REX STORES CORP
Form DEF 14A
April 26, 2007
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant S
Filed by a Party other than the Registrant £

Check the appropriate box:

£ Preliminary Proxy Statement
S Definitive Proxy Statement
£ Definitive Additional Materials
£ Soliciting Material Pursuant to § 240.14a-12

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REX STORES CORPORATION

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (Check the appropriate box):

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(3) Filing party:

(4) Date filed:

REX STORES CORPORATION
2875 Needmore Road
Dayton, Ohio 45414

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 31, 2007

The Annual Meeting of Shareholders of REX Stores Corporation will be held at the Dayton Racquet Club, Kettering Tower, Dayton, Ohio on Thursday, May 31, 2007, at 2:00 p.m., for the following purposes:

1. Election of seven members to the Board of Directors to serve until the next Annual Meeting of Shareholders and until their respective successors are elected and qualified.

2. Transaction of such other business as may properly come before the Annual Meeting or any adjournment thereof.

Only shareholders of record at the close of business on April 19, 2007 will be entitled to notice of and to vote at the Annual Meeting.

All shareholders are cordially invited to attend the Annual Meeting in person.

By Order of the Board of Directors

EDWARD M. KRESS
Secretary

Dayton, Ohio
April 26, 2007

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE MARK, DATE, SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED.

REX STORES CORPORATION
2875 Needmore Road
Dayton, Ohio 45414

PROXY STATEMENT

Mailing Date
April 26, 2007

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of REX Stores Corporation, a Delaware corporation (REX or the Company), for use for the purposes set forth herein at our Annual Meeting of Shareholders to be held on May 31, 2007 and any adjournments thereof. All properly executed proxies will be voted as directed by the shareholder on the proxy card. If no direction is given, proxies will be voted in accordance with the Board of Directors recommendations and, in the discretion of the proxy holders, in the transaction of such other business as may properly come before the Annual Meeting and any adjournments thereof. Any proxy may be revoked by a shareholder by delivering written notice of revocation to the Company or in person at the Annual Meeting at any time prior to the voting thereof.

We have one class of stock outstanding, namely Common Stock, $.01 par value, of which there were 10,495,955 shares outstanding as of April 19, 2007. Only holders of Common Stock whose names appeared of record on the books of the Company at the close of business on April 19, 2007 are entitled to notice of and to vote at the Annual Meeting. Each shareholder is entitled to one vote per share.

A majority of the outstanding shares of Common Stock will constitute a quorum at the Annual Meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum. Directors are elected by a plurality of the votes cast by the holders of Common Stock at a meeting at which a quorum is present. Abstentions and broker non-votes will not be counted toward a nominee s achievement of a plurality and thus will have no effect. A broker non-vote occurs when a broker submits a proxy with respect to shares held in a fiduciary capacity (or street name) that indicates the broker does not have discretionary authority to vote the shares on a particular matter.

Fiscal Year

All references in this Proxy Statement to a particular fiscal year are to REX s fiscal year ended January 31. For example, fiscal 2006 means the period February 1, 2006 to January 31, 2007.

ELECTION OF DIRECTORS

Seven directors are to be elected at the Annual Meeting to hold office until the next Annual Meeting of Shareholders and until their successors are elected and qualified. Unless otherwise directed, it is the intention of the persons named in the accompanying proxy to vote each proxy for the election of the nominees listed below. All nominees are presently directors of REX.

If at the time of the Annual Meeting any nominee is unable or declines to serve, the proxy holders will vote for the election of such substitute nominee as the Board of Directors may recommend. We have no reason to believe that any substitute nominee will be required.

Set forth below is certain information with respect to the nominees for director.

STUART A. ROSE, 52, 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, 79, retired as our President and Chief Operating Officer in 2004, a position he held since 1990, and remained a part-time employee and consultant until January 31, 2006. 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.

ROBERT DAVIDOFF, 80, has been a director since 1984. Mr. Davidoff has been a Managing Director of Carl Marks & Co., Inc., an investment banking firm, since 1990, the general partner of CMNY Capital II, L.P., a venture capital affiliate of Carl Marks & Co., since 1989, and is Chairman and Chief Investment Officer of CM Capital Corporation, the firm s leveraged buyout affiliate. Mr. Davidoff is also a director of Access Integrated Technologies, Inc.

EDWARD M. KRESS, 57, 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. Mr. Kress has practiced law in Dayton, Ohio since 1974.

CHARLES A. ELCAN, 43, has been a director since 2003. Mr. Elcan became Executive Vice President Medical Office Properties of Health Care Property Investors, Inc. (HCP), a real estate investment trust specializing in health care related real estate, in October 2003. Prior to that date, he served as the Chief Executive Officer and President of MedCap Properties, LLC, a real estate company located in Nashville, Tennessee that owned, operated and developed real estate in the healthcare field, which HCP acquired in October 2003. From 1992 to 1997, Mr. Elcan was a founder and investor in Behavioral Healthcare Corporation (now Ardent Health Services LLC), a healthcare company that owns and operates psychiatric and acute care hospitals.

DAVID S. HARRIS, 47, has been a director since 2004. Mr. Harris has served as President of Grant Capital, Inc., a private investment company, since January 2002. Mr. Harris served as a Managing Director of Tri-Artisan Partners, LLC, a private merchant banking firm engaged in investment banking and principal investment activities, from January 2005 to June 2006. From May 2001 to December 2001, Mr. Harris served as a Managing Director in the investment banking division of ABN Amro Securities LLC (ABN). From 1997 to May 2001, Mr. Harris served as a Managing Director and Sector Head of the Retail, Consumer and Leisure Group of ING Barings LLC (ING). The investment banking

operations of ING were acquired by ABN in May 2001. From 1986 to 1997 Mr. Harris served in various capacities as a member of the investment banking group of Furman Selz LLC. Furman Selz was acquired by ING in 1997. Mr. Harris is also a director of Steiner Leisure Limited.

MERVYN L. ALPHONSO, 66, has been a director since 2007. Mr. Alphonso retired as Vice President for Administration and Chief Financial Officer of Central State University in March 2007, a position he held since 2004. Mr. Alphonso has over 30 years of experience in the banking industry. He was President, Dayton District, KeyBank National Association from 1994 to 2000 and held various management positions with KeyBank of New York, N.A., Crocker National Bank and Bankers Trust Company. Mr. Alphonso served as a Peace Corps volunteer from 2001 to 2003.

Board of Directors

Our Board of Directors consists of seven directors. The Board has determined that four of the seven directors, Robert Davidoff, Charles A. Elcan, David S. Harris and Mervyn L. Alphonso, are independent within the meaning of Section 303A.02 of the New York Stock Exchange (NYSE) Listed Company Manual. Lee Fisher, who resigned from the Board of Directors in January 2007 due to his election as Ohio Lieutenant Governor, was also independent within the meaning of applicable NYSE listing standards.

To be considered independent, the Board must determine that the director has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company, including commercial, industrial, banking, consulting, legal, accounting, charitable and family relationships, among others. Our Board has established the following guidelines, consistent with Section 303A.02 of the NYSE listing standards, to assist it in determining independence of directors.

A director who is an employee, or whose immediate family member is an executive officer, of the Company is not independent until three years after the end of such employment relationship.

A director who receives, or whose immediate family member receives, more than $100,000 during any 12-month period in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than $100,000 during any 12-month period in such compensation. (Compensation received by an immediate family member for service as a non-executive employee need not be considered in determining independence under this test.)

A director who is a partner or employee, or whose immediate family member is a partner, or an employee participating in the audit, assurance or tax compliance (but not tax planning) practice, of the Company s internal or external auditor, or a director or immediate family member who was within the last three years a partner or employee of such a firm and personally worked on the Company s audit, is not independent.

A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the Company s present executives serve on that company s compensation committee is not independent until three years after the end of such service or the employment relationship.

A director who is an employee,

or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the Company for property or

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services in an amount which, in any single fiscal year, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues, is not independent until three years after falling below such threshold.

Messrs. Davidoff, Harris and Alphonso have no relationships with the Company other than being a director. Mr. Elcan has only an indirect, immaterial relationship with the Company. Elcan & Associates, Inc., a firm owned by Mr. Elcan s brother, provides real estate brokerage services to REX and has acted as a finder in connection with our investments in synthetic fuel limited partnerships and facilities. Because Mr. Elcan has no financial interest or involvement in Elcan & Associates, nor any involvement in REX s business activities with Elcan & Associates, and the amount of our annual payments to Elcan & Associates falls within our director independence guidelines, the Board has determined that the relationship is not a material relationship affecting Mr. Elcan s independence.

Our Board of Directors held six meetings and took action by unanimous written consent three times during the fiscal year ended January 31, 2007. The average attendance by incumbent directors at Board and Board Committee meetings was 97%.

Directors are invited and encouraged to attend our annual meeting of shareholders. All directors attended the 2006 Annual Meeting.

The non-management directors meet at executive sessions without management following Audit Committee meetings. The presiding director for each executive session is rotated among the chairs of the independent Board committees.

Board Committees

Our Board of Directors has four standing committees: the Audit Committee, the Compensation Committee, the Nominating/Corporate Governance Committee and the Executive Committee.

Audit Committee. The Audit Committee assists Board oversight of the integrity of the financial statements of the Company, our compliance with legal and regulatory requirements, the independent accountants qualifications and independence, and the performance of the Company s internal audit function and independent accountants. The Audit Committee is directly responsible for the appointment, retention and oversight of the work of the independent accountants. The Audit Committee acts pursuant to a written charter. The members of the Audit Committee are Messrs. Harris (Chairman), Davidoff and Elcan. All members of the Audit Committee are independent within the meaning of applicable NYSE listing standards and rules of the Securities and Exchange Commission (SEC). The

Board has determined that Mr. Harris and Mr. Davidoff are each an audit committee financial expert as defined by applicable SEC rules and that all members of the Audit Committee are financially literate within the meaning of NYSE listing standards. The Audit Committee met 11 times during fiscal 2006.

Compensation Committee. The Compensation Committee has direct responsibility to review and approve CEO compensation, makes recommendations to the Board with respect to non-CEO compensation and compensation plans, and administers the Company s stock option plans. The Compensation Committee acts pursuant to a written charter. The members of the Compensation Committee are Messrs. Davidoff (Chairman), Elcan and Harris. All members of the Compensation Committee are independent within the meaning of applicable NYSE listing standards. The Compensation Committee met twice and took action by unanimous written consent once during fiscal 2006.

Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee identifies individuals qualified to become Board members consistent with criteria approved by the Board, recommends for the Board s selection a slate of director nominees for election to the Board at the annual meeting of shareholders, develops and recommends to the Board the Corporate Governance Guidelines applicable to the Company, and oversees the evaluation of the Board and management. The Nominating/Corporate Governance Committee acts pursuant to a written charter. The members of the Nominating/Corporate Governance Committee are Messrs. Davidoff, Elcan and Harris. All members of the Nominating/Corporate Governance Committee are independent within the meaning of applicable NYSE listing standards. The Nominating/Corporate Governance Committee took action by unanimous written consent twice during fiscal 2006.

The Board seeks director candidates who possess the background, skills and expertise to make a significant contribution to the Board, the Company and shareholders. In identifying and evaluating director candidates, the Nominating/Corporate Governance Committee may consider a number of attributes, including experience, skills, judgment, accountability and integrity, financial literacy, time, industry knowledge, networking/contacts, leadership, independence from management and other factors it deems relevant. The Nominating/Corporate Governance Committee reviews the desired experience, mix of skills and other qualities to assure appropriate Board composition, taking into account the current directors and specific needs of the Company and the Board. The Nominating/Corporate Governance Committee may solicit advice from the CEO and other members of the Board.

The Nominating/Corporate Governance Committee will consider director candidates recommended by our shareholders. Shareholders must submit the name of a proposed shareholder candidate to the Nominating/Corporate Governance Committee at our corporate offices by the date specified under Shareholder Proposals.

Executive Committee. The Executive Committee is empowered to exercise all of the powers and authority of the Board of Directors between meetings of the Board, other than the power to fill vacancies on the Board or on any Board committee and the power to declare dividends. The members of the Executive Committee are Messrs. Rose and Tomchin. The Executive Committee met informally throughout the year and took formal action by unanimous written consent four times during fiscal 2006.

Code of Ethics, Corporate Governance Guidelines and Committee Charters

We have adopted a Code of Business Conduct and Ethics applicable to our employees, officers and directors. A copy of the Code of Business Conduct and Ethics has been filed as an exhibit to our Annual Report on Form 10-K for the year ended January 31, 2004 and is posted on our website www.rextv.com.

We have adopted a set of Corporate Governance Guidelines addressing director qualification standards, director responsibilities, director access to management and independent advisors, director compensation and other matters. A copy of the Corporate Governance Guidelines is posted on our website www.rextv.com.

The charters of the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee are posted on our website www.rextv.com.

Copies of the Code of Business Conduct and Ethics, Corporate Governance Guidelines and the charters of Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee are available in print to shareholders by contacting Douglas L. Bruggeman, Chief Financial Officer, REX Stores Corporation at (937) 276-3931.

Procedures for Contacting Directors

Shareholders and interested parties may communicate with the Board, the non-management directors as a group, or a specific director by writing to REX Stores Corporation, 2875 Needmore Road, Dayton, Ohio 45414, Attention: Board of Directors, Non-Management Directors or [Name of Specific Director]. All communications will be forwarded as soon as practicable to the specific director, or if addressed to the Non-Management Directors to the Chairman of the Audit Committee, or, if addressed to the Board, to the Chairman of the Board or other director designated by the Board to receive such communications.

Audit Committee Report

The Audit Committee assists Board oversight of the integrity of the financial statements of the Company. The Audit Committee is comprised of nonemployee directors who meet the independence and financial experience requirements of applicable NYSE listing standards and SEC rules. The Audit Committee operates under a written charter.

Management has the primary responsibility for the financial statements and the reporting process, including the Company s systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report on Form 10-K with management, including a discussion of the quality and the acceptability of the Company s financial reporting and controls.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality and the acceptability of the Company s financial reporting and such other matters as are required to be discussed with the Committee under Statement on Auditing Standards No. 61. In addition, the Committee has discussed with the independent auditors the auditors independence from management and the Company, including the matters in the auditors written disclosures required by Independence Standards Board Standard No. 1.

The Committee also discussed with the Company s independent auditors the overall scope and plans for their respective audits. The Committee meets periodically with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2007 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

DAVID S. HARRIS, *Chairman*
ROBERT DAVIDOFF
CHARLES A. ELCAN

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The objectives of our executive compensation program are to motivate and retain our key employees, to tie annual cash bonuses to corporate performance and profitability, and to provide long-term incentives for executives to create shareholder value.

Elements of Executive Compensation

The elements of our executive compensation program are discussed below.

Base Salary. Base salaries of our executive officers are set at a level to provide basic economic security consistent with salaries paid by other similarly-sized companies in the industry for similar positions. Base salary levels also reflect individual cash bonus opportunities, with salaries set lower where cash bonus opportunities are higher. The base salary of our CEO is set at a level below that of salaries paid to CEOs of similarly-sized companies in the industry in recognition of his annual cash bonus opportunities and prior stock option awards. Base salaries are reviewed annually and adjusted from time to time to reflect competitive market levels as well as individual responsibilities and corporate performance. Executive salaries were not increased for fiscal 2007 in light of our performance and profitability in fiscal 2006.

Annual Cash Bonus Program. Our annual cash bonus program is designed to reward executive officers for corporate performance and to incentify those individuals to contribute to corporate profitability. Annual cash bonuses are based on corporate performance and profitability measures. There are no individual performance goals or objectives.

The annual cash bonus programs of our CEO, Mr. Rose, and our President and COO, Mr. Bearden, are set forth in their employment agreements. Mr. Rose s annual cash bonus is based upon both (1) earnings before income taxes of our retail business, or Retail EBT, and determined by a specific dollar amount for achieving specified levels of Retail EBT and (2) earnings before income taxes of our synthetic fuel or other alternative energy investments, or Energy Investment EBT, determined as a specific percentage of Energy Investment EBT, subject to an aggregate maximum $1 million cash bonus in any fiscal year. Mr. Bearden s annual cash bonus is based upon Retail EBT and determined by a specific dollar amount for achieving specified levels of Retail EBT.

The cash bonus for our Vice President, Mr. Rizvi, is based upon (1) controlling inventory shrinkage and determined by a specific dollar amount for each percentage point of shrinkage below a specified level, (2) pre-tax net income of our retail operations and synthetic fuel investments as a percentage of net sales and determined as a specific dollar amount for each percentage point of net income to net sales and (3) performance of our ethanol investments and determined as a specific percentage of ethanol investment pre-tax net income. The annual cash bonuses for our other Vice Presidents are generally based upon pre-tax net income of our retail operations and synthetic fuel investments as a percentage of net sales and determined as a specific dollar amount for each percentage point of net income to net sales. Vice Presidents are also eligible for nominal cash bonuses for monthly increases in our comparable store sales.

Specific quantitative corporate performance factors and measures for determining individual annual cash bonuses are described under Employment Agreements and Annual Cash Bonus Program following the Summary Compensation Table.

Annual bonus opportunities for certain executives reflect the individual s contribution to and responsibility for certain aspects of our business. Mr. Rose overall retail operations and alternative energy investments, Mr. Bearden retail operations and Mr. Rizvi loss control and ethanol investments.

Annual cash bonuses are determined and paid on a strict formula basis without discretion to increase or decrease bonus amounts.

Long-Term Incentive Awards. Long term incentive awards historically were made in the form of stock option grants under our 1995 and 1999 Omnibus Stock Incentive Plans. Stock appreciation rights, restricted stock and other stock-based awards are authorized, but have not been granted, under the Plans.

Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (FAS 123R), requires us to recognize compensation cost for all share-based payments, including stock options, in our financial statements beginning in fiscal 2006. Due to the significant impact on our results of operations from the adoption of FAS 123R, we have discontinued granting stock options. We have not granted stock options since 2004 and we do not plan to grant stock options or other stock-based incentive awards in the near future. Our executive officers currently hold vested and unvested stock options granted in prior years in amounts that we believe align our executives long-term interests with the interests of shareholders and provide incentive to create shareholder value.

Option Grant Practices

In past years, all stock options were granted at an exercise price equal to the average of the high and low market prices on the date of grant, unless a higher price was required to qualify the option as an incentive stock option. Option grants were made annually at times approved by the Compensation Committee or in connection with executive officers entering into new employment agreements. All annual option grants were made to executive and non-executive employees on the same date. The number of options granted to each employee was determined by the Compensation Committee based upon the recommendation of our CEO with consideration that the options were intended to provide both long-term incentive and retirement compensation as we do not maintain a defined benefit or supplemental executive retirement plan. Annual option grants typically vest in 20% installments for five years while options granted in connection with new employment agreements typically vest in one- third installments for three years. All outstanding options have a ten year term from the date of grant. The annual grant dates approved by the Compensation Committee varied from year to year. We have no program, plan or practice to time option grants to our executives or other employees in connection with the release of material non-public information and we have not timed nor plan to time the release of material non-public information to affect the value of executive compensation.

Role of Executive Officers in Determining Executive Compensation

The Compensation Committee of our Board of Directors determines the compensation paid to our CEO. Our CEO determines base salary levels and annual cash bonus opportunities for executive officers other than himself. All cash bonus payments to executive officers are approved by the Compensation Committee.

Change in Control Payments

Mr. Bearden s employment agreement provides for an additional, one-time cash bonus of $1 million if our retail business is sold during his employment or within one year of termination of employment without cause. This payment is intended to provide Mr. Bearden a severance benefit. The automatic acceleration of all unvested options granted under our stock options plans upon a change in control is intended to enable option holders to realize the full value of their stock options upon the occurrence of an event outside of their control.

Compensation Committee Report

The Compensation Committee of the Board of Directors of REX Stores Corporation has reviewed and discussed the Compensation Discussion and Analysis with management. Based on that review and discussion, the Compensation Committee recommended that the Compensation Discussion and Analysis be included in the proxy statement for our 2007 annual meeting of shareholders.

ROBERT DAVIDOFF, *Chairman*
CHARLES A. ELCAN
DAVID S. HARRIS

Summary Compensation Table

The following table sets forth the compensation of our Chief Executive Officer, Chief Financial Officer and our other most highly compensated executive officers for fiscal 2006.

Name and Principal Position	Year	Salary ($)	Bonus (1)($)	Option Awards (2)($)	All Other Compensation (3)($)	Total ($)
Stuart A. Rose	2006	154,500	368,482		9,100	532,082
Chairman of the Board and Chief Executive Officer						
David L. Bearden	2006	200,000	54,920		3,100	258,020
President and Chief Operating Officer						
Douglas L. Bruggeman	2006	229,100	24,539	150,983	200	404,822
Vice President Finance, Chief Financial Officer and Treasurer						
Zafar A. Rizvi	2006	152,470	74,346	150,983	200	377,999
Vice President						
David Fuchs	2006	181,750	24,539	150,983	200	357,472
Vice President Management Information Systems						
Keith B. Magby	2006	167,100	36,808	150,983	200	355,091
Vice President Operations						

(1) Amounts in this column reflect cash bonuses earned under our annual cash bonus program. See Annual Cash Bonus Program.

(2) Amounts in this column

reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year with respect to option awards granted in prior fiscal years in accordance with the modified prospective application method under Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (FAS123R), without regard to estimates of forfeitures related to service-based vesting conditions. During fiscal 2006, 4,200 employee options with a weighted average exercise price of $12.77 were cancelled or expired. For information regarding our valuation of option awards, see Note 1 Summary of Significant Accounting Policies to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended January 31, 2007.

(3) Amounts in this column reflect a $200 matching contribution on behalf of each named executive officer other than Mr. Rose and Mr. Bearden under our 401(k) profit sharing plan. The amounts in this column also reflects the value of use of a company automobile of $9,100 for Mr. Rose and $3,100 for Mr. Bearden.

Employment Agreements

Stuart A. Rose, our Chairman and Chief Executive Officer, has an employment agreement with Rex Radio and Television, Inc. that provides for an annual salary of $154,500 and annual cash bonuses based upon (i) the earnings before income taxes of our retail business, or Retail EBT, starting at $5,000 for each $1 million of Retail EBT up to $5 million and increasing incrementally to $15,000 for each $1 million of Retail EBT over $20 million and (ii) the earnings before income taxes of our synthetic fuel or other alternative energy investments, or Energy Investment EBT, equal to 3% of the Energy

Investment EBT for the fiscal year, but in no event will Mr. Rose receive a total cash bonus exceeding $1 million in any fiscal year. Mr. Rose is also eligible to participate in all employee benefit plans.

Mr. Rose s employment agreement is for a term of two years and one month commencing January 1, 2006 and continuing through January 31, 2008 and is automatically renewed for additional one-year terms unless earlier terminated by resignation, death, total disability or termination for cause, or unless terminated by either party upon 180 days notice. Termination for cause means Mr. Rose s repeated failure or refusal to perform his duties under the agreement, violation of any material provision of the agreement, or clear and intentional violation of law involving a felony which has a materially adverse effect on us. If Mr. Rose s employment is terminated by us without cause, he is entitled to the balance of his annual salary plus all rights to the bonuses based on Retail EBT and Energy Investment EBT for the remainder of the employment period. If Mr. Rose s employment is terminated for any other reason, he is entitled to a pro rata portion of his annual salary and cash bonuses based upon the date of termination.

David L. Bearden, our President and Chief Operating Officer, has an employment agreement with Rex Radio and Television, Inc. that provides for an annual salary of $200,000 and an annual cash bonus based upon the earnings before income taxes of our retail business starting at $10,000 for each $1 million of Retail EBT up to $5 million and increasing incrementally to $30,000 for each $1 million of Retail EBT over $20 million. Mr. Bearden is also entitled to an additional, one-time cash bonus of $1 million if our retail business is sold during his employment or within one calendar year of termination of his employment without cause (as defined in the agreement). Mr. Bearden is eligible to participate in all employee benefit plans and is furnished a company owned automobile for use during his employment.

Mr. Bearden s employment agreement is for a term of two years and three months through January 31, 2008 and is automatically renewed for additional one-year terms unless earlier terminated by resignation, death, total disability or termination for cause, or unless terminated by either party upon 90 days notice prior to the expiration of the employment term or any renewal term. Termination for cause means Mr. Bearden s repeated failure or refusal to perform his duties under the agreement, violation of any material provision of the agreement, clear and intentional violation of law involving a felony which has a materially adverse effect on us, or commencing effective February 1, 2006 negative Retail EBT for three consecutive fiscal quarters. If Mr. Bearden s employment is terminated by us without cause, he is entitled to the greater of the balance of his annual salary for the remainder of the contract period or one-year s base salary. Mr. Bearden will forfeit any rights to any annual cash bonus upon termination of his employment for any reason, with the exception of the change of ownership award.

Annual Cash Bonus Program

The annual cash bonus programs for Mr. Rose and Mr. Bearden are set forth in their employment agreements described above.

The cash bonus program for Zafar A. Rizvi, our Vice President, is based upon (1) controlling inventory shrinkage and determined at $2,000 for each 0.1% of shrinkage below 0.7% of net sales, calculated three times per year, (2) pre-tax net income of our retail operations and synthetic fuel investments as a percentage of net sales and determined at $1,850 for each 1% of pre-tax net income as a percent of net sales, calculated quarterly and (3) performance of our ethanol investments and determined at 2% of ethanol investment pre-tax net income. The annual cash bonuses for Douglas L.

Bruggeman, our Vice President Finance and Chief Financial Officer, David Fuchs, our Vice President Management Information Systems and Keith B. Magby, our Vice President Operations, are based upon pre-tax net income of our retail operations and synthetic fuel investments (and ethanol investments for Mr. Bruggeman) as a percentage of net sales and determined at $5,000 ($7,500 for Mr. Magby) for each 1% of pre-tax net income as a percent of net sales. These Vice Presidents also receive cash bonuses of $100 for each 1% increase in monthly comparable stores sales.

Outstanding Equity Awards at Fiscal 2006 Year-End

The following table sets forth information concerning unexercised options for each named executive officer outstanding as of the end of fiscal 2006.

	Option Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**
Stuart A. Rose	56,250		5.11	6/12/08
	717,325		4.42	10/14/08
	22,500		5.11	3/26/09
	22,500		10.14	3/29/10
	1,125,000		8.01	4/17/11
David L. Bearden				
Douglas L. Bruggeman	33,850		5.11	6/12/08
	22,500		5.11	3/26/09
	22,500		10.14	3/29/10
	56,250		8.01	4/17/11
	35,000		14.745	4/30/12
	21,000	14,000 (1)	13.01	9/30/13
	14,000	21,000 (2)	12.45	6/7/14
Zafar A. Rizvi	45,000		4.61	6/6/07
	56,250		5.11	6/12/08