during the second quarter. Televisions positively impacted comparable store sales by 4.6%, led by big screen sales. In addition, the audio, video and other categories impacted comparable store sales by 1.3%, 0.4% and (0.1)%, respectively.

As of October 31, 1999, the Company had 228 stores compared to 223 stores

one year earlier. There were three stores opened and three closed in the first nine months of fiscal 2000. In the prior year's comparable period there were six stores opened and five closed. The Company evaluates the performance of its stores on a continuous basis and, based on an assessment of profitability, future cash flows and other factors it deems relevant, will close any store which is not adequately contributing to Company profitability.

Gross profit of \$27.8 million in the third quarter of fiscal 2000 (27.1% of net sales) was 9.8% higher than the \$25.3 million gross profit (27.3% of net sales) recorded in the third quarter of fiscal 1999. In the first nine months of fiscal 2000 gross profit was \$85.1 million (27.5% of net sales), a 12.9% increase from \$75.3 million (27.6% of net sales) for the first nine months of fiscal 1999. The reduction in gross profit margin for the third quarter and the first nine months of fiscal 2000 was primarily due to the recognition of a lower amount of extended service contract revenues relative to total merchandise sales. Sales of extended service contracts generally have a higher gross profit margin in comparison to other product categories. The decline in the percentage of extended service contract revenues to total sales served to reduce the gross profit margin in the third quarter and first nine months of fiscal 2000.

Selling, general and administrative expenses for the third quarter of fiscal 2000 were \$24.1 million (23.5% of net sales), an 8.7% increase over

the \$22.2 million (23.9% of net sales) for the third quarter of fiscal 1999. Selling, general and administrative expenses for the first nine months of fiscal 2000 were \$71.4 million (23.1% of net sales), a 9.5% increase from \$65.2 million (23.9% of net sales) for the first nine months of fiscal 1999. The increase in expense for both the third quarter and first nine months of fiscal 2000 is primarily the result of increased incentive commissions, advertising expenditures 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, and corporate costs on an increase in comparable store sales of 7.7% for the third quarter and 11.2% for the first nine months of fiscal 2000.

Interest expense decreased to \$1.5 million (1.4% of net sales) for the quarter ended October 31, 1999 from \$1.9 million (2.1% of net sales) for the third quarter of fiscal 1999. Interest expense for the first nine months of fiscal 2000 decreased to \$4.2 million (1.4% of net sales) from \$4.8 million (1.8% of net sales) for the first nine months of fiscal 1999. The decrease in interest expense was primarily the result of lower borrowings under the line of credit for the first nine months of fiscal 2000.

During the third quarter of fiscal 2000, the Company reported the sale of a shopping center in which it had previously operated a retail store. The Company recorded a gain of \$787,000 from the sale of this real estate.

Results of the third quarter and first nine months of fiscals 2000 and 1999 also reflect the impact of the Company's equity investment in two limited partnerships which produce synthetic fuel. Effective February 1, 1999, the Company entered into an agreement to sell a portion of its investment in one of the limited partnerships, which resulted in the reduction in the Company's ownership interest from 30% to 17%. The Company expects to 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.

The Company reported income from the limited partnerships of \$1,173,000 for the third quarter of fiscal 2000, which consisted of \$1,547,000 of income generated by the sale of the partnership interest, partially offset by a charge of \$374,000 to reflect the Company's equity share of the partnerships' losses. For the first nine months of fiscal 2000, the Company reported income from the limited partnerships of \$1,969,000, which consisted of \$3,400,000 of income generated by the sale of the partnership interest, partially offset by a charge of \$1,431,000 to reflect the Company's equity share of the partnerships' losses.

The Company's effective tax rate was reduced to 25.0% for the third quarter and first nine months of fiscal 2000 from 29.5% for the third quarter and 37.6% for the first nine months of fiscal 1999 as a result of the Company's share of federal income tax credits earned by the limited partnerships under Section 29 of the Internal Revenue Code.

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The Company recorded an extraordinary loss from the early extinguishment of debt of \$717,000, net of the income tax effect of \$239,000, for the third quarter of fiscal 2000. In October 1999, the Company paid off approximately \$18.9 million of mortgage debt with proceeds from the Company's secondary offering completed September 29, 1999.

As a result of the foregoing, net income for the third quarter of fiscal 2000 was \$2.5 million, a 236.6% increase from \$732,000 for the third quarter of fiscal 1999. Net income for the first nine months of fiscal 2000 was \$8.6 million, a 159.7% increase from \$3.3 million for the first nine months of fiscal 1999.

Liquidity and Capital Resources

Net cash used in operating activities was \$24.8 million for the first nine months of fiscal 2000, compared to \$30.8 million for the first nine months of fiscal 1999. For the first nine months of fiscal 2000, operating cash flow was provided by net income of \$8.6 million adjusted for the net impact of non-cash items of \$2.3 million, which consist of deferred income, depreciation and amortization and our equity interest in the losses of the synthetic fuel limited partnerships. The primary use of cash was an increase in inventory of \$40.7 million primarily due to the seasonal timing of inventory purchases. Cash was also provided by an increase in accounts payable of \$2.2 million, primarily due to an increase in inventory, and an increase in other liabilities of \$2.1 million, primarily due to the timing of payment of taxes and customer payments.

At October 31, 1999, working capital was \$105.3 million compared to \$77.4 million at January 31, 1999. The ratio of current assets to current liabilities was 2.2 to 1 at October 31, 1999 compared to 1.9 to 1 at January 31, 1999.

Capital expenditures through October 31, 1999 totaled \$14.9 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 two previously leased stores. The Company expects to open 14 new stores in fiscal 2000.

Cash provided by financing activities totaled approximately \$31.9 million for the first nine months of fiscal 2000. On September 29, 1999 the Company completed the sale of 1,500,000 shares of common stock with net proceeds to the Company of approximately \$44.7 million after expenses. The Company received proceeds of \$3.6 million from the exercise of stock options by employees and directors. The Company paid off \$18.9 million of long-term mortgage debt with proceeds from the stock offering. The Company also paid off long-term mortgage debt of \$3.0 million with scheduled repayments and \$419,000 from the sale of real estate. During the first half of fiscal 2000, the Company also purchased 209,000 shares of its common stock for \$3.2 million. The Company is currently authorized by its board of directors to purchase an additional 255,700 shares of common stock. The Company also received proceeds of \$8.1 million from long-term debt borrowings related to mortgage financing for 11 stores.

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At October 31, 1999, the Company had borrowings totaling \$295,000 outstanding on its revolving credit agreement. A total of approximately \$111.6 million was available for borrowings at October 31, 1999.

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 the telephones and store security systems.

We have initiated communications with 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 \$200,000. 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,

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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.

Forward-Looking Statements

This Form 10-Q contains or may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The words "believes", "estimates", "plans", "expects", "intends", "anticipates" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties. Factors that could cause actual results to differ materially from those in the forward-looking statements are set forth in the Risk Factors section in the Company's prospectus dated September 29, 1999 filed pursuant to Rule 424(b) under the Securities Act of 1933 (File No. 333-86005).

PART II. OTHER INFORMATION

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

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

- 4(i) Amendment Agreement dated October 19, 1999 to Amended and Restated Loan Agreement dated July 31, 1995 among the Borrowers, the registrant, the lenders named therein and Fleet Bank, N.A. (as successor to NatWest Bank N.A.) as agent.....
- 27 Financial Data Schedule.....

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended October 31, 1999.

SIGNATURES

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

REX STORES CORPORATION
Registrant

December 14, 1999

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

December 14, 1999

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

AMENDMENT NO. 2 TO AMENDED AND RESTATED LOAN AGREEMENT
AND TO OTHER LOAN DOCUMENTS

AMENDMENT AGREEMENT, dated as of October 19, 1999, to the Amended and Restated Loan Agreement, dated as of July 31, 1995 (as same has been or may be further amended, supplemented, modified or restated in accordance with its terms, the "Loan Agreement") among REX RADIO AND TELEVISION, INC., an Ohio corporation ("Rex Radio"), KELLY & COHEN APPLIANCES, INC., an Ohio corporation ("Kelly"), STEREO TOWN, INC., a Georgia corporation ("Stereo Town"), REX KANSAS, INC., a Kansas corporation ("Rex Kansas"), those financial institutions named as lenders on Schedule 2.01 thereto (the "Lenders") and FLEET BANK, N.A. (as successor to NatWest Bank N.A.), in its capacity as agent (the "Agent") for itself and the Lenders. Capitalized terms used herein and not otherwise defined shall have the meanings attributed to them in the Loan Agreement.

SECTION I. AMENDMENTS TO LOAN AGREEMENT

1. Rex Alabama, Inc., an Ohio corporation ("Rex Alabama") shall be added as a party to the Loan Agreement as a "Borrower". By its execution and delivery of this Amendment Agreement, Rex Alabama agrees to be bound by all of the terms and provisions of the Loan Agreement applicable to "Borrowers".

2. rexstores.com, Inc., an Ohio corporation ("Rex Internet") shall be added as a party to the Loan Agreement as a "Borrower". By its execution and delivery of this Amendment Agreement, Rex Internet agrees to be bound by all of the terms and provisions of the Loan Agreement applicable to "Borrowers".

3. The preamble to the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"AMENDED AND RESTATED LOAN AGREEMENT dated as of July 31, 1995, among REX RADIO AND TELEVISION, INC., an Ohio corporation ('Rex Radio'), KELLY & COHEN APPLIANCES, INC., an Ohio corporation ('Kelly'), STEREO TOWN, INC., a Georgia corporation ('Stereo Town'), REX KANSAS, INC., a Kansas corporation ('Rex Kansas'), REX ALABAMA, INC., an Ohio corporation ('Rex Alabama'), REXSTORES.COM, INC., an Ohio corporation ('Rex Internet' and together with Rex Radio, Kelly, Stereo Town, Rex Kansas and Rex Alabama, each a "Borrower" and, jointly and severally, the "Borrowers"), the lenders named in Schedule 2.01 hereto (collectively, the "Lenders"), and FLEET BANK, N.A. (as successor to NatWest Bank N.A.), as agent for the Lenders (in such capacity, the 'Agent')."

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

1

"'AVA' shall mean AVA Acquisition Corp., a Delaware corporation."

"'Permitted Agreements' shall mean the Agreement between Rex Radio and Rex Alabama, Inc., dated as of January 1, 1999, as amended, and the Amended and Restated Loan Agreement dated as of April 15, 1998 among Colona SynFuel Limited Partnership, L.L.L.P. (f/k/a Colona SynFuel, L.P.), Somerset SynFuel, L.P. (f/k/a Pageton Synfuel, L.P.) and Rex Investment, LLC, as amended by Amendment No. 1 to Amended and Restated Loan Agreement, made as of the 24th day of July, 1998, effective as of the 30th day of June, 1998, as such agreements are in effect on the Second Amendment Date."

"'Rex Alabama' shall have the meaning assigned to such term in the preamble of this Agreement."

"'Rex Internet' shall have the meaning assigned to such term in the preamble of this Agreement."

"'Rex Investment' shall mean Rex Investment, LLC, an Ohio limited liability company."

"'Second Amendment Date' shall mean October 19, 1999."

5. Section 2.01(a) of the Loan Agreement is hereby amended by (a) deleting the word "and" at the end of clause (iii) thereof, (b) renumbering clause (iv) as clause (vi) and (c) adding new clauses (iv) and (v) which read as follows:

"(iv) Rex Alabama shall not exceed an amount (the 'Rex Alabama Borrowing Base') equal to the sum of (1) up to 85% of the Net Amount of Eligible Accounts of Rex Alabama, plus (2) up to 65% of the Net Amount of Eligible Inventory of Rex Alabama comprised of Electronic Inventory, plus (3)

without duplication, with respect to the Net Amount of Eligible Inventory of Rex Alabama comprised of Non-Electronic Inventory, (x) up to 65% of the value of that portion of such Non-Electronic Inventory of Rex Alabama comprising 25% or less of the aggregate of all Eligible Inventory of Rex Alabama and (y) up to 50% of the value of that portion of the Non-Electronic Inventory of Rex Alabama which, when added together with the Non-Electronic Inventory referenced in clause (x), comprises more than 25% of the aggregate of all Eligible Inventory of Rex Alabama, and"

"(v) Rex Internet shall not exceed an amount (the 'Rex Internet Borrowing Base') equal to the sum of (1) up to 85% of the Net Amount of Eligible Accounts of Rex Internet, plus (2) up to 65% of the Net Amount of Eligible Inventory of Rex Internet comprised of Electronic Inventory, plus (3) without duplication, with respect to the Net Amount of Eligible Inventory of Rex Internet comprised of Non-Electronic Inventory, (x) up to 65% of the value of that portion of such Non-Electronic Inventory of

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Rex Internet comprising 25% or less of the aggregate of all Eligible Inventory of Rex Internet and (y) up to 50% of the value of that portion of the Non-Electronic Inventory of Rex Internet which, when added together with the Non-Electronic Inventory referenced in clause (x), comprises more than 25% of the aggregate of all Eligible Inventory of Rex Internet, and"

6. Section 2.01(a)(vi) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

(vi) Stereo Town shall not exceed an amount (the "Stereo Town Borrowing Base" and, together with the Kelly Borrowing Base, Rex Kansas Borrowing Base, Rex Radio Borrowing Base, Rex Alabama Borrowing Base and Rex Internet Borrowing Base, the "Borrowing Base") equal to the sum of (1) up to 85% of the Net Amount of Eligible Accounts of Stereo Town, plus (2) up to 65% of the Net Amount of Eligible Inventory of Stereo Town comprised of Electronic Inventory, plus (3) without duplication, with respect to the Net Amount of Eligible Inventory of Stereo Town comprised of Non-Electronic Inventory, (x) up to 65% of the value of that portion of such Non-Electronic Inventory comprising 25% or less of the aggregate of all Eligible Inventory of Stereo Town and (y) up to 50% of the value of that portion of the Non-Electronic Inventory of Stereo Town which, when added together with the Non-Electronic Inventory referenced in clause (x), comprises more than 25% of the aggregate of all Eligible Inventory of Stereo Town; provided, however, that commencing with the date, if any, upon which the Agent becomes aware (whether through receipt of financial statements in accordance with Section 8.01 hereof or otherwise) that the Parent and its Subsidiaries on a Consolidated basis have suffered a pre-tax loss of \$5,000,000 or more for the fiscal year just ended (the amount of any such loss to be calculated in accordance with GAAP as in effect on the date hereof), the advance rates set forth in clauses (i)(2), (i)(3)(x), (ii)(2), (ii)(3)(x), (iii)(2), (iii)(3)(x), (iv)(2), (iv)(3)(x), (v)(2), (v)(3)(x), (vi)(2) and (vi)(3)(x) above shall be reduced to not more than 55%; and, provided further, that in any event, amounts available under the Total Commitment shall not exceed (i) \$100,000,000 from January 1 through June 30 of each year and (ii) \$150,000,000 from July 1 through December 31 of each year.

7. The introductory paragraph of Article IX of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"Each Borrower, jointly and severally, covenants and agrees with the Agent and each Lender that, so long as this Agreement shall remain in effect, or any Obligations shall remain outstanding or unpaid or any Letter of Credit shall remain outstanding, it will not, and will not cause or permit any of its Subsidiaries to:"

8. Section 9.02 of the Loan Agreement is hereby amended by (a) deleting the word "and" at the end of clause (iii) thereof, (b) deleting the period at the end of clause (iv) and substituting "; and" therefor and (c) adding a new clause (v) which reads as follows:

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"(v) Indebtedness owing by any Borrower to any other Borrower."

9. Section 9.03 of the Loan Agreement is hereby amended by (a) deleting the word "and" at the end of clause (x) thereof, (b) deleting the period at the end of clause (xi) and substituting "; and" therefor and (c) adding a new clause (xii) which reads as follows:

"(xii) Liens by Rex Alabama in favor of Rex Radio granted pursuant to the Alabama Agreement and collaterally assigned to the Agent on behalf of

the Lenders."

10. Section 9.06 of the Loan Agreement is hereby amended by (a) deleting the word "and" at the end of clause (vi) thereof, (b) deleting the period at the end of clause (vii) and substituting a semicolon therefor and (c) adding new clauses (viii) through (x) which read as follows:

"(viii) investments in the capital stock, limited partnership interests or other equity interests of Rex Alabama, Rex Investment, Rex Internet, Colona SynFuel Limited Partnership, L.L.L.P. and Somerset SynFuel, L.P., provided that none of the Borrowers or any of their Subsidiaries may make loans to or investments in such entities after the Second Amendment Date, other than in accordance with the Permitted Agreements or as otherwise permitted by this Section 9.06;

(ix) the repurchase of stock and exchange of securities made pursuant to the Contribution and Redemption Agreement made and entered into as of the 1st day of January, 1999, among AVA, the Parent and Kelly; and

(x) Indebtedness permitted by Section 9.02(v)."

SECTION II. AMENDMENT TO NOTES

1. Rex Alabama shall be added as a party to each Note and shall be jointly and severally liable with each other Borrower for such Note and the Obligations. By its execution and delivery of this Amendment Agreement, Rex Alabama agrees to bound by all of the terms and provisions of the Notes.

2. Rex Internet shall be added as a party to each Note and shall be jointly and severally liable with each other Borrower for such Note and the Obligations. By its execution and delivery of this Amendment Agreement, Rex Internet agrees to bound by all of the terms and provisions of the Notes.

SECTION III. AMENDMENT TO BORROWERS GUARANTY

1. Rex Alabama shall be added as a party to the Borrowers Guaranty and shall be a "Guarantor" as such term is defined in the Borrowers Guaranty.

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By its execution and delivery of this Amendment Agreement, Rex Alabama agrees to bound by all of the terms and provisions of the Borrowers Guaranty.

2. Rex Internet shall be added as a party to the Borrowers Guaranty and shall be a "Guarantor" as such term is defined in the Borrowers Guaranty. By its execution and delivery of this Amendment Agreement, Rex Internet agrees to bound by all of the terms and provisions of the Borrowers Guaranty.

3. The preamble to the Borrowers Guaranty is hereby amended and restated in its entirety to read as follows:

"BORROWERS GUARANTY by REX RADIO AND TELEVISION, INC., an Ohio corporation ('Rex Radio'), STEREO TOWN, INC., a Georgia corporation ('Stereo Town'), KELLY & COHEN APPLIANCES, INC., an Ohio corporation ('Kelly'), REX KANSAS, INC., a Kansas corporation ('Rex Kansas'), REX ALABAMA, INC., an Ohio corporation ('Rex Alabama') and REXSTORES.COM, INC., an Ohio corporation ('Rex Internet', and together with Rex Radio, Stereo Town, Kelly, Rex Kansas and Rex Alabama, each a 'Guarantor' and collectively, the 'Guarantors'), dated July 31, 1995, in favor of FLEET BANK, N.A. (as successor to NatWest Bank, N.A.), in its capacity as agent (the 'Agent') for itself and for the Lenders hereinafter referred to."

SECTION IV. AMENDMENTS TO BORROWERS SECURITY AGREEMENT

1. Rex Alabama shall be added as a party to the Borrowers Security Agreement and shall be a "Debtor" as such term is defined in the Borrowers Security Agreement. By its execution and delivery of this Amendment Agreement, Rex Alabama (i) agrees to be bound by all of the terms and provisions of the Borrowers Security Agreement, (ii) hereby, and thereby, grants a security interest in all assets owned by it which meet the description of Collateral set forth on Schedule A of the Borrowers Security Agreement to secure all Obligations and (iii) agrees and confirms that it and such assets shall be subject to the terms and provisions of the Borrowers Security Agreement.

2. Rex Internet shall be added as a party to the Borrowers Security Agreement and shall be a "Debtor" as such term is defined in the Borrowers Security Agreement. By its execution and delivery of this Amendment Agreement, Rex Internet (i) agrees to be bound by all of the terms and provisions of the Borrowers Security Agreement, (ii) hereby, and thereby, grants a security interest in all assets owned by it which meet the description of Collateral set forth on Schedule A of the Borrowers Security Agreement to secure all

Obligations and (iii) agrees and confirms that it and such assets shall be subject to the terms and provisions of the Borrowers Security Agreement.

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3. The preamble to the Borrowers Security Agreement is hereby amended and restated in its entirety to read as follows:

"BORROWERS SECURITY AGREEMENT, dated as of January 31, 1989, as amended and restated through July 31, 1995, made by REX RADIO AND TELEVISION, INC., an Ohio corporation ('Radio'), KELLY & COHEN APPLIANCES, INC., an Ohio Corporation ('Kelly'), STEREO TOWN, INC., a Georgia corporation ('Stereo Town'), REX KANSAS, INC., a Kansas corporation ('Rex Kansas'), REX ALABAMA, INC., an Ohio corporation ('Rex Alabama') and REXSTORES.COM, INC., an Ohio corporation ('Rex Internet', and together with Rex Radio, Kelly, Stereo Town, Rex Kansas and Rex Alabama, each a Debtor' and, jointly and severally, the 'Debtors'), and FLEET BANK, N.A. (as successor to NatWest Bank, N.A.), as agent (in such capacity, referred to herein as 'Secured Party') for the several banks and other financial institutions (the 'Lenders') from time to time parties to the Amended and Restated Loan Agreement dated as of July 31, 1995 (as it may be further amended, modified or supplemented from time to time, the 'Loan Agreement'; terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Loan Agreement)."

4. Exhibit 1 to Schedule I to the Borrowers Security Agreement is hereby amended by deleting such exhibit in its entirety and substituting, in lieu thereof, Exhibit 1 to Schedule I attached hereto as Annex A.

SECTION V. AMENDMENTS TO BORROWERS PLEDGE AGREEMENT

1. Wherever it may occur in the Borrowers Pledge Agreement, the term "Pledged Securities" shall be deemed to include the stock of each of Rex Alabama and AVA. Each of Rex Radio and Kelly, by its execution and delivery of this Amendment Agreement, (i) hereby, and pursuant to the Borrowers Pledge Agreement, grants a security interest in such stock to secure all Obligations and (ii) confirms that such stock shall be subject to the terms and provisions of the Borrowers Pledge Agreement.

2. Schedule A to the Borrowers Pledge Agreement is hereby amended by deleting such schedule in its entirety and substituting, in lieu thereof, Schedule A attached hereto as Annex B.

SECTION VI. AMENDMENTS TO SECURITY AGREEMENT - PATENTS AND TRADEMARKS

1. Rex Alabama shall be added as a party to the Security Agreement - Patents and Trademarks and shall be a "Debtor" as such term is defined in the Security Agreement - Patents and Trademarks. By its execution and delivery of this Amendment Agreement, Rex Alabama (i) agrees to be bound by all of the

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terms and provisions of the Security Agreement - Patents and Trademarks, (ii) hereby, and thereby, grants a security interest in all assets owned by it which meet the description of Collateral set forth in the Security Agreement - Patents and Trademarks to secure the Obligations and (iii) agrees and confirms that it and such assets shall be subject to the terms and provisions of the Security Agreement - Patents and Trademarks.

2. Rex Internet shall be added as a party to the Security Agreement - Patents and Trademarks and shall be a "Debtor" as such term is defined in the Security Agreement - Patents and Trademarks. By its execution and delivery of this Amendment Agreement, Rex Internet (i) agrees to be bound by all of the terms and provisions of the Security Agreement - Patents and Trademarks, (ii) hereby, and thereby, grants a security interest in all assets owned by it which meet the description of Collateral set forth in the Security Agreement - Patents and Trademarks to secure the Obligations and (iii) agrees and confirms that it and such assets shall be subject to the terms and provisions of the Security Agreement - Patents and Trademarks.

3. The preamble to the Security Agreement - Patents and Trademarks is hereby amended and restated in its entirety to read as follows:

"AGREEMENT, dated as of January 31, 1989, as amended and restated through July 31, 1995, made by REX RADIO AND TELEVISION, INC., an Ohio corporation ('Rex Radio'), KELLY & COHEN APPLIANCES, INC., an Ohio Corporation ('Kelly'), STEREO TOWN, INC., a Georgia corporation ('Stereo Town', REX KANSAS, INC., a Kansas corporation ('Rex Kansas'), REX ALABAMA, INC., an Ohio corporation ('Rex Alabama') and REXSTORES.COM, INC., an Ohio corporation ('Rex Internet') and together with Rex Radio, Kelly, Stereo Town, Rex Kansas and Rex Alabama, each a 'Debtor' and, jointly and

severally, the 'Debtors'), and FLEET BANK, N.A. (as successor to NatWest Bank, N.A.), as agent (in such capacity, referred to herein as 'Secured Party') for the several banks and other financial institutions (the 'Lenders') from time to time parties to the Amended and Restated Loan Agreement dated as of July 31, 1995 (as it may be further amended, modified or supplemented from time to time, the 'Loan Agreement'; terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Loan Agreement)."

4. Schedule C to the Security Agreement - Patents and Trademarks is hereby amended by deleting such schedule in its entirety and substituting, in lieu, thereof, Schedule C attached hereto as Annex C.

SECTION VII. AMENDMENTS TO PARENT PLEDGE AGREEMENT

1. The Agent hereby releases its Lien in the stock of AVA pledged to it under the Parent Pledge Agreement. The stock of AVA shall be removed from the terms "Pledged Securities" and "Initial Pledged Securities", wherever such terms may appear in the Parent Pledge Agreement.

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2. Wherever it may occur in the Parent Pledge Agreement, the term "Pledged Securities" shall be deemed to include the stock of Rex Internet. The Parent, by its execution and delivery of this Amendment Agreement, (i) hereby, and pursuant to the Parent Pledge Agreement, grants a security interest in such stock to secure all Obligations and (ii) confirms that such stock shall be subject to the terms and provisions of the Parent Pledge Agreement.

3. Schedule A to the Parent Pledge Agreement is hereby amended by deleting such schedule in its entirety and substituting, in lieu thereof, Schedule A attached hereto as Annex D.

SECTION VIII. CONDITIONS PRECEDENT

This Amendment Agreement shall become effective upon the execution and delivery of counterparts hereof by the Borrowers (including Rex Alabama and Rex Internet), the Parent, the Agent and the Required Lenders and the fulfillment of the following conditions:

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

2. All representations and warranties made by the Borrowers (including Rex Alabama and Rex Internet) and the Parent in this Amendment Agreement shall be true and correct.

3. The Agent shall have received (i) a copy of the articles of incorporation, in each case as amended to date, of each of Rex Alabama and Rex Internet, certified as of a recent date by the Secretary of State or other appropriate official of the state of its organization, and a certificate as to the good standing of each from such Secretary of State or other official, and a certificate of good standing from the appropriate official of each state in which it is qualified to do business, in each case dated as of a recent date; (ii) a certificate of the Secretary of Rex Alabama and Rex Internet, dated the Second Amendment Date and certifying (A) that attached thereto is a true and complete copy of such Person's Code of Regulations as in effect on the date of such certificate and at all times since a date prior to the date of the resolution described in item (B) below, (B) that attached thereto is a true and complete copy of a resolution adopted by such Person's Board of Directors authorizing the execution, delivery and performance of this Amendment Agreement, the Agreement, the Security Documents, the Notes, the other Loan Documents and the Credit Events hereunder and thereunder, and that such resolution has not been modified, rescinded or amended and is in full force and effect, (C) that such Person's articles of incorporation has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to (i) above, and (D) as to the incumbency and specimen signature of each of such Person's officers executing this Amendment Agreement or any other Loan Document delivered in connection herewith; (iii) a certificate of another of such Person's officers as to incumbency and signature of its Secretary; and (iv) such other documents as the Agent or any Lender may reasonably request.

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4. The Agent shall have received a (i) certificate of the Secretary of each of the Parent and the Borrowers, other than Rex Alabama and Rex Internet, dated the Second Amendment Date and certifying (A) that attached thereto is a true and complete copy of a resolution adopted by such Person's Board of Directors authorizing the execution, delivery and performance of this Amendment Agreement, the other Loan Documents and the Credit Events hereunder, as applicable, and that such resolution has not been modified,

rescinded or amended and is in full force and effect, (B) that such Person's certificate or articles of incorporation or constitutive documents and such Person's By-laws or Code of Regulations have not been amended since the date of the Amendment Date, and (C) as to the incumbency and specimen signature of each of such Person's officers executing this Amendment Agreement or any other Loan Document delivered in connection herewith; (ii) a certificate of another of such Person's officers as to incumbency and signature of its Secretary; and (iii) such other documents as the Agent or any Lender may reasonably request.

5. The Borrower shall have ordered requests for copies or information on Form UCC-11 or certificates satisfactory to the Agent of a UCC Reporter Service, of all effective UCC financing statements, tax liens and payment liens which name as debtor Rex Alabama, Rex Internet, Rex Investment or AVA and which are filed in the appropriate offices in the States in which are located the chief executive office and other operating offices of Rex Alabama, Rex Internet Rex Investment or AVA, as the case may be, together with copies of such financing statements.

6. The Agent shall have received each document (including, without limitation, each UCC financing statement, assignment and amendment) required by law or requested by the Agent to be filed, registered or recorded in order to create in favor of the Agent for the benefit of the Lenders a first priority perfected security interest in the Collateral owned by Rex Alabama and Rex Internet.

7. The Agent shall have received the certificates evidencing the shares of stock of AVA and Rex Alabama being pledged pursuant to the Borrowers Pledge Agreement, together with undated stock powers executed in blank, each duly executed by the appropriate Person.

8. The Agent shall have received the certificates evidencing the shares of stock of Rex Internet being pledged pursuant to the Parent Pledge Agreement, together with undated stock powers executed in blank, each duly executed by the appropriate Person.

9. The Agent shall have received an opinion of Borrowers' counsel as to such matters as the Agent may require, such opinion to be in form and substance satisfactory to the Agent.

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10. The Agent shall have received an amendment to the Agreement between Rex Radio and Rex Alabama, Inc., dated as of January 1, 1999, permitting Rex Alabama to grant and permit to exist a valid, perfected and enforceable first priority Lien on and security interest in the Collateral in favor of the Agent on behalf of the Lenders.

11. The Agent shall have received assignments of any UCC-1 Financing Statements that have been filed by Rex Radio, as secured party, against Rex Alabama.

12. The Agent shall have received copies of (i) the Inventory Purchase Agreement, dated as of May 5, 1999, between Rex Radio and Rex Internet (ii) the Management Services Agreement, dated as of May 5, 1999, between Rex Radio and Rex Internet, and (iii) the License Agreement, dated as of May 5, 1999 between Rex Kansas and Rex Internet.

13. The Agent shall have received such other documents as the Lenders or the Agent or the Agent's counsel shall reasonably deem necessary.

SECTION IX. CONDITIONS SUBSEQUENT

The Borrowers (including Rex Alabama and Rex Internet) hereby agree and covenant to satisfy the following additional conditions within 30 days of the date hereof:

1. The Agent shall have received a Guaranty and a Security Agreement, each duly executed by Rex Investment and AVA, each in form and substance satisfactory to the Agent.

2. The Agent shall have received clipped copies of requests for copies or information on Form UCC-11 or certificates satisfactory to the Agent of a UCC Reporter Service, listing all effective UCC financing statements, tax liens and payment liens which name as debtor Rex Alabama, Rex Internet, Rex Investment or AVA and which are filed in the appropriate offices in the States in which are located the chief executive office and other operating offices of Rex Alabama, Rex Internet, Rex Investment or AVA, as the case may be, together with copies of such financing statements. With respect to any liens not permitted pursuant to Section 9.03 of the Loan Agreement, the Agent shall have received termination statements in form and substance satisfactory to it.

3. The Agent shall have received each document (including, without limitation, each UCC financing statement, assignment and amendment) required by law or requested by the Agent to be filed, registered or recorded in order to create in favor of the Agent for the benefit of the Lenders a first priority perfected security interest in the Collateral owned by Rex Investment and AVA, other than Rex Investment's limited partnership interests in Colona SynFuel Limited Partnership, L.L.L.P. and Somerset SynFuel, L.P.

4. The Agent shall have received a Pledge Agreement executed by Kelly and AVA pledging their respective membership interests in Rex Investment.

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5. The Agent shall have received an Assignment of Contracts as Collateral with respect to each Permitted Agreement, together with assignments of any UCC-1 Financing Statements that have been filed by Rex Investment, as secured party against Colona SynFuel Limited Partnership, L.L.L.P. (f/k/a Colona SunFuel, L.P.).

SECTION X. MISCELLANEOUS

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

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

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

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

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

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

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

2. Each of the Loan Agreement, the Borrowers Guaranty, the Borrowers Security Agreement, the Borrowers Pledge Agreement, the Security Agreement-Patents and Trademarks and the Parent Pledge Agreement is hereby ratified and confirmed in all respects and, except as expressly amended or waived hereby, all of the representations, warranties, terms, covenants and conditions of the Loan Agreement, the Borrowers Guaranty, the Borrowers Security Agreement,

the Borrowers Pledge Agreement, the Security Agreement-Patents and Trademarks and the Parent Pledge Agreement shall remain unamended, unwaived and in effect in accordance with their respective terms. The amendments and waivers set forth herein shall be limited precisely as provided for herein and shall not be deemed to be amendments or consents to, or waivers of modifications of, any term or provision of the Loan Documents or any other document or instrument referred to herein or therein or of any transaction or further or future action on the part of any Borrower (including Rex Alabama and Rex Internet) or the Parent requiring the consent of the Agent or any Lender, except to the extent specifically provided for herein.

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

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

5. Delivery of an executed counterpart of a signature page by telecopier shall be effective as delivery of a manually executed counterpart.

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

"Borrowers"

REX RADIO AND TELEVISION, INC.

By:/s/ Edward M. Kress
Name: Edward M. Kress
Title: Secretary

KELLY & COHEN APPLIANCES, INC.

By:/s/ Edward M. Kress
Name: Edward M. Kress
Title: Secretary

STEREO TOWN, INC.

By:/s/ Edward M. Kress
Name: Edward M. Kress
Title: Secretary

REX KANSAS, INC.

By:/s/ Edward M. Kress
Name: Edward M. Kress
Title: Secretary

REX ALABAMA, INC.

By:/s/ Edward M. Kress
Name: Edward M. Kress
Title: Secretary

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REXSTORES.COM, INC.

By:/s/ Edward M. Kress
Name: Edward M. Kress
Title: Secretary

"Parent"

REX STORES CORPORATION

By:/s/ Edward M. Kress
Name: Edward M. Kress
Title: Secretary

"Lenders"

FLEET BANK, N.A.,
Individually

By:/s/ Thomas Maiale
Name: Thomas Maiale
Title: Vice President

BANK ONE, DAYTON, N.A.

By:/s/ Michael R. Zaksheske
Name: Michael R. Zaksheske
Title: Vice President

HELLER FINANCIAL, INC.

By:/s/ T. W. Bukowski
Name: Thomas W. Bukowski
Title: Senior Vice President

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NATIONAL CITY BANK, DAYTON

By:/s/ Sheila J. Petteruti
Name: Sheila J. Petteruti
Title: Vice President

THE PROVIDENT BANK

By:/s/ Jerome J. Brunswick
Name: Jerome J. Brunswick
Title: Senior Vice President

THE FIFTH THIRD BANK

By:/s/ K. Douglas Compton
Name: K. Douglas Compton
Title: Vice President

FIRSTSTAR BANK, N.A.
(as successor to Star Bank, N.A.)

By:/s/ Thomas D. Gibbons
Name: Thomas D. Gibbons
Title: Vice President

"Agent"

FLEET BANK, N.A.,
As Agent

By:/s/ Thomas Maiale
Name: Thomas Maiale
Title: Vice President

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REX STORES CORPORATION
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U.S. DOLLARS

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