IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

DAVID VERDERAME : 2:13-cv-02539-MSG-DS

v.

RADIOSHACK CORPORATION

PLAINTIFF'S UNOPPOSED MOTION FOR PRELIMINARY APPROVAL OF THE CLASS ACTION SETTLEMENT

Plaintiff David Verderame ("Plaintiff"), pursuant to Federal Rule of Civil Procedure 23(e), moves for preliminary approval of the accompanying "Class Action Settlement Agreement" and approval of the class action notice plan and protocols described therein. Such relief is warranted for the reasons described in the accompanying brief.

WHEREFORE, Plaintiff respectfully requests that the Court grant this motion and complete and enter the accompanying proposed order.

Date: December 16, 2014

Respectfully submitted,

/s/ Peter Winebrake
Peter Winebrake
R. Andrew Santillo
Mark J. Gottesfeld
Winebrake & Santillo, LLC
715 Twining Road, Suite 211
Dresher, PA 19025
(215) 884-2491

Paul J. Lukas (admitted *pro hac vice*)
Timothy Selander (admitted *pro hac vice*)
NICHOLS KASTER, PLLP
4600 IDS Center
80 South Eighth Street
Minneapolis, MN 55402
(612) 256-3200

Class Counsel

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

DAVID VERDERAME	:	2:13-cv-02539-MSG
v.	:	
RADIOSHACK CORPORATION	:	

CLASS ACTION SETTLEMENT AGREEMENT

This Class Action Settlement Agreement is entered into between Plaintiff (as defined below) and Defendant (as defined below) pursuant to the following terms:

1. Definitions.

"Action" means the above-captioned litigation.

"Agreement" means this Class Action Settlement Agreement, inclusive of all attachments.

"Class Counsel" means Winebrake & Santillo, LLC (715 Twining Road, Suite 211, Dresher, PA 19025) and Nichols Kaster, PLLP (4600 IDS Center, 80 South Eighth Street, Minneapolis, MN 55402).

"Class Members" means all individuals falling within the class definition, as certified in the Court's November 24, 2014 Order.

"Court" means the United States District Court for the Eastern District of Pennsylvania.

"Defendant" means RadioShack Corporation.

"Defense Counsel" means McKenna Long & Aldridge LLP (600 West Broadway, Suite 2600, San Diego, CA 92101) and Stevens & Lee, P.C. (111 North Sixth Street, Reading, PA 19603).

"Effective Date" means: (i) if no Class Member objects to the Settlement

pursuant to Section 8, the Final Approval Date; (ii) if a Class Member objects to the Settlement pursuant to Section 8 but does not commence an appeal challenging the Settlement approval, thirty-five (35) calendar days after the Final Approval date; or (iii) if a Class Member objects to the Settlement pursuant to Section 8 and commences an appeal challenging the Settlement approval, the day after the final resolution of the appeal.

"Final Approval Date" means the date on which the Court dockets an order granting final approval of the Settlement.

"Notice Form" means the form attached as Exhibit B.

"Participating Class Members" means all Class Members (including their respective agents, employees, successors, heirs, spouses, administrators, executors, partners, assigns, and all of their past, present and future representatives and predecessors) who do not exclude themselves from the Settlement by following the procedures described in Section 8 below and in Section 8 of the Notice Form.

"**Party**" means Plaintiff or Defendant.

"Parties" means Plaintiff and Defendant.

"Plaintiff" means David Verderame.

"Preliminary Approval Date" means the date on which the Court dockets an order preliminarily approving the Settlement and authorizing the distribution of the Notice Form to the Class Members.

"Settlement" means the terms, conditions, and obligations described in this Agreement.

"Settlement Share" means, for each Participating Class Member, his/her proportional share of $513,000.00 based upon his/her percentage of all Class Members'

combined alleged unpaid overtime premiums. For example, if a Participating Class Member's alleged unpaid overtime premium constitutes .34% of all Class Members' combined alleged unpaid overtime premium, then her Settlement Share would be $1,744.20 [$513,000.00 X .0034]. Unpaid overtime premiums will be determined using the methodology whereby for each Class Member the weekly regular rate for all weeks worked within the time period of April 5, 2010 to the Preliminary Approval Date is determined by dividing the total compensation paid for a given week by the total hours worked during such week, with the unpaid overtime premium then calculated by subtracting any overtime premium previously paid for such week from the product of multiplying the hours worked over 40 in such week by 1.5 times the regular rate for that week. The Parties will mutually agree upon each Class Member's Settlement Share within fourteen (14) days of the Preliminary Approval Date.[1]

"TPA" means Strategic Claims Services, 600 North Jackson Street, Suite 3, Media, PA 19063.

2. Conditions Precedent. This Settlement is conditioned on the Court's entry of an Order granting final approval of this Settlement and passage of the Effective Date.

3. Total Settlement Payment. Defendant's total monetary payment under this Settlement is strictly limited to $700,000.00 plus any employer-side payroll taxes and withholdings associated with the distribution of Settlement Shares.

4. Release. In consideration of all payments made by Defendant, their eligibility to claim their allocated Settlement Share, and any other relief described

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[1] The Settlement Shares will be altered if: (i) the Court disapproves any portion of Plaintiff's requested service award or Class Counsel's requested attorney's fees or expenses, *see* Sections 10-11 below; or (ii) any Class Members exclude themselves from the Settlement, *see* Section 7 below.

herein and upon the Final Approval Date, all Participating Class Members release and forever discharge Defendant and all of its past, present and future parents, subsidiaries, affiliates, successors and predecessors, and each of their shareholders, directors, officers, employees, insurers, lawyers, and agents (the "Released Parties") from any and all claims, obligations, causes of action, actions, demands, rights, and liabilities of every kind, nature and description, whether known or unknown, whether anticipated or unanticipated, arising prior to the Final Approval Date, which were pled in the Action and/or are reasonably related to claims that could have been pled in the Action, including all such claims under the Pennsylvania Minimum Wage Act, the Pennsylvania Wage Payment and Collection Law, the Fair Labor Standards Act, or any other federal, state or common law theory for overtime or other wages, penalties, liquidated damages, punitive damages, interest, attorneys' fees, litigation costs, restitution, and equitable relief.

5. **Preliminary Approval**. Within seven (7) calendar days after the execution of this Agreement, Plaintiff will file with the Court a motion seeking the entry of an order preliminarily approving the Settlement and authorizing distribution of the Notice Forms to all Class Members. In seeking preliminary approval, Plaintiff will assert, *inter alia*, that Defendant's current financial condition is a significant factor underlying the settlement amount.

6. **Class Notice**. Within three (3) business days after the execution of this Agreement, Defendant will provide to Class Counsel and the TPA an Excel spreadsheet listing each Class Member's last known address according to Defendant's current business records. Within three (3) business days after the Preliminary Approval Date, the TPA will send by first-class mail a Notice Form to each Class Member. If the Postal

Service returns any Notice Form to the TPA with a forwarding address, the TPA will promptly re-mail the Notice Form to the forwarding address. If the Postal Service returns any Notice Form to the TPA without a forwarding address, the TPA will make reasonable efforts to obtain an updated address and promptly re-mail the Notice Form to any updated address.

7. Objections to the Settlement. Class Members who object to the settlement must do so in writing. Written objections must be mailed to the TPA pursuant to the instructions in the Notice Form and must be postmarked within thirty-three (33) calendar days after the Preliminary Approval Date. Within forty (40) calendar days after the Preliminary Approval Date, the TPA will send all received objections to Class Counsel and Defense Counsel. Class Counsel will file all objections with the Court.

8. Exclusion from the Settlement. Class Members desiring to exclude themselves from the settlement must do so in writing. Written exclusions must be mailed to the TPA pursuant to the instructions in the Notice Form and must be postmarked within thirty-three (33) calendar days after the Preliminary Approval Date. Within thirty-six (36) calendar days after the Preliminary Approval Date, the TPA will send all received exclusions to Class Counsel and Defense Counsel. Class Counsel will file all exclusions with the Court. Class Members who do not exclude themselves from the Settlement will be bound by the Settlement. The Settlement Shares of Class Members who exclude themselves from the Settlement will be proportionally reallocated among Participating Class Members.

9. Fairness Hearing. The Court will conduct the Fairness Hearing at a time to be determined by the Court. The Parties will request that the Court conduct this

hearing at least forty-two (42) calendar days after the Preliminary Approval Date.

10. Payments to Participating Class Members. Within ten (10) calendar days after the Effective Date, Defendant will deliver to the TPA payroll checks issued to each Participating Class Member based on his/her Settlement Share. Defendant shall issue IRS W-2 Forms reflecting such payments to each Participating Class Member following the end of the calendar year in which the payroll checks are issued. The Settlement Share will be reduced to cover those taxes and withholdings ordinarily borne by employees pursuant to Defendant's normal payroll practices. The Settlement Share will not be reduced to cover those taxes (such as, for example, unemployment insurance or the employer's social security contributions) ordinarily borne by Defendant pursuant to its normal payroll practices. The TPA will promptly mail the checks to the Participating Class Members. If the Postal Service returns any check to the TPA with a forwarding address, the TPA will promptly re-mail the check to the forwarding address. If the Postal Service returns any check to the TPA without a forwarding address, the TPA will make reasonable efforts to obtain an updated address and promptly re-mail the check to any updated address. Any settlement check un-cashed after ninety (90) calendar days of the Effective Date will be forfeited by the Participating Class Member, and the associated funds will be paid to the Pennsylvania IOLTA Board.

11. Service Award to Plaintiff. Within ten (10) calendar days after the Effective Date, Defendant will mail to Class Counsel a non-payroll check payable to Plaintiff in the amount of $2,000.00. Defendant shall issue an IRS Form 1099 to Plaintiff reflecting this payment. This payment is in addition to Plaintiff's Settlement Share as a Participating Class Member. If the Court disapproves any portion of this service award, the disapproved monies will be proportionally reallocated among

Participating Class Members. In consideration of his eligibility for this additional payment described above, Plaintiff generally releases the "Released Parties" (as defined in Section 3 above) from any and all legally waivable claims, obligations, causes of action, actions, demands, rights, and liabilities of every kind whatsoever, whether known or unknown, whether anticipated or unanticipated, arising on or prior to the Effective Date.

12. Payment to Class Counsel. Within ten (10) calendar days after the Effective Date, Defendant will mail to Class Counsel (i) a non-payroll check payable to "Winebrake & Santillo, LLC" in the amount of $185,000.00 to compensate all Class Counsel for all attorney's fees and expenses (including all payments to the TPA) associated with the Action and the Settlement. Defendant shall issue an IRS Form 1099 to "Winebrake & Santillo, LLC" reflecting this payment. If the Court disapproves any portion of this payment, the disapproved monies will be proportionally reallocated among Participating Class Members.

13. Dismissal with Prejudice. Upon final approval of this Agreement by the Court, the Action will be dismissed with prejudice in its entirety, although the Parties will request that the Court retain jurisdiction to enforce this Agreement.

14. No Representations. Except as expressly stated in this Agreement, no Party has made any statement or representation to any other Party regarding this Agreement, and, in entering into this Settlement, neither Party relies on any statement, representation, or promise not described in this Agreement.

15. Consent. Each Party has carefully read and understands this Agreement and has received independent legal advice with respect to the Agreement. Prior to the execution of this Agreement, each Party's attorney reviewed and executed the

Agreement after independent investigation and without fraud, duress, or undue influence.

16. Successors. This Agreement shall inure to the benefit of and be binding upon each Party's heirs, successors, and assigns.

17. No Assignments. No Party has assigned or transferred, or purported to assign or transfer, to any other person or entity any rights or interests pertaining to this Action, this Settlement, or this Agreement.

18. Negotiated Agreement. This Agreement constitutes a negotiated contract and is the result of negotiation among the Parties. In interpreting this Agreement, it shall not be construed strictly for or against either Party.

19. Documents. Plaintiff and Class Counsel agree that none of the documents or data provided to them by Defendant in connection with the Action and this Settlement shall be used for any purpose other than prosecution of this Action and the conclusion of this Settlement.

20. No Admissions. This Agreement is the result of a compromise between the Parties, and nothing in this Agreement constitutes an admission of liability or of the propriety of class certification by any Party with regard to the subject matter of the Action. Nothing set forth in this Agreement, the fact of the Settlement, or any act performed or document executed pursuant to or in furtherance of the Settlement may be construed or be used as an admission or evidence of the validity of any claim or allegation, or of any act, omission, liability or wrongdoing on the part of the Released Parties or as supporting certification in any action or proceeding of any kind whatsoever.

21. No Effect on Other Benefits. The Settlement Shares and additional

payment to the Plaintiff will not create any credit or otherwise affect the calculation of benefits provided under any benefit or compensation plan or program provided by Defendant (such as 401(k), pension, bonus, severance, or deferred compensation plans), and no payment made pursuant to this Settlement will be compensation for purposes of such plans/programs, require any contribution or award under such plans/programs, or otherwise require or modify coverage, contributions, or benefits under such plans/programs, and the Participating Class Members will be deemed to have waived all such claims in connection with any benefit or compensation plan or program, whether known or unknown by them, as part of their releases of claims under this Settlement.

22. Tax Liability. Defendant makes no representations as to the tax treatment or legal effect of the payments made under this Agreement. Plaintiff and Class Members will be solely responsible for the payment of any taxes and penalties assessed on the payments described in this Agreement.

23. Duty to Defend. The Parties will abide by all terms of this Agreement in good faith, will fully support the Agreement's approval and enforcement, and will defend the Agreement from any legal challenge, whether by appeal or collateral attack. If the Court disapproves the Settlement, the Parties will work in good faith to modify the settlement terms, with the exception of the Total Settlement Payment described in Section 3 that is not subject to modification, as reasonably necessary to obtain Court approval.

24. Warranty of Authority. Each signatory below warrants and represents that he/she is competent and authorized to enter into this Agreement on behalf of the Party for whom he/she purports to sign.

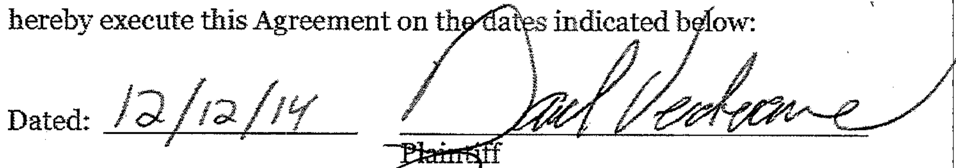
25. Evidentiary Privilege. This Agreement falls within the protection

afforded compromises and offers to compromise under Federal Rule of Evidence 408.

26. Applicable Law. This Agreement will be governed, enforced, and interpreted according to Pennsylvania law.

27. Execution. This document may be executed in counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument.

IN WITNESS WHEREOF, and intending to be legally bound, the Parties hereby execute this Agreement on the dates indicated below:



Dated: 12/12/14 ____________________
Plaintiff

Dated: 12/16/14 ____________________
For Class Counsel

Dated: __________ ____________________
For Defendant

Dated: __________ ____________________
Defense Counsel

afforded compromises and offers to compromise under Federal Rule of Evidence 408.

26. Applicable Law. This Agreement will be governed, enforced, and interpreted according to Pennsylvania law.

27. Execution. This document may be executed in counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument.

IN WITNESS WHEREOF, and intending to be legally bound, the Parties hereby execute this Agreement on the dates indicated below:

Dated: ____________________ ______________________________
Plaintiff

Dated: ____________________ ______________________________
For Class Counsel

Dated: 12/15/14 ______________________________
For Defendant

Dated: 12/16/14 ______________________________
Defense Counsel

Exhibit A

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

DAVID VERDERAME	:	
v.	:	**2:13-cv-02539-DS**
RADIOSHACK CORPORATION	:	

TO: [***INSERT CLASS MEMBER NAME***]

CLASS ACTION SETTLEMENT NOTICE

YOU ARE COVERED BY THE SETTLEMENT OF THIS CLASS ACTION LAWSUIT.

UNDER THE SETTLEMENT, YOU ARE ENTITLED TO RECEIVE A PAYROLL CHECK IN THE PRE-TAX AMOUNT OF APPROXIMATELY **$[*INSERT*]**.

READ THIS DOCUMENT CAREFULLY. IT SUMMARIZES THE TERMS OF THE SETTLEMENT AND EXPLAINS YOUR RIGHTS UNDER THE SETTLEMENT.

1. Why did I get this notice?

The United States District Court for the Eastern District of Pennsylvania ("Court") presides over this Lawsuit, which was filed in April 2013 by Plaintiff David Verderame ("Plaintiff") against Defendant RadioShack Corporation ("RadioShack").

Based on RadioShack's payroll records, you are covered by the Lawsuit. This makes you a "Class Member."

The Lawsuit has been settled. This Notice provides you with basic information about the settlement, your anticipated pre-tax settlement award, and your right to object to or exclude yourself from the settlement.

2. What is the lawsuit about?

The Lawsuit alleges that the method by which RadioShack calculated the overtime premium pay for certain of its Pennsylvania Store Managers since April 2013, known as the Fluctuating Workweek Method, violated Pennsylvania state law. RadioShack has denied the allegation and claims that its method of calculating overtime is lawful.

RadioShack calculated the overtime premium pay for certain Pennsylvania Store Managers ("SMs") as follows: First, the SM's hourly pay rate is determined by dividing the SM's weekly salary by the total number of hours worked during the week. Next, the SM receives an extra overtime payment equaling **50%** of this hourly pay rate for each hour worked over 40.

In this Lawsuit, Plaintiff claims that the Pennsylvania Minimum Wage Act requires that SMs receive extra overtime pay equal to ***150%*** of the hourly pay rate.

RadioShack strongly disagrees with Plaintiff's claim and asserts that it has properly calculated overtime pay under Pennsylvania state law.

3. What does the settlement provide?

RadioShack has agreed to pay a total of $700,000.00 to settle the Lawsuit. Under the settlement, $513,000.00 will be paid to [*insert*] Class Members, $185,000.00 will be paid to the law firms identified in Section 7 below, and a $2,000.00 service award will be paid to the Plaintiff.

As indicated above, your share of the settlement is approximately **$[*insert*]**. This payment will be made in the form of a payroll check. All ordinary payroll and income taxes will be withheld from this payroll check. This payment will be reported to the IRS on an IRS Form W-2 following the end of the calendar year in which the payment is made.

4. Why is there a settlement?

The settlement is a compromise. The settlement allows the parties to avoid the costs and risks of further litigation and provides money to Class Members without significant delay. It may also allow Class Members to avoid the risks associated with RadioShack's current financial condition.

5. How can I receive a settlement payment?

You do not need to do anything to receive a settlement payment. Unless you exclude yourself from the settlement by following the procedure described in Section 8 below, you will receive a settlement payment. These payments will not be made unless and until the Court approves the settlement as fair and reasonable.

6. What do I give up under the settlement?

If you do not exclude yourself from the settlement by following the procedure described in Section 8 below, you will release and forever discharge RadioShack (including all of its past, present and future parents, subsidiaries, affiliates, successors and predecessors, and each of their shareholders, directors, officers, employees, insurers, lawyers, and agents) from any and all claims alleged in the Lawsuit, including all overtime rights claims under the Pennsylvania Minimum Wage Act, the Pennsylvania Wage Payment and Collection Law, the Fair Labor Standards Act, or any other federal, state or local law or legal theory.

If you currently have a pending legal claim or lawsuit against RadioShack or if you anticipate filing a future legal claim or lawsuit based on events that already have taken place, you should immediately consult with your attorney about this settlement and the impact of this release on your current or anticipated legal claims or lawsuits.

You or your attorney can receive a complete copy of the settlement agreement, which contains the complete release language, by contacting the law firms identified in Section 7 below.

7. Do I have a lawyer in this case?

The Court has designated the following law firms to serve as "Class Counsel" and to represent the interests of you and the other Class Members: Winebrake & Santillo, LLC, 715 Twining Road, Suite 211, Dresher, PA

19025 (Phone: 215-884-2491) and Nichols Kaster, PLLP, 4600 IDS Center, 80 South Eighth Street, Minneapolis, MN 55402 (Phone: 612-256-3200. Nothing prohibits you from speaking with other lawyers about the Lawsuit or this Notice.

The above law firms represent your legal interests. Their attorneys will answer your questions in strict confidence. If you call, please identify yourself as a "Class Member" in the "RadioShack Pennsylvania Overtime Lawsuit" and ask to speak with an attorney.

8. How do I exclude myself from the settlement?

To exclude yourself from the settlement, you must prepare a letter stating that you wish to be excluded from the "Verderame v. RadioShack Lawsuit." Be sure to include your full name, address, telephone number. You must sign the letter. ***To be valid, the exclusion request must be postmarked no later than [INSERT DATE] and must be mailed to***:

RadioShack Pennsylvania Overtime Lawsuit
c/o Strategic Claims Services
600 North Jackson Street, Suite 3
Media, PA 19063

If you exclude yourself from the settlement, you will not receive any settlement payment and you will not be legally bound by the settlement or any release of claims against RadioShack.

9. How do the Plaintiff's attorneys get paid?

The law firms identified in Section 7 above have worked on the Lawsuit since April 2013 without receiving any payment for their time or out-of-pocket expenses. Under the settlement, these law firms will ask the Court for fees and expenses totaling $185,000.00. The requested attorney's fee is 25% of the total $700,000.00 settlement fund.

You will ***not*** pay any additional legal fees or expenses out of your individual share of the settlement proceeds.

10. How do I object to the settlement?

You may object to the settlement if, for any reason, you believe it should not be approved by the Court. The Court will consider your objections in deciding whether to approve the settlement.

To object to the settlement, you must prepare a letter stating that you object to the settlement in the "Verderame v. RadioShack Lawsuit." The letter must include your full name, address, and telephone number. You must sign the letter. Also, the letter should describe why you object to the settlement and whether you or your representative intend to speak at the final approval hearing. If you have objected to any other class action settlement within the past five years, you must identify each settlement and describe the outcome of your objection.

To be valid, an objection should be postmarked no later than [INSERT DATE, and mailed to:

RadioShack Pennsylvania Overtime Lawsuit

c/o Strategic Claims Services
600 North Jackson Street, Suite 3
Media, PA 19063

11. When and where will the Court decide whether to approve the settlement?

The Court will hold a hearing to decide whether to approve the settlement. ***You are not required or expected to attend the hearing.*** However, you certainly are welcome to attend.

At the hearing, the Court will consider whether the settlement (including the requested attorney's fee) is fair and reasonable. The Court will consider all objections to the settlement, regardless of whether or not the Class Member appears at the hearing. The Court will also hear from any Class Members who have submitted an objection and indicated that they wish to speak at the hearing.

The Court will hold the hearing on **[*insert date and time*]** at the United States District Court for the Eastern District of Pennsylvania, James A. Byrne U.S. Courthouse, 601 Market Street, Courtroom **[*insert*]**, Philadelphia, PA 19106.

12. How do I obtain more information?

This Notice summarizes the most important aspects of the settlement. You can obtain more information and request a copy of the entire settlement agreement by calling the law firms listed in Section 7 above.

Date: **[*insert*]**, 2014 Approved: Hon. David Strawbridge
U.S.D.C, Eastern District of Pennsylvania

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

DAVID VERDERAME, Plaintiff,	:	2:13-cv-02539-MSG-DS
v.	:	
RADIOSHACK CORPORATION, Defendant.	:	

ORDER GRANTING PRELIMINARY
APPROVAL OF CLASS ACTION SETTLEMENT

AND NOW, this _____ day of ________________, 20___, upon consideration of Plaintiff's "Unopposed Motion for Preliminary Approval of the Class Action Settlement" ("Motion") (Doc. 42) and all accompanying papers, including the "Class Action Settlement Agreement" ("Agreement") (Doc. 42-1) and the legal brief filed by Class Counsel (Doc. 43), it is hereby **ORDERED** that:

1. The Motion is **GRANTED**, and the settlement of this class action is **PRELIMINARILY APPROVED** for the Class, as certified by the Court on November 24, 2014. See Doc. 40 at ¶ 1.

2. The "Class Action Settlement Notice" ("Notice") attached to the Agreement as Exhibit A and the notice protocols described in Paragraph 6 of the Agreement are approved pursuant to Federal Rule of Civil Procedure 23(c)(2)(B), and the Parties are directed to strictly follow the agreed-upon protocols.

3. Class Members who wish to object to the settlement must follow the procedures described in Section 10 of the Notice, and Class Members who wish to exclude themselves from the settlement must follow the procedures described in Section 8 of the Notice.

4. Pursuant to Federal Rule of Civil Procedure 23(e), a hearing addressing final approval of the settlement, which will include an assessment of the Class Counsel's requested attorney's fees and expenses, will be held at the United States Courthouse, 601 Market Street, Philadelphia, PA 19106 in Courtroom _____ at _________ on ___________________, 2015.

5. At least seven days prior to the final approval hearing, Class Counsel must file all papers in support of final approval of the settlement and the requested attorney's fees/expenses.

SO ORDERED:

____
, J.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

DAVID VERDERAME, Plaintiff,	:	2:13-cv-02539-MSG-DS
v.	:	
RADIOSHACK CORPORATION, Defendant.	:	

PLAINTIFF'S MEMORANDUM OF LAW IN SUPPORT OF HIS UNOPPOSED MOTION FOR PRELIMINARY APPROVAL OF THE CLASS ACTION SETTLEMENT

Plaintiff David Verdame ("Plaintiff") submits this memorandum of law in support of his motion for preliminary approval of his proposed class action settlement with Defendant Radioshack Corporation ("Defendant"). The Class Action Settlement Agreement ("Agreement") accompanies the motion. *See* Doc. 42-1. For the following reasons, the Court should preliminary approve the Agreement and the notice protocols described therein:

I. BACKGROUND

A. Procedural History.

In April 2013, Plaintiff commenced this class action lawsuit in the Philadelphia Court of Common Pleas, alleging that Defendant violated the Pennsylvania Minimum Wage Act ("PMWA"), 43 P.S. §§333.101, *et seq.*, by utilizing the Fair Labor Standards Act's ("FLSA's") "fluctuating workweek" methodology ("FWM") to calculate the overtime premium pay owed to certain salaried Store Managers ("SMs") employed in Pennsylvania. The FWM is described at 29 C.F.R. § 778.114 and is clearly permissible under the FLSA. However, according to Plaintiff, the FWM is not permitted under the PMWA.

In May 2013, Defendant removed the lawsuit to this Court. During a September 2013 scheduling conference, the Court and the parties agreed that the FWM's legality under the

PMWA was a threshold legal issue worthy of early resolution. Accordingly, the Court ordered the parties to file cross-motions addressing the following question: "Does Radio[S]hack's use of the [FWM] for calculating overtime pay violate the Pennsylvania Minimum Wage Act." *See* Doc. 20. These cross motions were fully briefed by December 2013. *See* Docs. 21-26.

In July 2014, the Court issued a memorandum opinion explaining that the PMWA does not permit the FWM and holding that Defendant's "method of computing overtime violates the PMWA's requirement that employees be paid overtime 'not less than one and one-half times the employee's regular rate.'" Verderame v. RadioShack Corp., 2014 U.S. Dist. LEXIS 93688, *1 (E.D. Pa. July 10, 2014) (quoting 43 P.S. § 333.104(c)).

In October 2014, the Court presided over a scheduling conference during which the parties agreed that various issues remained outstanding, including, *inter alia*, (i) whether the lawsuit should be certified as a class action, (ii) the amount of unpaid overtime allegedly owed to Plaintiff and the putative class, and (iii) whether, Defendant – notwithstanding its contemporaneous use of the FWM to pay overtime to Plaintiff – could assert that Plaintiff was an overtime-exempt "executive" or "administrator." At the conclusion of the conference, the Court entered a scheduling order setting deadlines for discovery and for Plaintiff's anticipated class certification motion. See Doc. 34.

Meanwhile, discovery was ongoing. Defendant produced to Class Counsel all pertinent policy documents and class-wide payroll data for the time period from April 5, 2010[1] until August 8, 2014. Based on an analysis of the payroll data, the parties agreed that the class

[1] Since Plaintiff's Common Pleas Court complaint was filed on April 5, 2013, the class period extends backwards to April 5, 2010 due to the PMWA's three-year limitations period. See Gonzalez v. Bustleton Services, Inc., 2010 U.S. Dist. LEXIS 23158, *19-21 (E.D. Pa. Mar. 5, 2010).

members' alleged unpaid overtime totaled approximately $3.9 million as of August 8, 2014.

On November 19, 2014, Judge Strawbridge presided over an in-person settlement conference. Prior to the conference, the parties exchanged detailed memoranda and attachments addressing the relative strengths and weaknesses of their positions. The conference was a success, and the parties agreed to settle this lawsuit pursuant to the terms described in Section I.B below.

Importantly, as part of the settlement, Defendant agreed to the certification of this lawsuit as a class action. This agreement is reflected in the Court's November 24, 2014 Order certifying the following class: "All individuals employed by Defendant in Pennsylvania who, during any workweek since April 5, 2010, had their overtime pay calculated pursuant to the fluctuating workweek method." Doc. 40 at ¶ 1. This class consisted of approximately 545 individuals. The Court also appointed the undersigned law firms to serve as Class Counsel. See id. at ¶ 3.

B. The Settlement Terms.

Under the settlement, Defendant will pay a total of $700,000. See Agreement (Doc. 42-1) at ¶ 3. Of this amount: (i) $513,000 will be paid to the class members, see id. at pp. 2-3 (defining "Settlement Share"); (ii) $185,000 will be paid to Class Counsel to cover all attorney's fees and expenses (including expenses incurred by the third-party settlement administrator), see id. at ¶ 12;[2] and (iii) a $2,000 service award to Plaintiff, see id. at ¶ 11. The settlement is not contingent on the Court's approval of the requested attorney's fees, expenses, or service award, see id. at ¶¶ 11-12, and any disapproved monies will be distributed to the class members, see id.

Importantly, class members are ***not*** required to file a claim to receive a settlement

[2] After this $185,000 payment is reduced for expenses, Class Counsel's fee will be less than 25% of the $700,000 settlement fund.

payment. See Agreement (Doc. 42-1) at ¶¶ 6, 10. Rather, all class members will receive a payment unless they exclude themselves from the settlement. See id. Moreover, the settlement is entirely ***non-reversionary***. Any funds from uncashed checks will be contributed to the Pennsylvania IOLTA Board. See id. at ¶ 10.

Finally, class members who do not exclude themselves from the settlement are bound by a limited release that covers claims that were pled in or are reasonably related to the lawsuit. See Agreement (Doc. 42-1) at ¶ 6.

C. **Why Plaintiff Settled.**

As already explained, the settlement will distribute (free and clear of attorney's fees and expenses) $513,000 in payments to the class members. As of August 8, 2014, the class's alleged unpaid overtime wages totaled approximately $3.9 million. Class Counsel estimates that this amount will increase to approximately $4.2 million once the payroll data is updated through December 2014. In sum, the settlement enables class members to recover approximately 12% of their alleged unpaid overtime wages.

Here is why Plaintiff and Class Counsel agreed to settle under the above terms:

First, as is widely known, Defendant's financial circumstances are dire, and it is quite possible that it will declare bankruptcy sometime in 2015. See New York Times Article entitled "RadioShack Bankruptcy Filing Could Be Near" September 11, 2014 (attached as Appendix 1); Defendant's SEC 10-Q Statement for Period Ending November 1, 2014 at pp. 6-7 (attached as Appendix 2).

Second, the settlement has enabled Plaintiff to obtain class certification. Based on Class Counsel legal research, it will be extremely advantageous for class members to enter any future bankruptcy proceedings as members of a class that *already* is certified by this Court. Otherwise,

there is a risk that individual class members would be required to file individual claims with the Bankruptcy Court (which, of course, very few class members would have the wherewithal to do).

Third, the settlement enables Plaintiff and the class to avoid litigation risks, including a possible finding that Plaintiff and the class are overtime-exempt executives or administrators. While Plaintiff believes he ultimately could defeat this argument, some courts have found appeal to Defendant's arguments that certain store managers are overtime-exempt. See Goldman v. RadioShack Corp., 2006 U.S. Dist. LEXIS 2433 (E.D. Pa. Jan. 23, 2006); Madely v. RadioShack Corp., 742 N.W.2d 559 (Wis. App. 2007).

II. ARGUMENT

A. Preliminary Approval Is Warranted.

Federal courts must approve class action settlements in order to ensure that class members receive sufficient notice of the settlement and that the settlement is "fair, reasonable, and adequate." Fed. R. Civ. P. 23(e)(2). Approval of a class action settlement entails a two-step process. Initially, the court makes a preliminary determination of the settlement's fairness. If the court preliminarily determines that the settlement is fair, settlement class members are notified of the settlement and a final fairness hearing is scheduled. Later, at the final fairness hearing, the court undertakes a more thorough evaluation of the settlement's fairness, reasonableness, and adequacy. See generally In re: Automotive Refinishing Paint Antitrust Litig., 2004 U.S. Dist. LEXIS 29163, *2-5 (E.D. Pa. May 10, 2004); Manual for Complex Litigation, Fourth, § 21.632.

Preliminary approval merely "establishes an initial presumption of fairness," In re GMC Pick-Up Truck Fuel Tank Prod. Liab. Litig., 55 F.3d 768, 785 (3d Cir. 1995), and confirms that "the proposed settlement does not disclose grounds to doubt its fairness or other obvious deficiencies," In re Automotive Refinishing Paint Antitrust Litig., 2003 U.S. Dist LEXIS 4641,

*2-3 (E.D. Pa. Mar. 17, 2003); accord Dugan v. Towers, 2013 U.S. Dist. LEXIS 136305, *12 (E.D. Pa. Sept. 24, 2013) (Goldberg, J.); Harry M. v. Pennsylvania Dept. of Public Welfare, 2013 U.S. Dist. LEXIS 48758, *3 (M.D. Pa. Apr. 4, 2013); Hanlon v. Palace Entertainment Holdings, LLC, 2012 U.S. Dist. LEXIS 364, *14 (W.D. Pa. Jan. 3, 2012); Mehling v. New York Life Ins. Co., 246 F.R.D. 467, 472 (E.D. Pa. 2007).

Applying the above principles to this lawsuit, the Court should preliminarily approve the proposed settlement. The settlement is the product of arms-length bargaining by experienced counsel armed with discovery and a full understanding of the litigation risks. See Section I supra. In this regard, the fact that settlement was reached during adversarial settlement proceedings presided over by Judge Strawbridge weighs heavily in favor of preliminary approval. See, e.g., Vines v. Covelli Enterprises, 2012 U.S. Dist. LEXIS 170870, *16-18 (W.D. Pa. Nov. 30, 2012).

Moreover, evidence of collusion or self-dealing is non-existent. The $700,000 settlement payment is non-reversionary, leaving Defendant with no financial incentive to encourage class members to exclude themselves from the settlement. Also, after reductions for litigation and settlement administration expenses, Class Counsel will recover fees that are less than 25% of the common fund. Such fees are below-average, see Creed v. Benco Dental Supply Co., 2013 U.S. Dist. LEXIS 132911, *17 (M.D. Pa. Sept. 17, 2013) (citing cases), and belie any suggestion that this is a "fee-driven" settlement.

In sum, the settlement warrants preliminary approval.

B. The Class Notice Plan Should be Approved.

When a class action lawsuit is settled, "[t]he court must direct to class members notice in a reasonable manner to all class members who would be bound by the proposal." Fed. R. Civ. P. 23(e)(1). As Your Honor has observed, "notice by first-class mail . . . has long been considered

to satisfy due process in the class action context." Dugan, 2013 U.S. Dist. LEXIS 136305, AT *16-17.

Here, the notice process required by the Agreement warrants Court approval. The notice process will be overseen by an experienced third-party administrator, see Agreement (Doc. 42-1) at p. 3 (defining "TPA"), with possession of all class members' contact information, see id. at ¶ 6. Promptly after the preliminary approval, the administrator will mail to each class member a settlement notice. See id. The administrator also will update the address information for any class member whose notice is returned as undeliverable and will promptly re-mail the notice to any updated address. See id.

The notice is written in clear language and accurately describes the settlement, the scope of the release, and the process class members must follow to object to or be excluded from the settlement. See Agreement (Doc. 42-1) at Ex. A. Moreover, unlike many other class action settlements, the notices are individually addressed to each class member and specifically tell each class member the amount of his/her individual recovery.

In sum, the notice protocols are first-rate and should be approved.

IV. CONCLUSION

For the above reasons, the Court should grant this motion and enter the accompanying proposed order.

Date: December 16, 2014

Respectfully submitted,

/s/ Peter Winebrake

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Class Counsel

The New York Times

RadioShack Bankruptcy Filing Could Be Near

By William Alden

September 11, 2014 10:28 am

Related Links
S.E.C. filing

RadioShack, the struggling electronics retailer that is quickly running out of cash, said on Thursday that it might have to file for bankruptcy protection, or even liquidate, if it cannot arrange a lifeline.

In a stark disclosure of its deteriorating financial situation, RadioShack said in a regulatory filing that, absent an external solution, it would be unable to finance its operations "beyond the very near term," raising doubts about its future in business.

RadioShack said it was in talks with third parties and its financial stakeholders about a number of possible options, including a sale, a significant new investment or a restructuring. The company said that some form of recapitalization "may be our most likely course of action," but that it could not guarantee such a deal.

Should the company fail to find a solution, RadioShack may be forced to file for Chapter 11 bankruptcy protection, it said. In a still more drastic step, RadioShack added, it could be forced to liquidate.

Once an important player in the technology world, RadioShack began to look increasingly obsolete as the digital revolution passed it by, and it has reported an unbroken string of quarterly losses since the beginning of 2012. The company has undertaken a restructuring effort for the last 18 months, though its ability to close stores has been limited by its agreement with its lenders.

RadioShack's stock price, as low as 55 cents in August, rose 9.6 percent on Thursday, to $1.02 a share.

The disclosure on Thursday came as RadioShack reported financial results for its second quarter, which ended Aug. 2. The company said its net revenue fell 22

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percent, to $673.8 million, from the period a year earlier, while its losses widened to $137.4 million from $52.2 million.

The company said it had $30.5 million in cash as of Aug. 2, compared with $179.8 million at the end of 2013. The available borrowing in its credit facility stood at $152 million as of Aug. 2, while the company's debt totaled $656.9 million.

For decades, RadioShack's stores supplied mainstream consumers and gadget geeks alike with all manner of electronics, as well as the spare parts to fix or customize them. But major shifts in technology and retailing — including fierce competition in the wireless business and the move toward online shopping — have eroded its sales.

The company's response under Joseph C. Magnacca, who became the chief executive last year, has involved revamping some store locations while trying to close others. But after announcing this year that it would close up to 1,100 locations, RadioShack soon said its lenders would not let the plan go forward. A bankruptcy or other restructuring could allow the company to renegotiate such contracts.

"We are working to address our challenges head-on," Mr. Magnacca said in a statement on Thursday.

In response to the grim disclosure, analysts and bankruptcy experts considered what might lie in store for RadioShack.

Lawrence Perkins, the chief executive of a Los Angeles-based turnaround advisory firm called SierraConstellation Partners, said that even if the company were to shrink sharply, its brand would likely live on in some form, perhaps under a new owner.

"You could poll any American and they've probably heard of RadioShack, Mr. Perkins said. "That's worth something to someone."

A version of this article appears in print on 09/12/2014, on page B3 of the NewYork edition with the headline: RadioShack Sees Filing for Bankruptcy Near.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the period ended November 1, 2014

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: 1-5571

RADIOSHACK CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**75-1047710**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Mail Stop CF3-201, 300 RadioShack Circle, Fort Worth, Texas	**76102**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) **(817) 415-3011**

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 __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No __

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes __ No X

The number of shares outstanding of the issuer's Common Stock, $1 par value, on November 30, 2014, was 100,702,386 (excluding 1,427,489 shares of restricted stock that were outstanding on such date)

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RADIOSHACK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(In millions, except per share amounts)	13 Weeks Ended November 1, 2014	Three Months Ended October 31, 2013	39 Weeks Ended November 1, 2014	Nine Months Ended October 31, 2013
Net sales and operating revenues	$ 650.2	$ 775.4	$ 2,060.7	$ 2,485.2
Cost of products sold (includes depreciation amounts of $1.9 million, $2.3 million, $6.8 million, and $6.7 million, respectively)	436.0	534.2	1,340.2	1,601.6
Gross profit	214.2	241.2	720.5	883.6
Operating expenses:				
Selling, general and administrative	313.8	352.8	973.3	1,020.9
Depreciation and amortization	11.9	14.6	37.7	46.1
Impairment of long-lived assets and goodwill	2.6	2.4	24.0	6.6
Total operating expenses	328.3	369.8	1,035.0	1,073.6
Operating loss	(114.1)	(128.6)	(314.5)	(190.0)
Interest income	0.2	0.2	1.2	0.9
Interest expense	(18.4)	(10.2)	(51.9)	(38.9)
Other loss (See Note 4)	(28.1)	—	(28.1)	(0.3)
Loss from continuing operations before income taxes	(160.4)	(138.6)	(393.3)	(228.3)
Income tax expense (benefit)	0.7	(2.7)	3.5	(17.7)
Loss from continuing operations	(161.1)	(135.9)	(396.8)	(210.6)
Discontinued operations, net of income taxes	—	—	—	(5.5)
Net loss	$ (161.1)	$ (135.9)	$ (396.8)	$ (216.1)
Basic and diluted net loss per share:				
Loss per share from continuing operations	$ (1.58)	$ (1.35)	$ (3.89)	$ (2.09)
Loss per share from discontinued operations	—	--	—	(0.05)
Net loss per share	$ (1.58)	$ (1.35)	$ (3.89)	$ (2.14)
Shares used in computing net loss per share:				
Basic and diluted	102.0	101.1	101.9	100.8
Comprehensive loss	$ (161.3)	$ (136.6)	$ (396.5)	$ (216.5)

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

RADIOSHACK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (unaudited)

(In millions, except share amounts)	November 1, 2014	February 1, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents	$ 43.3	$ 109.6	$ 179.8
Accounts and notes receivable, net	152.0	154.1	211.9
Inventories	666.4	807.8	802.3
Other current assets	100.2	80.1	139.0
Total current assets	961.9	1,151.6	1,333.0
Property, plant and equipment, net	164.5	186.3	187.2
Other assets, net	73.9	72.7	71.0
Total assets	$ 1,200.3	$ 1,410.6	$ 1,591.2
Liabilities and Stockholders' (Deficit) Equity			
Current liabilities:			
Current maturities of long-term debt	$ 0.1	$ 1.1	$ 1.1
Accounts payable	158.1	234.7	376.4
Accrued expenses and other current liabilities	204.1	206.4	207.1
Total current liabilities	362.3	442.2	584.6
Long-term debt, excluding current maturities	841.4	613.0	613.0
Other non-current liabilities	183.3	186.7	187.2
Total liabilities	1,387.0	1,241.9	1,384.8
Commitments and contingencies (See Note 9)			
Stockholders' (deficit) equity:			
Preferred stock, no par value, 1,000,000 shares authorized:			
Series A junior participating, 300,000 shares designated and none issued	—	—	—
Common stock, $1 par value, 650,000,000 shares authorized; 146,033,000 shares issued	146.0	146.0	146.0
Additional paid-in capital	159.6	122.9	123.6
Retained earnings	520.6	923.0	960.6
Treasury stock, at cost; 45,338,000, 45,686,000, and 45,735,000 shares, respectively	(1,006.4)	(1,016.4)	(1,017.7)
Accumulated other comprehensive loss	(6.5)	(6.8)	(6.1)
Total stockholders' (deficit) equity	(186.7)	168.7	206.4
Total liabilities and stockholders' (deficit) equity	$ 1,200.3	$ 1,410.6	$ 1,591.2

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

RADIOSHACK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (unaudited)

(In millions)	39 Weeks Ended November 1, 2014	Nine Months Ended October 31, 2013
Cash flows from operating activities:		
Net loss	$ (396.8)	$ (216.1)
Adjustments to reconcile net loss to net cash		
(used in) provided by operating activities:		
Depreciation and amortization	44.5	53.6
Deferred income taxes	—	0.9
Amortization of discounts on long-term debt	2.8	6.0
Impairment of long-lived assets and goodwill	24.0	6.6
Stock-based compensation	5.2	6.2
Provision for credit losses and bad debts	0.8	0.1
Write-off of debt issuance costs and debt discount	25.4	—
Other non-cash items	8.2	3.4
Changes in assets and liabilities:		
Accounts and notes receivable	2.0	185.2
Inventories	140.9	184.8
Other current assets	(13.2)	(16.9)
Accounts payable	(93.6)	54.9
Accrued expenses and other	0.7	(0.8)
Income taxes	(0.4)	(0.3)
Net change in liability for unrecognized tax benefits and accrued interest	2.5	(16.1)
Other	4.1	(1.6)
Net cash (used in) provided by operating activities	(242.9)	249.9
Cash flows from investing activities:		
Additions to property, plant and equipment	(39.8)	(32.6)
Proceeds from sale of property, plant and equipment	—	6.4
Changes in restricted cash	3.0	25.2
Other investing activities	0.1	—
Net cash used in investing activities	(36.7)	(1.0)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	650.5	—
Repayments of long-term debt	(420.7)	(286.9)
Payments of debt issuance costs	(33.8)	(0.8)
Changes in cash overdrafts	17.3	(67.8)
Net cash provided by (used in) financing activities	213.3	(355.5)
Net decrease in cash and cash equivalents	(66.3)	(106.6)
Cash and cash equivalents, beginning of period	109.6	403.2
Cash and cash equivalents, end of period	$ 43.3	$ 296.6

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

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 – BASIS OF PRESENTATION

In November 2013, our Board of Directors approved a change in our fiscal year end from December 31 to the Saturday nearest January 31 of each year. The change, which aligns our reporting cycle with the National Retail Federation 4-5-4 fiscal calendar and is expected to provide for more consistent quarter-to-quarter comparisons, is effective for our 2015 fiscal year. Our 2015 fiscal year began on February 2, 2014, and will end January 31, 2015, resulting in a transition period, that began January 1, 2014, and ended February 1, 2014, our 2014 fiscal year. This Form 10-Q includes the unaudited results for the 13 weeks and 39 weeks ended November 1, 2014, and the three and nine months ended October 31, 2013. Prior period information has been recast to the month end dates that most closely align with the new fiscal calendar. The prior period financial statements have not been recast on a 4-5-4 calendar basis because it was impractical.

Throughout this report, the terms “our,” “we,” “us,” “Company,” and “RadioShack” refer to RadioShack Corporation, including its subsidiaries. We prepared the accompanying unaudited condensed consolidated financial statements, which include the accounts of RadioShack and all majority-owned domestic and foreign subsidiaries, in accordance with the rules of the Securities and Exchange Commission. Accordingly, we did not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In management’s opinion, all adjustments of a normal recurring nature considered necessary for a fair statement are included. However, our operating results for the 13 weeks and 39 weeks ended November 1, 2014, and the three and nine months ended October 31, 2013, do not necessarily indicate the results you might expect for the full year. For further information, refer to our consolidated financial statements and management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2013. We have reclassified certain prior period amounts to conform to the current period presentation.

LIQUIDITY

We have experienced losses for the past two years that continued to accelerate into the third quarter of fiscal 2015, primarily attributed to a prolonged downturn in our business. Our ability to generate cash from operations depends in large part on the level of demand for our products and services. We continue to face an uncertain business environment and a number of fundamental challenges in our mobility business due to lack of availability of new devices launched during the period, aggressive price competition and intense wireless carrier marketing activities. Our retail business also faces the challenge of revamping our product assortment to anticipate and meet our customers’ needs and wants to produce profitable operating margins. We believe these challenging market conditions will continue into fiscal year 2016.

Given our negative cash flows from operations and our expected cash needs for the next twelve months and over the longer term as discussed in Note 4 – “Restructuring and Impairment,” we entered into definitive agreements to provide additional near-term liquidity and serve as a first step in our efforts to effect our recapitalization. We continue tightly managing our cash and monitoring our liquidity position and have implemented a number of initiatives to conserve our liquidity position.

As part of the anticipated next phase of the recapitalization plan, we continue to explore alternatives and have engaged in discussions with our existing and potential new lenders in an effort to create a long-term solution. If we do not improve our cash flow from operations and refinance our existing debt, we may not have enough cash and working capital to continue to fund our operations beyond the near term, which raises substantial doubt about our ability to continue as a going concern.

To date, we have closed 175 underperforming stores since the beginning of the current fiscal year. We may close additional underperforming stores and take other measures to reduce our cost structure. The actual number of store closures could vary considerably depending on the specific restructuring alternative implemented. Our ability to close stores is limited by covenants contained in our debt agreements, and prior efforts to obtain consents from our lenders to close greater numbers of stores have been unsuccessful.

There can be no assurance that our efforts to further restructure our debt or operations will be successful. Even if successful, our restructuring efforts could have materially adverse effects on our business and on the market price of our securities. If our restructuring efforts are not successful, or cannot be completed in a timely manner, or if we are unable to improve our liquidity or if we fail to meet certain conditions of the recapitalization plan described in Note 4 – “Restructuring and Impairment,” we may be required to seek to implement in-court bankruptcy proceedings, which could result in a default on our debt with our lenders and/or the liquidation of the Company and the loss of your investment in the Company.

As of November 1, 2014, we had $43.3 million in cash and cash equivalents. Additionally, we had availability under our 2018 Credit Facility of $19.3 million as of November 1, 2014. This resulted in a total liquidity position of $62.6 million at November 1, 2014.

On December 1, 2014, the Company received a notice of default and acceleration asserting that events of default have occurred and are continuing under the SCP Credit Agreement (defined below). The Company disagrees with the assertions contained in the notice of default that any event of default has occurred. See Note 12 – "Subsequent Events" for further discussion.

NOTE 2 – NEW ACCOUNTING STANDARDS

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under ASU 2014-08, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income and expenses of discontinued operations. ASU 2014-08 is effective for fiscal and interim periods beginning on or after December 15, 2014. We are currently evaluating the impact of the adoption of ASU 2014-08.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 provides guidance that companies will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which a company expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date will be the first quarter of fiscal year 2018 using one of two retrospective application methods. We have not determined the potential effects on the consolidated financial statements.

In Jun
e 2014, the FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* ("ASU
2014-12"). ASU
2014-12
requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2014-12.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. Earlier adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2014-15.

NOTE 3 – DISCONTINUED OPERATIONS

We account for closed retail locations as discontinued operations when the cash flows of a retail location have been eliminated from our ongoing operations and we do not have any significant continuing involvement in its operations. In reaching the determination as to whether the cash flows of a retail location have been eliminated from our ongoing operations, we consider whether it is likely that customers will migrate to our other retail locations in the same geographic market.

We ceased operating all of our Target Mobile centers prior to March 31, 2013. See Note 1 – "Description of Business – Discontinued Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2013, for further information.

Net sales and operating revenues related to these discontinued operations were zero for the 13 weeks and 39 weeks ended November 1, 2014, compared with zero and $46.6 million for the three and nine months ended October 31, 2013. The income (loss) before income taxes for these discontinued operations was zero for the 13 weeks and 39 weeks ended November 1, 2014, compared with losses of zero and $5.2 million for the three and nine months ended October 31, 2013.

NOTE 4 – RESTRUCTURING AND IMPAIRMENT

As announced on October 3, 2014, we entered into definitive agreements to provide additional near-term liquidity and serve as a first step in efforts to effect a recapitalization of our business. A summary of the material terms of these agreements is included below.

Loan Sale Agreement. We, together with certain of our subsidiaries designated as credit parties, entered into the Loan Sale Agreement (the "Loan Sale Agreement") with General Electric Capital Corporation ("GE Capital"), certain other entities party

thereto (together with GE Capital, collectively, the "Sellers"), General Retail Holding L.P. ("GRH") and General Retail Funding LLC ("GR Funding" and, together with GRH, the "Purchasers") and, solely with respect to Section 7(h) of the Loan Sale Agreement, Standard General Master Fund L.P. and certain of its affiliates. The Purchasers are affiliates of Standard General L.P. ("Standard General"). Pursuant to the Loan Sale Agreement, each Seller sold to the Purchasers all of such Seller's interest in the loans, commitments and other financial accommodations to or for our benefit, as evidenced by the 2018 Credit Agreement (defined below), together with the instruments, documents and agreements delivered in connection with the 2018 Credit Agreement. However, under the Loan Sale Agreement, we released the Sellers from specified liabilities and agreed to indemnify the Sellers for specified matters as described in Section 7 of the Loan Sale Agreement.

First Amendment to 2018 Credit Agreement. We, together with certain of our subsidiaries designated as credit parties, entered into the First Amendment to Credit Agreement dated as of October 3, 2014, (the "First Amendment") with the lenders party thereto and Cantor Fitzgerald Securities ("Cantor"), in its capacity as the successor to GE Capital as the administrative agent for the lenders (the "ABL Agent"). The First Amendment amends the Credit Agreement dated as of December 10, 2013 (as amended by the First Amendment, the "2018 Credit Agreement") among the Company, certain of our subsidiaries that are designated as credit parties, the lenders party thereto and the ABL Agent.

The First Amendment subdivided the revolving credit commitments under the 2018 Credit Agreement into (1) a facility of an aggregate principal amount of up to $275.0 million of outstanding revolving loans to be converted into term loans, (2) a facility available solely for letters of credit in an aggregate principal amount of up to $120.0 million, and (3) a facility available solely for revolving loans in an aggregate principal amount of up to $140.0 million, in each case on the terms and subject to the conditions set forth therein.

The First Amendment includes an agreement among the parties to release the discretionary borrowing base reserves under the 2018 Credit Agreement, and restore the methods used to calculate the borrowing base to those used in December 2013, in each case until the earlier of an event of default or March 15, 2015. After such time, the lenders may impose discretionary reserves and change the method of calculating the borrowing base. These changes increased the amount of borrowing availability as of October 3, 2014, by approximately $142.3 million, which was immediately accessed by us.

In addition to subdividing the facilities described above, the First Amendment also amended the 2018 Credit Agreement to permit the letter of credit lenders under the 2018 Credit Agreement to convert funded obligations owed to them into shares of a new series of our preferred stock as described below under the "Recapitalization and Investment Agreement." The First Amendment also adds an additional event of default under the 2018 Credit Agreement that would result if certain steps under the Recapitalization Agreement are not completed on or before March 15, 2015. These steps include (1) entry into an amendment to, or a replacement contract for, our current contract with a third party supplier described below under the "Recapitalization and Investment Agreement," (2) completion of the Rights Offering described below, and (3) taking the necessary actions to ensure that our board of directors is reconstituted as contemplated by the Recapitalization Agreement described below.

The First Amendment also includes certain other amendments that will become effective upon (1) a refinancing of the Credit Agreement, dated as of December 10, 2013 (the "SCP Credit Agreement"), among the Company, certain of our subsidiaries, the lenders party thereto (the "SCP Lenders"), and Salus Capital Partners, LLC ("Salus") as agent for the SCP Lenders ("the "SCP Agent") or (2) an amendment to the SCP Credit Agreement that incorporates these same amendments. The additional amendments to the 2018 Credit Agreement include (1) eliminating the prohibition against sale/leaseback transactions, (2) permitting the sale of inventory and other assets outside of the ordinary course of business in connection with store closings, (3) permitting the sale of distribution centers, and (4) allowing us to amend wireless carrier contracts without the consent of the ABL Agent.

Recapitalization and Investment Agreement. We also entered into a Recapitalization and Investment Agreement (as amended, the "Recapitalization Agreement") with GRH. The Recapitalization Agreement provides for, among other things:

- The distribution by us to our stockholders of transferrable rights to subscribe to purchase an aggregate of 150,000 shares of our preferred stock ("Preferred Stock"), at a price of $800.00 per share of Preferred Stock, during a specified period of time (the "Rights Offering"). The Preferred Stock offered pursuant to the Rights Offering will be convertible in the aggregate into 300 million shares of our common stock ("Common Stock"). The purchase price payable for Preferred Stock upon the exercise of the rights equates to $0.40 per share of Common Stock. The stockholders will have the option to purchase their pro rata portion of Preferred Stock offered in the Rights Offering. Subject to the satisfaction of the conditions set forth in the Rights Agreement, the Rights Offering is currently expected to be completed in the first quarter of 2015.

- The issuance by us to GRH of 150,000 shares of Preferred Stock, which will be convertible into 300 million shares of Common Stock, in exchange for (1) the cancellation of the outstanding letter of credit reimbursement obligations to the extent we contemporaneously reduce or terminate the commitments of GRH to issue (or cause to be issued) letters of credit under the 2018 Credit Agreement and (2) our rights to receive all amounts withdrawn by GRH from its cash collateral account upon any reduction or termination by us of the commitments of GRH to issue (or cause to be

issued) letters of credit under the terms of the 2018 Credit Agreement. This purchase, which will be completed concurrently with the completion of the Rights Offering, is referred to as the "Sponsor Conversion."

- The issuance by us to GRH of an additional 50,000 shares of Preferred Stock, which will be convertible into 100 million shares of Common Stock, concurrently with the completion of the Rights Offering and the Sponsor Conversion is in consideration of GRH having arranged the transactions described above.

- The 50,000 shares of Preferred Stock issuable to GRH described above is subject to reduction in certain circumstances as provided in an amendment to the Recapitalization Agreement, dated November 26, 2014. However, the total number of shares of Preferred Stock issuable by us in connection with the transactions described above would not be subject to reduction.

The percentage of equity securities that GRH and other investors will own as a result of this transaction will depend upon the level of participation, if any, in the Rights Offering. Depending upon such participation level, existing stockholders and their transferees (including affiliates of Standard General with respect to their existing holdings) will own between 20% and 50% of the Common Stock on an as-converted basis.

The terms of the Preferred Stock will be provided in a certificate of designation to be filed by us with the Secretary of State of the State of Delaware. Material terms of the Preferred Stock are set forth in the term sheet ("Preferred Stock Term Sheet"), which is incorporated herein by reference to Exhibit 2.1 to our Form 8-K filed on October 7, 2014. Subject to certain limitations as described in the Preferred Stock Term Sheet, (1) the holders of Preferred Stock will vote together with the holders of Common Stock (on an as-converted basis) on all matters and (2) each share of Preferred Stock will be convertible into 2,000 shares of Common Stock. If the Preferred Stock is not converted into Common Stock prior to the 90th day following the issuance of the Preferred Stock, the holders of Preferred Stock will be entitled to dividends accruing at 10% per annum, which rate will increase to 20% six months after initial issuance. The Preferred Stock dividends will be payable in-kind until the date that is 18 months after initial issuance. As more fully described in the Preferred Stock Term Sheet, the conversion and voting rights of any person or group acquiring equity securities in the transaction would be limited to 34.9% of the total voting power of our voting stock so long as greater voting power would accelerate our debt.

Immediately following the completion of the Rights Offering and the Sponsor Conversion, our board of directors will be reconstituted to consist of our CEO, two independent directors reasonably acceptable to us and GRH and four individuals nominated by GRH (of which at least two must satisfy the New York Stock Exchange listing requirements for director independence). We and GRH will also enter into an Investor Rights Agreement providing for the director designation rights and for customary registration rights.

GRH's obligation to complete the Sponsor Conversion is subject to (1) the entry into an amendment to, or a replacement contract for, our current contract with a third party supplier (which expires by its terms on December 31, 2014) on terms that are equivalent or more favorable, taken as a whole, to us than the terms of the existing contract, (2) us having at least $100 million of available cash and borrowing capacity at January 15, 2015, and (3) our management developing, reasonably and in good faith, an operating plan and budget for fiscal year 2016 that is accepted by our board of directors and contemplates earnings (excluding specified cash and non-cash charges) before interest, taxes, depreciation and amortization of at least $75.4 million, as well as other customary closing conditions. There is no assurance that these closing conditions will be met.

For example, we have not amended, or replaced, our current contract with a third-party supplier (which expires by its terms on December 31, 2014) on terms that are equivalent or more favorable, taken as a whole, to us than the terms of the existing contract. Additionally, if our results do not improve, we will not have at least $100 million of available cash and borrowing capacity at January 15, 2015. We also may not be able to develop, reasonably and in good faith, an operating plan and budget for fiscal year 2016 that would be accepted by our board of directors and contemplates earnings (excluding specified cash and non-cash charges) before interest, taxes, depreciation and amortization of at least $75.4 million. Further, it is a condition that no default or event of default shall have occurred and be continuing under our 2018 Credit Agreement, the SCP Credit Agreement or our 2019 Notes.

The Recapitalization Agreement also contains representations, warranties and covenants, including covenants providing for the establishment of a six-person transaction committee to consist of three members designated by GRH, our CEO, our CFO and one other representative appointed by us. The transaction committee oversees and coordinates discussions regarding the recapitalization transactions and the implementation of an interim operating plan for us, but does not have authority to bind us or oversee our business.

The Recapitalization Agreement also contains restrictions on our ability to initiate, solicit or encourage any inquiries or the making of any proposal or offer that would be a competing proposal to the transactions contemplated by the Recapitalization Agreement, as well as our ability to enter into discussions, negotiations or agreements regarding such a competing proposal.

Under the Recapitalization Agreement, we are obligated to enter into a merger agreement with a newly formed, wholly owned subsidiary of our company and seek stockholder approval of the merger promptly after the consummation of the Rights Offering. Our certificate of incorporation, as the surviving corporation in the merger, would provide for an increased number of authorized shares of Common Stock that is at least sufficient to allow for conversion of all of the shares of Preferred Stock and for a decrease in the Common Stock par value to $0.01 per share.

The Recapitalization Agreement contains customary termination provisions and may be terminated by either party if the consummation of the Rights Offering and the Sponsor Conversion do not occur on or before March 15, 2015.

We incurred financing fees of $39.6 million in connection with these transactions. $36.9 million of these costs were capitalized and will be amortized over the remaining term of the agreements. $2.7 million in costs were expensed during the period. In addition, unamortized costs of $24.1 million and $1.3 million in debt discount relating to the 2018 Credit Agreement were written off during the period which resulted in a total expense of $28.1 million included in other loss within our Condensed Consolidated Statements of Comprehensive Income.

The Sponsor Conversion and other direct issuances of Preferred Stock pursuant to the Recapitalization Agreement contain conversion features and are freestanding equity-linked instruments. We performed analyses on the conversion features which met the criteria under Accounting Standards Codification Topic 815 "Derivatives and Hedging" for equity classification. Therefore, we recorded these conversion features as components of debt and equity at their relative fair values. The Rights Offering has similar characteristics as a non-cash dividend and has been recorded at fair value as a component of shareholder's equity.

Impairment. As discussed in Note 1 – "Basis of Presentation – Liquidity," we have experienced losses for the past two years that continued into the third quarter of fiscal 2015, primarily attributed to a prolonged downturn in our business, which continues to impact our overall liquidity. Also, o n July 24, 2014, we were notified by the New York Stock Exchange ("NYSE") that the average closing price of our common stock had fallen below $1.00 per share over a period of 30 consecutive trading days, which is the minimum average share price for continued listing on the NYSE. See Note 9 – "Commitments and Contingencies" for further discussion. Together, we believed these circumstances were triggering events and required an evaluation of our long-lived assets during the second quarter.

During the second quarter, we evaluated our goodwill balance, with the goodwill assigned to our Mexican subsidiary being the primary component.

In step 1 of the two-step impairment test, we compared the carrying amount, including assigned goodwill, to the fair value of our Mexican subsidiary. We estimated fair value by equally weighting the results from the income approach and market approach. The significant assumptions employed in determining fair value included, but were not limited to, projected financial information, growth rates, terminal value, discount rates, and multiples from publicly traded companies that are comparable to our Mexican subsidiary. Due to the less than anticipated operating results of the U.S. operations, we prepared a multi-year projection based upon updated assumptions, which included a reduction in the Mexican subsidiary's planned expansion. The result of these assumptions was a significant reduction in sales and gross profits in our multi-year projection which was the primary factor determining that the fair value of our Mexican subsidiary was less than the carrying amount. As a result, step 2 of the two-step impairment test was required in order to measure the amount of goodwill impairment, if any.

In step 2, the fair value measured in step 1 of our Mexican subsidiary was allocated to its assets and liabilities to determine the implied fair value of the goodwill, if any. We calculated the implied fair value of our Mexican subsidiary's goodwill to be zero compared to its carrying value of $12.3 million, resulting in an impairment charge of $12.3 million. The impairment charges were recorded in the 13 weeks ended August 2, 2014, as impairment of long-lived assets and goodwill within our Condensed Consolidated Statements of Comprehensive Income.

Restructuring. As part of the anticipated next phase of the restructuring plan, we may begin a program to close a number of underperforming stores and other measures to make reductions in our cost structure. However, the actual number of store closures could vary considerably depending on the specific restructuring alternative implemented. The store closure program would require consent from our lenders. There is no assurance the restructuring plan will be achieved and other alternatives could result in materially higher restructuring costs. Estimated store closure costs of $6.9 million ($5.7 million and $1.2 million, respectively for the second and third quarters) related to the impairment of store leasehold improvements and fixtures have been recorded as impairment of long-lived assets and goodwill within our Condensed Consolidated Statements of Comprehensive Income. "

Estimated employee severance costs of $8.2 million relate to the elimination of full-time and part-time positions, primarily related to the corporate office, stores, store support, field management and consolidation of facilities in China. These costs are included as selling, general and administrative expenses within our Condensed Consolidated Statements of Comprehensive Income. Inventory reserves of $8.4 million ($2.7 million and $5.7 million, respectively for the second and third quarters) are based on the estimated liquidation value of the inventory on hand during the liquidation phase of the restructuring plan. These expenses have been recorded as cost of products sold within our Condensed Consolidated Statements of Comprehensive

Income. In addition to these expenses, we estimate future lease termination costs upon exiting stores to be in the range of $15 million to $25 million.

NOTE 5 – INDEBTEDNESS AND BORROWING FACILITIES
Debt consists of the following:

(In millions)	November 1, 2014	February 1, 2014	December 31, 2013
2018 Credit Facility	$ 233.9	$ --	$ --
Credit facility term loan due in December 2018	50.0	50.0	50.0
Term loan due in December 2018	250.0	250.0	250.0
6.75% unsecured notes due in May 2019	325.0	325.0	325.0
Other	0.2	1.2	1.4
	859.1	626.2	626.4
Unamortized debt discounts	(17.6)	(12.1)	(12.3)
	841.5	614.1	614.1
Less current portion of:			
Other	0.1	1.1	1.1
Total long-term debt	$ 841.4	$ 613.0	$ 613.0

See Note 4 – “Restructuring and Impairment” for further discussion of the restructuring of our debt.

NOTE 6 – NET LOSS PER SHARE

Basic net loss per share is computed based on the weighted average number of common shares outstanding for each period presented. Diluted net loss per share reflects the potential dilution that would have occurred if securities or other contracts to issue common stock were exercised, converted, or resulted in the issuance of common stock that would have then shared in our earnings.

The following table reconciles the numerator and denominator used in the basic and diluted net loss per share calculations for the periods presented:

(In millions)	13 Weeks Ended November 1, 2014	Three Months Ended October 31, 2013	39 Weeks Ended November 1, 2014	Nine Months Ended October 31, 2013
Numerator:				
Loss from continuing operations	$ (161.1)	$ (135.9)	$ (396.8)	$ (210.6)
Discontinued operations, net of taxes	—	—	—	(5.5)
Net loss	$ (161.1)	$ (135.9)	$ (396.8)	$ (216.1)
Denominator:				
Weighted-average common shares outstanding	102.0	101.1	101.9	100.8
Dilutive effect of stock-based awards	—	—	—	—
Weighted-average shares for diluted net loss per share	102.0	101.1	101.9	100.8

The following table includes common stock equivalents that were not included in the calculation of diluted net loss per share for the periods presented. These securities could be dilutive in future periods.

(In millions)	13 Weeks Ended November 1, 2014	Three Months Ended October 31, 2013	39 Weeks Ended November 1, 2014	Nine Months Ended October 31, 2013
Employee stock options [(1) (2)]	7.0	7.6	7.0	7.6
Warrants to purchase common stock [(3)]	—	15.8	—	15.8

(1) Certain employee stock options were excluded from weighted-average shares for diluted net loss per share because the exercise prices exceeded the average market price of our common stock during the period and the effect of their inclusion would be antidilutive. For both the 13 weeks and 39 weeks ended November 1, 2014, 7.0 million employee stock options were excluded for this reason, compared with 4.2 million for both the three and nine months ended October 31, 2013.

(2) Certain employee stock options were excluded from weighted-average shares for diluted net loss per share because the effect of their inclusion would reduce our net loss per share and would be antidilutive. For the 13 weeks and 39 weeks ended November 1, 2014, no employee stock options were excluded from these periods for this reason. For the three and nine months ended October 31, 2013, 3.4 million employee stock options were excluded from these periods for this reason.

(3) These common stock equivalents were excluded because the exercise price ($35.88 per share for all periods) exceeded the average market price of our common stock during these periods and the effect of their inclusion would be antidilutive. The warrants expired in March 2014.

NOTE 7 – FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

		Basis of Fair Value Measurements		
(In millions)	Fair Value of Assets (Liabilities)	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
13 Weeks Ended November 1, 2014				
Long-lived assets held and used	$ 0.8	$ —	$ —	$ 0.8
Period Ended February 1, 2014				
Long-lived assets held and used	$ 0.6	$ —	$ —	$ 0.6
Year Ended December 31, 2013				
Long-lived assets held and used	$ 9.6	$ —	$ —	$ 9.6

The FASB's accounting guidance utilizes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value into three broad levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions

U.S. RadioShack Company-Operated Stores: For the 13 weeks ended November 1, 2014, and for the period ended February 1, 2014, long-lived assets held and used in certain locations of our U.S. RadioShack company-operated stores segment with a total carrying value of $3.4 million and $1.1 million, were written down to their fair value of $0.8 million and $0.6 million, resulting in impairment charges of $2.6 million and $0.5 million, respectively.

The inputs used to calculate the fair value of these long-lived assets included the projected cash flows and a risk-adjusted rate of return that we estimated would be used by a market participant in valuing these assets. The projected cash flows for a particular store are based on average historical cash flows for that store and are projected through the remainder of its lease. The risk-adjusted rates of return used to discount these cash flows range from 15% to 20%.

Fair Value of Equity-Linked Instruments: As discussed in Note 4 – "Restructuring and Impairment", the Recapitalization Agreement contains conversion features which are equity-linked instruments, and are recorded at fair value. Fair value on the conversion instruments are determined by using observable inputs such as indicated market prices and unobservable inputs such as conversion amounts, estimates of per share value, and probability of achieving the required conditions for mandatory conversion.

Carrying amounts and the related estimated fair values of equity-linked instruments are as follows:

(In millions)	Fair Value of Assets (Liabilities)	Basis of Fair Value Measurements: Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of November 1, 2014				
Equity-linked instruments	$ 42.5	$ —	$ —	$ 42.5

Fair Value of Financial Instruments: Financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and long-term debt. With the exception of long-term debt, the financial statement carrying amounts of these items approximate their fair values due to their short-term nature. The estimated fair values of our 6.75% unsecured notes due in 2019 ("2019 Notes") as of November 1, 2014, February 1, 2014, and December 31, 2013, our secured term loans as of August 2, 2014, and for our 2018 Credit Facility as of August 2, 2014, are determined using quoted market prices, when available. If quoted market prices are not available, the fair value is estimated using indicated market prices. The estimated fair values use both observable and unobservable inputs in a cash flow model. The unobservable inputs reflect assumptions regarding expected spreads and discount rates. Observable inputs consist of 1-month and 3-month LIBOR rates. At February 1, 2014, and December 31, 2013, estimated fair values of our secured term loans approximate their carrying values due to the recentness of these borrowings.

Carrying amounts and the related estimated fair values of our long-term debt financial instruments are as follows:

(In millions)	Carrying Amount	Fair Value of Liabilities	Basis of Fair Value Measurements: Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of November 1, 2014					
2018 Credit Facility	$ 233.9	$ 223.1	$ —	$ —	$ 223.1
Secured term loans	$ 283.8	$ 279.1	$ —	$ —	$ 279.1
2019 Notes	$ 323.6	$ 122.1	$ —	$ 122.1	$ —
Other	$ 0.2	$ 0.2	$ —	$ —	$ 0.2
As of February 1, 2014					
Secured term loans	$ 289.6	$ 289.5	$ —	$ —	$ 289.5
2019 Notes	$ 323.4	$ 195.0	$ —	$ 195.0	$ —
Other	$ 1.1	$ 1.1	$ —	$ —	$ 1.1
As of December 31, 2013					
Secured term loans	$ 289.4	$ 289.4	$ —	$ —	$ 289.4
2019 Notes	$ 323.3	$ 197.9	$ —	$ 197.9	$ —
Other	$ 1.4	$ 1.4	$ —	$ —	$ 1.4

NOTE 8 – INCOME TAXES

We continue to provide a valuation allowance against all of our U.S. federal and state deferred tax assets. As a result, we did not record any U.S. federal or state income tax benefit related to our operating losses for the 39 weeks ended November 1, 2014. We continue to provide a valuation allowance against all of the deferred tax assets of our Mexican subsidiary. We continue to recognize income tax expense or benefit related to our other foreign operations and interest accrued on our liabilities for uncertain tax positions. In addition, we continue to recognize income tax expense in certain state jurisdictions.

The consolidated liability of gross unrecognized income tax benefits for uncertain tax positions (excluding interest) was $116.2 million, $116.6 million and $119.1 million at November 1, 2014, February 1, 2014, and December 31, 2013, respectively. At November 1, 2014, $92.1 million of this liability was related to a single uncertain tax position. We anticipate that this uncertain tax position will not be resolved within the next 12 months.

Liabilities for unrecognized income tax benefits for uncertain tax positions may result in cash payments to one or more tax authorities in future periods. Such payments would not affect our results of operations. It is reasonably possible that our liability for unrecognized tax benefits related to uncertain tax positions could be reduced over the next 12 months because of settlements or the expiration of the applicable statute of limitations. We are no longer asserting permanent reinvestment of undistributed earnings in our Mexican subsidiary. However, since the subsidiary is in a deficit position, there is no deferred tax liability to record.

Our federal and certain state net operating losses and federal general business credit carryforwards may be subject to limitations under Section 382 of the Internal Revenue Code if significant ownership changes occur.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Loss Contingencies: FASB Accounting Standards Codification Topic 450 - Contingencies ("ASC 450") governs our disclosure and recognition of loss contingencies, including pending claims, lawsuits, disputes with third parties, investigations and other actions that are incidental to the operation of our business. ASC 450 uses the following defined terms to describe the likelihood of a future loss: probable – the future event or events are likely to occur, remote – the chance of the future event or events is slight, and reasonably possible – the chance of the future event or events occurring is more than remote but less than likely. ASC 450 also contains certain requirements with respect to how we accrue for and disclose information concerning our loss contingencies. We accrue for a loss contingency when we conclude that the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. When the reasonable estimate of the loss is within a range of amounts and no amount in the range constitutes a better estimate than any other amount, we accrue for the amount at the low end of the range. We adjust our accruals from time to time as we receive additional information, but the loss we incur may be significantly greater than or less than the amount we have accrued. We disclose loss contingencies if there is at least a reasonable possibility that a loss has been incurred. No accrual or disclosure is required for losses that are remote.

Brookler v. RadioShack Corporation: In April 2004, plaintiff Morry Brookler filed a putative class action in Los Angeles Superior Court claiming that the Company violated California's wage and hour laws relating to meal and rest periods. The meal period claim was originally certified as a class action in February 2006. In August 2007, the Company filed a Motion for Decertification in August 2007 which was denied. After a favorable decision by the California Court of Appeals in a similar case, *Brinker Restaurant Corporation v. Superior Court*, the Company filed a Second Motion for Decertification, which was granted in October 2008. The plaintiff appealed this ruling and in August 2010, the California Court of Appeals reversed the trial court's decertification order. In September 2010, the Company filed a Petition for Review with the California Supreme Court, which granted review and placed the case on hold pending a decision in the *Brinker* case. In April 2012, the California Supreme Court issued its decision in *Brinker* and in June 2012, remanded the *Brookler* case to the California Court of Appeals with instructions to vacate its prior order and reconsider its ruling in light of the Supreme Court's decision in *Brinker*. In December 2012, the Court of Appeals affirmed the trial court's decertification of the meal period class. In June 2013, the plaintiff filed a Motion to Amend his Complaint to assert rest and meal period as well as off-the-clock and Private Attorneys General Act claims and to add an additional class representative. In July 2013 the trial court granted the Motion to Amend and the plaintiff filed a Second Amended Complaint. In August 2013, the Company removed the case to federal court. In September 2013, the plaintiffs filed a Motion to Remand the case back to state court, which was granted in October 2013. In November 2013, the Company filed a demurrer in state court to all causes of action in the Second Amended Complaint, which was granted without leave to amend in January 2014. On February 4, 2014, plaintiffs filed a Petition for Writ of Mandate with the Court of Appeals seeking immediate relief from the trial court's order. On February 11, 2014, the Court of Appeals notified the trial court and parties of its intent to issue a peremptory Writ of Mandate compelling the trial court to vacate its order granting the demurrer and issue a new order denying the demurrer. On February 21, 2014, the trial court reversed its prior decision and denied the demurrer. On February 26, 2014, the Court of Appeals determined that the trial court had not followed proper procedure and ordered it to vacate its February 21 order to allow the Company an opportunity to oppose the Appellate Court's notice. In April 2014, after further briefing by the parties, the trial court again sustained the demurrer without leave to amend. In May 2014, plaintiff appealed the trial court's order sustaining the demurrer. On December 5, 2014, the Appellate Court heard oral argument on plaintiff's appeal. The outcome of this case is uncertain and the ultimate resolution of it could have a material adverse effect on the Company's consolidated financial statements in the period in which the resolution is recorded.

Ordonez v. RadioShack Corporation: In May 2010, the Company was named as a defendant in a putative class action lawsuit in Los Angeles Superior Court alleging that it violated California's wage and hour laws by not providing required meal periods and rest breaks, failed to pay for all time worked, failed to pay overtime compensation, failed to pay minimum wage and failed to maintain required records. In September 2010, the Company removed the case to the U. S. District Court for the Central District of California. In July 2012, plaintiff filed a Motion for Class Certification. In January 2013, the court denied, without prejudice, the Motion for Class Certification as to all claims. In February 2013, plaintiff filed a Motion for Reconsideration of the court's denial of class certification only with regard to the rest period claim. In April 2013, the court

ordered that plaintiff could conduct limited additional discovery and file a renewed Motion for Class Certification. Plaintiff filed the renewed motion in July 2013. A hearing on the motion was held in February 2014, at which time the court issued a tentative ruling granting plaintiff's motion as to the rest period claim. Following oral argument, the court issued orders requiring the parties to submit supplemental evidence and briefs. In August 2014, the court denied the Motion. The plaintiff did not appeal this ruling. However, the litigation is ongoing. The outcome of this case is uncertain and the ultimate resolution of it could have a material adverse effect on the Company's consolidated financial statements in the period in which the resolution is recorded.

Redman v. RadioShack; Aliano v. RadioShack: In September 2011, Scott D.H. Redman filed a putative class action lawsuit against the Company in the United States District Court for the Northern District of Illinois. Mr. Redman claims that the Company violated certain provisions of the Fair and Accurate Credit Transactions Act of 2003 ("FACTA"), which amended the Fair Credit Reporting Act, by displaying the expiration dates of customers' credit or debit cards on electronically printed transaction receipts. Mr. Redman filed a motion seeking to certify a class that includes all persons to whom the Company provided an electronically printed transaction receipt, in transactions occurring after June 3, 2008, that displayed the expiration date of the person's credit or debit card. In November 2011, Mario Aliano and Victoria Radavicuite filed a similar putative class action lawsuit against the Company, also in the United States District Court for the Northern District of Illinois, alleging similar violations of FACTA. Mr. Aliano and Ms. Radavicuite initially filed a motion seeking to certify a class that includes all persons to whom the Company provided an electronically printed transaction receipt, in transactions occurring in Illinois after June 3, 2008, that displayed the expiration date of the person's credit or debit card. In December 2011, Mr. Aliano and Ms. Radavicuite filed an amended complaint and an amended motion seeking to certify a class that was not limited to transactions occurring in Illinois. On January 11, 2012, the Aliano lawsuit was reassigned to the judge presiding over the Redman lawsuit on the basis of relatedness, and the two cases were consolidated for all purposes. On January 25, 2012, the presiding judge referred the matter to the magistrate judge assigned to the consolidated cases for mediation. In November 2012, the parties reached a tentative settlement. On May 16, 2013, the parties executed a settlement agreement and on May 29, 2013, the court granted preliminary approval of the settlement. Notices of the settlement were mailed to known class members and published in several national publications. A hearing on final approval of the settlement was held in September 2013. In February 2014, the court granted final approval of the settlement, however two plaintiffs who had objected to the settlement appealed the court's grant of final approval. In September 2014, the Seventh Circuit Court of Appeals reversed the judgment approving the settlement and remanded the case for further proceedings, citing concerns with the settlement including the allocation of the settlement proceeds between the class and class counsel. The parties are currently in negotiations to attempt to restructure the settlement to address the concerns expressed by the appellate court. The outcome of these cases is uncertain and the ultimate resolution of them could have a material adverse effect on the Company's consolidated financial statements in the period in which the resolution is recorded.

FLSA Litigation: In April 2012, the Company was named as a defendant in a putative nationwide collective action under the Fair Labor Standards Act and putative statewide class actions under New York and Ohio state laws in the U. S. District Court for the Northern District of Ohio, claiming that its use of the "fluctuating workweek" method to calculate overtime for certain of its retail store managers violates federal and state laws because the store managers receive bonuses in addition to their fixed salaries. In June 2012, the Company filed a Motion to Dismiss the lawsuit. In March 2013, the court issued an opinion granting the motion in part, finding that plaintiffs were not entitled to seek overtime based upon use of the "fluctuating workweek" method prior to April 5, 2011, the date of a U.S. Department of Labor Final Rule ("Final Rule") addressing, among other things, proposed changes to the federal "fluctuating workweek" regulation. The court also dismissed one of the named plaintiffs. Following the court's decision, the Company filed a Motion to Certify Order for Interlocutory Appeal and Stay the Action, which the court granted in August 2013. Shortly thereafter, the Company filed a Petition for Permission to Appeal with the U.S. Court of Appeals for the Sixth Circuit, which was granted. The appeal has been fully briefed and oral argument is scheduled for December 4, 2014.

In April 2013, plaintiffs in Pennsylvania, New York and New Jersey filed similar lawsuits, alleging violations of their respective state laws. In June 2013, the Company filed Motions to Dismiss in the New York and New Jersey cases. In November 2013, the court in the New York case granted the Motion to Dismiss. In December 2013, the plaintiff in the New York case filed a notice of appeal with the Second Circuit Court of Appeals. The appeal has been fully briefed and oral argument was heard on October 24, 2014. The parties are now awaiting a decision by the Court of Appeals. In April 2014, the plaintiff in the New Jersey case voluntarily dismissed the case and filed an opt in notice in the Ohio case.

In September 2013, the court in the Pennsylvania case ordered the parties to file briefs addressing whether use of the "fluctuating workweek" method violates Pennsylvania law. The plaintiff filed a Motion for Summary Judgment and the Company filed a Motion for Judgment on the Pleadings. In July 2014, the court issued an opinion granting plaintiff's Motion for Summary Judgment and denying the Company's Motion for Judgment on the Pleadings. In November 2014, the parties reached a tentative settlement, subject to notice to the putative class and approval by the court.

The outcome of these cases is uncertain and the ultimate resolution of them could have a material adverse effect on the Company's consolidated financial statements in the period in which the resolution is recorded.

WinLink SA v. RadioShack: In May 2014, the Company received notice that it had been named in a lawsuit in Greece alleging breach(s) of an agreement purportedly entered into between the Company and a Greek company called WinLink SA.

The lawsuit claims damages in excess of $5 million. The Company has retained local counsel in Greece to defend the lawsuit. Trial is set for February 2016. In October 2014, the Company filed a notice of arbitration with the American Arbitration Association in New York based on an arbitration provision in the distribution and license agreement between the Company and WinLink. The outcome of this case is uncertain and the ultimate resolution of it could have a material adverse effect on the Company's consolidated financial statements in the period in which the resolution is recorded.

Singh v. RadioShack; Snyder v. RadioShack: On November 26, 2014, Manoj Singh filed a putative class action lawsuit against the Company, its Board of Directors, the RadioShack 401(k) Plan Administrative Committee, and related entities and individuals in the United States District Court for the Northern District of Texas, alleging breaches of fiduciary duties under the Employee Retirement Income Security Act ("ERISA") in connection with the administration of the RadioShack 401(k) Plan and the RadioShack Puerto Rico 1165(e) Plan, specifically with regard to investment by these plans in Company stock. On December 5, 2014, Jeffrey Snyder filed a similar lawsuit in the same court. The Company is reviewing the allegations in the Complaints to determine how to proceed. The outcome of these cases is uncertain and the ultimate resolution of them could have a material adverse effect on the Company's consolidated financial statements in the period in which the resolution is recorded.

Additional Disclosure: For certain loss contingencies, we are currently able to estimate the reasonably possible loss or range of loss, including reasonably possible loss amounts in excess of our accrual of $4.2 million and we estimate that the aggregate of these amounts could be up to $13.9 million. This amount reflects recent developments in case law that pertain to certain claims currently pending against the Company. Probable and reasonably possible losses that we are currently unable to estimate are not included in this amount. In future periods, we may recognize a loss for all, part, or none of this amount.

We are currently unable to estimate the reasonably possible loss or range of loss in respect of certain loss contingencies. Some cases remain in an early stage, with few or no substantive legal decisions by the court defining the scope of the claims, the class (if any), or the potential damages. In addition, in some cases we are not able to estimate the amount of the loss, due to a significant unresolved question of law that is expected to have a significant impact on the probability or amount of loss when resolved. As these matters develop and we receive additional information, we may be able to estimate reasonably possible losses or range of loss for these matters.

Our evaluation of our loss contingencies involves subjective assessments, assumptions and judgments, and actual losses incurred in future periods may differ significantly from our estimates. Accordingly, although occasional adverse resolutions may occur and negatively affect our consolidated financial statements in the period of the resolution, we believe that the ultimate resolution of our loss contingencies for which we have not accrued losses will not materially adversely affect our financial condition.

NYSE Delisting Notice: On July 24, 2014, we were notified by the NYSE that the average closing price of our common stock had fallen below $1.00 per share over a period of 30 consecutive trading days, which is the minimum average share price for continued listing on the NYSE under Rule 802.01C of the NYSE Listed Company Manual.

Under NYSE rules, we have six months following receipt of the notification to regain compliance with the minimum share price requirement. We can regain compliance at any time during the six-month cure period if our common stock has a closing share price of at least $1.00 on the last trading day of any calendar month during the period and also has an average closing share price of at least $1.00 over the 30 trading-day period ending on the last trading day of that month or on the last day of the cure period.

The notice has no immediate impact on the listing of our common stock, which will continue to trade on the NYSE under the symbol "RSH." We intend to actively monitor the closing price of our common stock and will consider available options to resolve the deficiency and regain compliance with Rule 802.01C of the NYSE Listed Company Manual. On the last trading day of the month and quarter, our common stock closed at $0.92 and had an average closing price for 30 consecutive trading days of $0.92. We have received approval from the NYSE for an extension for compliance until our annual meeting scheduled for June 2, 2015.

If our common stock ultimately were to be delisted for any reason, it could: (1) reduce the liquidity and market price of our common stock and (2) negatively impact our ability to conduct equity financings and access the public capital markets.

NOTE 10 – SEGMENT REPORTING

The U.S. RadioShack company-operated stores segment consists solely of our 4,216 U.S. company-operated retail stores, all operating under the RadioShack brand name. We evaluate the performance of our segments based on operating income, which is defined as sales less cost of products sold and certain direct operating expenses, including labor, rent and occupancy costs. Asset balances by segment have not been included in the table below, as these are managed on a company-wide level and are not fully allocated to segments for management reporting purposes. Amounts in the other category reflect our business activities that are not separately reportable, which include sales to our independent dealers and franchisees, sales

generated by our Mexican subsidiary and our *www.radioshack.com* website, sales to commercial customers and sales to other third parties through our global sourcing operations.

Revenue by reportable segment is as follows:

(In millions)	13 Weeks Ended November 1, 2014	Three Months Ended October 31, 2013	39 Weeks Ended November 1, 2014	Nine Months Ended October 31, 2013
U.S. RadioShack company-operated stores	$ 579.2	$ 691.7	$ 1,860.4	$ 2,252.6
Other	71.0	83.7	200.3	232.6
	$ 650.2	$ 775.4	$ 2,060.7	$ 2,485.2

Operating loss by reportable segment and the reconciliation to loss from continuing operations before income taxes are as follows:

(In millions)	13 Weeks Ended November 1, 2014	Three Months Ended October 31, 2013	39 Weeks Ended November 1, 2014	Nine Months Ended October 31, 2013
U.S. RadioShack company-operated stores	$ (19.1)	$ (24.8)	$ (8.3)	$ 69.3
Other	(1.4)	2.0	(13.7)	11.3
	(20.5)	(22.8)	(22.0)	80.6
Unallocated [(1)]	(93.6)	(105.8)	(292.5)	(270.6)
Operating loss	(114.1)	(128.6)	(314.5)	(190.0)
Interest income	0.2	0.2	1.2	0.9
Interest expense	(18.4)	(10.2)	(51.9)	(38.9)
Other loss	(28.1)	—	(28.1)	(0.3)
Loss from continuing operations before income taxes	$ (160.4)	$ (138.6)	$ (393.3)	$ (228.3)

(1) The unallocated category included in operating income relates to our overhead and corporate expenses that are not allocated to our operating segments for management reporting purposes. Unallocated costs include corporate departmental expenses such as labor and benefits, advertising, insurance, distribution and information technology costs, plus certain unusual or infrequent gains or losses.

NOTE 11 – SUPPLEMENTAL GUARANTOR FINANCIAL INFORMATION

The obligation to pay principal and interest on our 2019 Notes is jointly and severally guaranteed on a full and unconditional basis, subject to customary release provisions, by all of the guarantors under our 2018 Credit Facility. The 2019 Notes are guaranteed by all of our 100%-owned domestic subsidiaries. Refer to Note 5 – “Indebtedness and Borrowing Facilities” included in our Annual Report on Form 10-K for the year ended December 31, 2013, for additional information on the 2019 Notes and the related exchange offer and the 2018 Credit Facility.

The following condensed consolidating financial information represents the financial information of RadioShack, its guarantor subsidiaries and its non-guarantor subsidiaries prepared on the equity basis of accounting. Earnings of subsidiaries are, therefore, reflected in the parent company's investment accounts and earnings. The elimination entries primarily eliminate investments in subsidiaries and intercompany balances and transactions. The non-guarantor subsidiaries are comprised of the foreign subsidiaries of the Company. The financial information may not necessarily be indicative of results of operations, cash flows or financial position had the guarantor or non-guarantor subsidiaries operated as independent entities.

Subsequent to the issuance of our consolidated financial statements for year ended December 31, 2013, we identified an immaterial error in the presentation of the Condensed Consolidating Statements of Cash Flows contained in Note 16 - "Supplemental Guarantor Financial Information" in our Annual Report on Form 10-K for the year ended December 31, 2013. The error is related to a $6.3 million adjustment between the Parent and Guarantor Subsidiaries for the proceeds for the sale of a building and fixtures. This adjustment did not have an impact on the consolidated financial statements for the year ended December 31, 2013, for the 39 weeks ended November 1, 2014, or for the nine months ended October 31, 2013.

Condensed Consolidating Statements of Comprehensive Income (unaudited)

For the 13 Weeks Ended November 1, 2014

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales and operating revenues	$ 622.3	$ 515.7	$ 27.7	$ (515.5)	$ 650.2
Cost of products sold	429.9	503.3	18.3	(515.5)	436.0
Gross profit	192.4	12.4	9.4	—	214.2
Operating expenses:					
Selling, general and administrative	300.9	1.9	11.0	—	313.8
Depreciation and amortization	11.2	—	0.7	—	11.9
Impairment of long-lived assets and goodwill	2.6	—	—	—	2.6
Total operating expenses	314.7	1.9	11.7	—	328.3
Operating (loss) income	(122.3)	10.5	(2.3)	—	(114.1)
Interest income	0.3	3.0	—	(3.1)	0.2
Interest expense	(21.2)	—	(0.3)	3.1	(18.4)
Other loss	(28.1)	—	—	—	(28.1)
(Loss) income from continuing operations before income taxes	(171.3)	13.5	(2.6)	—	(160.4)
Income tax (benefit) expense	(4.1)	5.0	(0.2)	—	0.7
Equity in earnings of subsidiaries, net of income taxes	6.1	(2.4)	—	(3.7)	—
(Loss) income from continuing operations	(161.1)	6.1	(2.4)	(3.7)	(161.1)
Net (loss) income	$ (161.1)	$ 6.1	$ (2.4)	$ (3.7)	$ (161.1)
Comprehensive (loss) income	$ (161.3)	$ 5.8	$ (2.7)	$ (3.1)	$ (161.3)

Condensed Consolidating Statements of Comprehensive Income (unaudited)

For the Three Months Ended October 31, 2013

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales and operating revenues	$ 745.7	$ 611.4	$ 29.5	$ (611.2)	$ 775.4
Cost of products sold	532.4	593.4	19.6	(611.2)	534.2
Gross profit	213.3	18.0	9.9	—	241.2
Operating expenses:					
Selling, general and administrative	337.7	1.4	13.7	—	352.8
Depreciation and amortization	13.8	—	0.8	—	14.6
Impairment of long-lived assets and goodwill	2.4	—	—	—	2.4
Total operating expenses	353.9	1.4	14.5	—	369.8
Operating (loss) income	(140.6)	16.6	(4.6)	—	(128.6)
Interest income	0.1	2.9	1.5	(4.3)	0.2
Interest expense	(14.3)	—	(0.2)	4.3	(10.2)
(Loss) income from continuing operations before income taxes	(154.8)	19.5	(3.3)	—	(138.6)
Income tax (benefit) expense	(10.7)	8.9	(0.9)	—	(2.7)
Equity in earnings of subsidiaries, net of income taxes	8.2	(2.4)	—	(5.8)	—
(Loss) income from continuing operations	(135.9)	8.2	(2.4)	(5.8)	(135.9)
Discontinued operations, net of income taxes	—	—	—	—	—
Net (loss) income	$ (135.9)	$ 8.2	$ (2.4)	$ (5.8)	$ (135.9)
Comprehensive (loss) income	$ (136.6)	$ 7.4	$ (3.0)	$ (4.4)	$ (136.6)

Condensed Consolidating Statements of Comprehensive Income (unaudited)

For the 39 Weeks Ended November 1, 2014

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales and operating revenues	$ 1,976.9	$ 1,483.9	$ 84.6	$ (1,484.7)	$ 2,060.7
Cost of products sold	1,321.3	1,448.2	55.4	(1,484.7)	1,340.2
Gross profit	655.6	35.7	29.2	—	720.5
Operating expenses:					
Selling, general and administrative	922.4	4.9	46.0	—	973.3
Depreciation and amortization	35.4	—	2.3	—	37.7
Impairment of long-lived assets and goodwill	11.7	—	12.3	—	24.0
Total operating expenses	969.5	4.9	60.6	—	1,035.0
Operating (loss) income	(313.9)	30.8	(31.4)	—	(314.5)
Interest income	1.2	8.8	0.9	(9.7)	1.2
Interest expense	(61.1)	—	(0.5)	9.7	(51.9)
Other loss	(28.1)	—	—	—	(28.1)
(Loss) income from continuing operations before income taxes	(401.9)	39.6	(31.0)	—	(393.3)
Income tax (benefit) expense	(9.5)	15.7	(2.7)	—	3.5
Equity in earnings of subsidiaries, net of income taxes	(4.4)	(20.8)	—	25.2	—
(Loss) income from continuing operations	(396.8)	3.1	(28.3)	25.2	(396.8)
Net (loss) income	$ (396.8)	$ 3.1	$ (28.3)	$ 25.2	$ (396.8)
Comprehensive (loss) income	$ (396.5)	$ 3.5	$ (28.1)	$ 24.6	$ (396.5)

Condensed Consolidating Statements of Comprehensive Income (unaudited)

For the Nine Months Ended October 31, 2013

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales and operating revenues	$ 2,436.3	$ 1,887.9	$ 91.1	$ (1,930.1)	$ 2,485.2
Cost of products sold	1,624.7	1,846.9	60.1	(1,930.1)	1,601.6
Gross profit	811.6	41.0	31.0	—	883.6
Operating expenses:					
Selling, general and administrative	980.6	1.7	38.6	—	1,020.9
Depreciation and amortization	43.6	—	2.5	—	46.1
Impairment of long-lived assets and goodwill	6.6	—	—	—	6.6
Total operating expenses	1,030.8	1.7	41.1	—	1,073.6
Operating (loss) income	(219.2)	39.3	(10.1)	—	(190.0)
Interest income	0.5	8.3	4.4	(12.3)	0.9
Interest expense	(50.6)	—	(0.6)	12.3	(38.9)
Other loss	(0.3)	—	—	—	(0.3)
(Loss) income from continuing operations before income taxes	(269.6)	47.6	(6.3)	—	(228.3)
Income tax (benefit) expense	(26.9)	10.3	(1.1)	—	(17.7)
Equity in earnings of subsidiaries, net of income taxes	26.6	(6.0)	—	(20.6)	—
(Loss) income from continuing operations	(216.1)	31.3	(5.2)	(20.6)	(210.6)
Discontinued operations, net of income taxes	—	(5.5)	—	—	(5.5)
Net (loss) income	$ (216.1)	$ 25.8	$ (5.2)	$ (20.6)	$ (216.1)
Comprehensive (loss) income	$ (216.5)	$ 25.2	$ (5.6)	$ (19.6)	$ (216.5)

Condensed Consolidating Balance Sheets (unaudited)

At November 1, 2014

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 39.4	$ 0.5	$ 3.4	$ —	$ 43.3
Accounts and notes receivable, net	149.0	—	3.0	—	152.0
Inventories	614.4	19.0	33.0	—	666.4
Other current assets	68.0	24.2	8.0	—	100.2
Intercompany receivables	—	289.6	—	(289.6)	—
Intercompany notes receivable	—	1,795.2	—	(1,795.2)	—
Total current assets	870.8	2,128.5	47.4	(2,084.8)	961.9
Property, plant and equipment, net	155.0	0.6	8.9	—	164.5
Other assets, net	68.5	2.5	2.9	—	73.9
Investment in subsidiaries	2,053.8	14.2	—	(2,068.0)	—
Total assets	$ 3,148.1	$ 2,145.8	$ 59.2	$ (4,152.8)	$ 1,200.3
Liabilities and Stockholders' (Deficit) Equity					
Current liabilities:					
Current maturities of long-term debt	$ 0.1	$ —	$ —	$ —	$ 0.1
Accounts payable	114.2	26.1	17.8	—	158.1
Accrued expenses and other current liabilities	172.8	24.8	6.5	—	204.1
Intercompany payables	271.1	—	18.5	(289.6)	—
Intercompany notes payable	1,795.2	—	—	(1,795.2)	—
Total current liabilities	2,353.4	50.9	42.8	(2,084.8)	362.3
Long-term debt, excluding current maturities	841.4	—	—	—	841.4
Other non-current liabilities	140.0	40.9	2.4	—	183.3
Total liabilities	3,334.8	91.8	45.2	(2,084.8)	1,387.0
Stockholders' (deficit) equity	(186.7)	2,054.0	14.0	(2,068.0)	(186.7)
Total liabilities and stockholders' (deficit) equity	$ 3,148.1	$ 2,145.8	$ 59.2	$ (4,152.8)	$ 1,200.3

Condensed Consolidating Balance Sheets (unaudited)

At February 1, 2014

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 32.7	$ 61.1	$ 15.8	$ —	$ 109.6
Accounts and notes receivable, net	150.3	—	3.8	—	154.1
Inventories	772.4	13.5	21.9	—	807.8
Other current assets	74.9	0.8	4.4	—	80.1
Intercompany receivables	—	295.7	—	(295.7)	—
Intercompany notes receivable	—	1,735.5	—	(1,735.5)	—
Total current assets	1,030.3	2,106.6	45.9	(2,031.2)	1,151.6
Property, plant and equipment, net	174.6	0.8	10.9	—	186.3
Other assets, net	47.1	2.2	23.4	—	72.7
Investment in subsidiaries	2,061.8	36.9	—	(2,098.7)	—
Total assets	$ 3,313.8	$ 2,146.5	$ 80.2	$ (4,129.9)	$ 1,410.6
Liabilities and Stockholders' Equity					
Current liabilities:					
Current maturities of long-term debt	$ 1.1	$ —	$ —	$ —	$ 1.1
Accounts payable	192.3	29.0	13.4	—	234.7
Accrued expenses and other current liabilities	172.4	26.2	7.8	—	206.4
Intercompany payables	287.1	—	8.6	(295.7)	—
Intercompany notes payable	1,735.5	—	—	(1,735.5)	—
Total current liabilities	2,388.4	55.2	29.8	(2,031.2)	442.2
Long-term debt, excluding current maturities	613.0	—	—	—	613.0
Other non-current liabilities	143.7	40.7	2.3	—	186.7
Total liabilities	3,145.1	95.9	32.1	(2,031.2)	1,241.9
Stockholders' equity	168.7	2,050.6	48.1	(2,098.7)	168.7
Total liabilities and stockholders' equity	$ 3,313.8	$ 2,146.5	$ 80.2	$ (4,129.9)	$ 1,410.6

Condensed Consolidating Balance Sheets

At December 31, 2013

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 37.9	$ 121.2	$ 20.7	$ —	$ 179.8
Accounts and notes receivable, net	206.7	1.6	3.6	—	211.9
Inventories	762.4	14.7	25.2	—	802.3
Other current assets	132.8	0.9	5.3	—	139.0
Intercompany receivables	—	312.3	6.2	(318.5)	—
Intercompany notes receivable	—	1,675.0	—	(1,675.0)	—
Total current assets	1,139.8	2,125.7	61.0	(1,993.5)	1,333.0
Property, plant and equipment, net	175.0	0.8	11.4	—	187.2
Other assets, net	43.2	2.5	25.3	—	71.0
Investment in subsidiaries	2,060.6	37.9	—	(2,098.5)	—
Total assets	$ 3,418.6	$ 2,166.9	$ 97.7	$ (4,092.0)	$ 1,591.2
Liabilities and Stockholders' Equity					
Current liabilities:					
Current maturities of long-term debt	$ 1.1	$ —	$ —	$ —	$ 1.1
Accounts payable	304.9	50.2	21.3	—	376.4
Accrued expenses and other current liabilities	173.0	26.5	7.6	—	207.1
Intercompany payables	300.7	—	17.8	(318.5)	—
Intercompany notes payable	1,675.0	—	—	(1,675.0)	—
Total current liabilities	2,454.7	76.7	46.7	(1,993.5)	584.6
Long-term debt, excluding current maturities	613.0	—	—	—	613.0
Other non-current liabilities	144.5	40.5	2.2	—	187.2
Total liabilities	3,212.2	117.2	48.9	(1,993.5)	1,384.8
Stockholders' equity	206.4	2,049.7	48.8	(2,098.5)	206.4
Total liabilities and stockholders' equity	$ 3,418.6	$ 2,166.9	$ 97.7	$ (4,092.0)	$ 1,591.2

Condensed Consolidating Statements of Cash Flows (unaudited)

For the 39 Weeks Ended November 1, 2014

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash used in operating activities	$ (216.6)	$ (7.0)	$ (19.3)	$ —	$ (242.9)
Cash flows from investing activities:					
Additions to property, plant and equipment	(39.2)	—	(0.6)	—	(39.8)
Changes in restricted cash	3.0	—	—	—	3.0
Other investing activities	0.1	—	—	—	0.1
Return of capital from subsidiary	2.4	0.2	—	(2.6)	—
Net cash (used in) provided by investing activities	(33.7)	0.2	(0.6)	(2.6)	(36.7)
Cash flows from financing activities:					
Proceeds from issuance of long-term debt	650.5	—	—	—	650.5
Repayments of long-term debt	(420.7)	—	—	—	(420.7)
Payment of deferred issuance costs	(33.8)	—	—	—	(33.8)
Changes in cash overdrafts	17.3	—	—	—	17.3
Payment of capital distribution	—	(0.2)	(2.4)	2.6	—
Change in intercompany receivable/payable	43.7	(53.6)	9.9	—	—
Net cash provided by (used in) financing activities	257.0	(53.8)	7.5	2.6	213.3
Net increase (decrease) in cash and cash equivalents	6.7	(60.6)	(12.4)	—	(66.3)
Cash and cash equivalents, beginning of period	32.7	61.1	15.8	—	109.6
Cash and cash equivalents, end of period	$ 39.4	$ 0.5	$ 3.4	$ —	$ 43.3

Condensed Consolidating Statements of Cash Flows (unaudited)

For the Nine Months Ended October 31, 2013

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 107.1	$ 145.3	$ (0.8)	$ (1.7)	$ 249.9
Cash flows from investing activities:					
Additions to property, plant and equipment	(31.1)	—	(1.5)	—	(32.6)
Proceeds from sale of property, plant and equipment	0.1	6.3	—	—	6.4
Changes in restricted cash	25.2	—	—	—	25.2
Return of capital from subsidiary	6.0	6.0	—	(12.0)	—
Net cash provided by (used in) investing activities	0.2	12.3	(1.5)	(12.0)	(1.0)
Cash flows from financing activities:					
Repayment of principal on convertible debt	(286.9)	—	—	—	(286.9)
Payments of debt issuance costs	(0.8)	—	—	—	(0.8)
Payments of dividends	—	—	(1.7)	1.7	—
Changes in cash overdrafts	(67.8)	—	—	—	(67.8)
Payment of capital distribution	—	(6.0)	(6.0)	12.0	—
Change in intercompany receivable/payable	245.9	(254.1)	8.2	—	—
Net cash (used in) provided by financing activities	(109.6)	(260.1)	0.5	13.7	(355.5)
Net decrease in cash and cash equivalents	(2.3)	(102.5)	(1.8)	—	(106.6)
Cash and cash equivalents, beginning of period	78.9	306.4	17.9	—	403.2
Cash and cash equivalents, end of period	$ 76.6	$ 203.9	$ 16.1	$ —	$ 296.6

NOTE 12 – SUBSEQUENT EVENTS

On December 1, 2014, the Company received a notice of default and acceleration, dated December 1, 2014 (the "Notice of Default"), from the SCP Agent asserting that events of default have occurred and are continuing under the SCP Credit Agreement. In addition to asserting Events of Default, the Notice of Default also includes a demand by the SCP Agent for the immediate payment in full by the Company of the $250 million term loan outstanding under the SCP Credit Agreement, together with all accrued and unpaid interest thereon (all of which interest that was due on December 1, 2014 having been paid in full on that date) and any other amounts owing to the SCP Lenders thereunder.

The SCP Agent alleges in the Notice of Default that the Company entered into "affiliate" transactions in breach of the provisions of the SCP Credit Agreement by entering into (1) the Recapitalization Agreement, (2) the Loan Sale Agreement, and (3) the First Amendment and the other documents related thereto. See Note 4 – "Restructuring and Impairment," for further discussion of the agreements.

The SCP Agent also alleges in the Notice of Default that (1) the obligations outstanding under the 2018 Credit Agreement, exceed the amounts that are permitted under the SCP Credit Agreement, (2) the First Amendment breached the SCP Credit Agreement by making conditions that might be satisfied in order for the Company to make payments on account of the obligations under the SCP Credit Agreement more difficult to satisfy, and (3) a ratio of the liquidation value of inventory to the cost of such inventory contained in a borrowing base certificate delivered by the Company under the 2018 Credit Agreement was greater than that which was required to be utilized under the 2018 Credit Agreement and resulted in additional credit being made available to the Company, in each case, in violation of the SCP Credit Agreement.

The SCP Agent alleges in the Notice of Default that the foregoing matters constitute continuing events of default under the SCP Credit Agreement. The Company disagrees with the assertions contained in the Notice of Default that any event of default has occurred. Because we believe the alleged events of default do not exist, we also believe that the demand for the immediate payment of all obligations outstanding under the SCP Credit Agreement does not have any merit and therefore our debt remains recorded as noncurrent. The Company intends to vigorously contest the allegations contained in the Notice of Default.

If it is determined that an event of default has occurred and is continuing under the SCP Credit Agreement, then such event of default would also constitute an event of default under the 2018 Credit Agreement. However, the lenders holding a majority of the loans and commitments under the 2018 Credit Agreement have indicated that they do not currently intend to assert any such event of default under the 2018 Credit Agreement. If the maturity of the obligations outstanding under the SCP Credit Agreement is validly accelerated, then an event of default would occur under the Indenture, dated as of May 3, 2011, by and among the Company, the Guarantors named therein, and Wilmington Trust, National Association, as Trustee, which governs our $325 million of 6.75% Senior Notes. The occurrence of an actual event of default under these other debt arrangements would permit the lenders thereunder (or the agent or trustee acting on their behalf) to declare all amounts outstanding thereunder to become immediately due and payable and to exercise other remedies set forth in the applicable debt documents.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

This MD&A section of our Quarterly Report on Form 10-Q discusses our results of operations, liquidity and capital resources and certain factors that may affect our future results of operations. You should read this MD&A in conjunction with our condensed consolidated financial statements and accompanying notes included under Part I, Item 1, of this Quarterly Report, as well as with our Annual Report on Form 10-K for the year ended December 31, 2013.

In November 2013, our board of directors approved a change in our fiscal year end from December 31 to the Saturday nearest January 31 of each year. The change, which aligns our reporting cycle with the National Retail Federation 4-5-4 fiscal calendar and is expected to provide for more consistent quarter-to-quarter comparisons, is effective for our 2015 fiscal year. Our 2015 fiscal year began on February 2, 2014, and will end January 31, 2015, resulting in a transition period, that began January 1, 2014, and ended February 1, 2014, our 2014 fiscal year. This Form 10-Q includes the unaudited results for the 13 weeks and 39 weeks ended November 1, 2014, and the three and nine months ended October 31, 2013. Prior period information has been recast to the month end dates that most closely align with the new fiscal calendar. The prior period financial statements have not been recast on a 4-5-4 calendar basis, because it was impractical.

Executive Summary

Overall, our sales declined 16.1% including a comparable store sales decline of 13.4% for the 13 weeks ended November 1, 2014, compared to the prior period.

Our third quarter performance continued to be challenged by a weak demand for our consumer electronics and by challenges in our mobility business which was negatively impacted by a lack of inventory of the new handset offerings that launched during the period and aggressive price competition on our current handset choices, as well as carrier incentives for switching networks. The retail platform, the other half of our business, was slightly down for the quarter. Importantly, we saw an improvement in the sales trend of retail product categories, which was driven by new offerings in our stores, new services including our Fix It Here program, the ongoing success of categories such as sound and music accessories, and better inventory positions for higher margin items.

On our efforts to reinvigorate our store experience, we now have more than 130 stores open in our "Interactive Remodel" category – which includes both our concept stores and a larger number of remodeled locations that incorporate the key attributes of the concept stores into an existing location at a more modest capital cost. These stores collectively performed 12 percentage points better than the total chain on a comparable basis, and in the retail segment performed almost 15 percentage points better on a comparable basis. We have also made meaningful progress on revamping our product assortment with new categories, new products and new services.

We believe that we are making some progress on our recapitalization plan with the restructuring of some of our existing debt, but we still have additional steps to take in order to successfully complete our turnaround plan. See Note 1 "Basis of Presentation – Liquidity" in the Notes to Condensed Consolidated Financial Statements for further discussion of the recapitalization plan. There is no predetermined outcome to this work and there can be no assurance that we will be able to successfully implement a long-term solution.

RESULTS OF OPERATIONS

RadioShack Retail Outlets
The table below shows our retail locations allocated among U.S. and Mexico company-operated stores and dealers/franchisees and other outlets at the following dates:

	Nov. 1, 2014	Aug. 2, 2014	May 3, 2014	Feb. 1, 2014	Dec. 31, 2013	Oct. 31 2013
U.S. RadioShack company-operated stores [1]	4,216	4,228	4,250	4,272	4,297	4,299
Mexico RadioShack company-operated stores	253	257	258	271	274	273
Dealers, franchisees and other outlets	876	902	912	938	948	966
Total number of retail locations	5,345	5,387	5,420	5,481	5,519	5,538

(1) We have closed 62 stores in fiscal 2015 after we decided not to renew their leases.

The following table contains results of operations data for the 13 weeks and 39 weeks ended November 1, 2014, and the three and nine months ended October 31, 2013:

(In millions)	13 Weeks Ended November 1, 2014	Three Months Ended October 31, 2013	39 Weeks Ended November 1, 2014	Nine Months Ended October 31, 2013
Net sales	$ 650.2	$ 775.4	$ 2,060.7	$ 2,485.2
Cost of goods sold	436.0	534.2	1,340.2	1,601.6
% of net sales	*67.1%*	*68.9%*	*65.0%*	*64.4%*
Gross profit	214.2	241.2	720.5	883.6
% of net sales	*32.9%*	*31.1%*	*35.0%*	*35.6%*
Selling, general and administrative	313.8	352.8	973.3	1,020.9
% of net sales	*48.3%*	*45.5%*	*47.2%*	*41.1%*
Depreciation and amortization	11.9	14.6	37.7	46.1
% of net sales	*1.8%*	*1.9%*	*1.8%*	*1.9%*
Impairments of long-lived assets and goodwill	2.6	2.4	24.0	6.6
% of net sales	*0.4%*	*0.3%*	*1.2%*	*0.3%*
Operating loss	(114.1)	(128.6)	(314.5)	(190.0)
% of net sales	*(17.5%)*	*(16.6%)*	*(15.3%)*	*(7.6%)*
Net interest expense	18.2	10.0	50.7	38.0
% of net sales	*2.8%*	*1.3%*	*2.5%*	*1.5%*
Other loss (See Note 4)	28.1	—	28.1	0.3
% of net sales	*4.3%*	*—*	*1.4%*	*0.0%*
Loss before income taxes	(160.4)	(138.6)	(393.3)	(228.3)
% of net sales	*(24.7%)*	*(17.9%)*	*(19.1%)*	*(9.2%)*
Income tax expense (benefit)	0.7	(2.7)	3.5	(17.7)
% of net sales	*0.1%*	*(0.3%)*	*0.2%*	*(0.7%)*
Discontinued operations	—	—	—	(5.5)
Net loss	$ (161.1)	$ (135.9)	$ (396.8)	$ (216.1)
% of net sales	*(24.8%)*	*(17.5%)*	*(19.3%)*	*(8.7%)*

13 Weeks Ended November 1, 2014, and Three Months Ended October 31, 2013

Net Sales and Operating Revenues:
Consolidated net sales and operating revenues are as follows:

(In millions)	13 Weeks Ended November 1, 2014	Three Months Ended October 31, 2013
U.S. RadioShack company-operated stores	$ 579.2	$ 691.7
Other	71.0	83.7
Consolidated net sales and operating revenues	$ 650.2	$ 775.4
Consolidated net sales and operating revenues decrease	(16.1%)	
Comparable store sales [(1)] decrease	(13.4%)	

(1) Comparable store sales include the sales of U.S. and Mexico RadioShack company-operated stores with more than 12 full months of recorded sales. Sales from discontinued operations have been excluded from these calculations. These results have been prepared using the new fiscal calendar.

U.S. RadioShack Company-Operated Stores Segment. U.S. RadioShack company-operated store sales for the 13 weeks ended November 1, 2014, decreased $112.5 million, or 16.3%, when compared with the three months ended October 31, 2013. The decrease in sales was primarily driven by decreased sales in both our mobility and retail platforms. Additionally, we operated 83 fewer stores at November 1, 2014, than we did at October 31, 2013, which contributed to a decrease in consolidated sales and affected the sales results for each platform discussed below.

Mobility Platform. Sales in our mobility platform decreased 24.7% to $280.6 million for the 13 weeks ended November 1, 2014, when compared with $372.5 million for the 13 weeks ended November 2, 2013. This sales decrease was primarily driven by decreased sales in our postpaid wireless business due to lack of availability of new devices launched during the period as well as low consumer interest in the current handset offerings. Comparable store sales in this platform decreased 23.8% for the 13 weeks ended November 1, 2014, when compared with the comparable prior period.

Retail Platform. Sales in our retail platform decreased 3.1% to $298.5 million for the 13 weeks ended November 1, 2014, compared with $308.0 million for the 13 weeks ended November 2, 2013. Sales were negatively affected by decreased sales in categories including batteries, audio/video cables, phone car chargers and PC communication products such as VOIP devices, which were positively offset in part by increased sales of music accessories, Fix It Here mobile device repair services and headphones. Comparable store sales in this platform decreased 2.0% for the 13 weeks ended November 1, 2014, when compared with the comparable prior period.

Other Sales. Amounts in other sales reflect our business activities that are not separately reportable, including sales to our independent dealers and franchisees, sales generated by our Mexican subsidiary and our *www.radioshack.com* website, sales to commercial customers and sales to other third parties through our global sourcing operations. Other sales decreased $12.7 million, or 15.2%, for the 13 weeks ended November 1, 2014, when compared with the three months ended October 31, 2013. These decreases were primarily driven by sales decreases to our independent dealers and franchisees. Additionally, we had 90 fewer independent dealers and franchisees at November 1, 2014, than we did at October 31, 2013, which contributed to the decrease.

Gross Profit. Consolidated gross profit decreased $27.0 million, or 11.2%, for the 13 weeks ended November 1, 2014, when compared with the three months ended October 31, 2013. Our consolidated gross margin rate for the 13 weeks ended November 1, 2014, increased by 1.8 percentage points when compared with the three months ended October 31, 2013, due to the shift in product mix to retail from mobility, partially offset by inventory liquidation reserves. The decline in gross profit dollars was primarily driven by a 24.7% decrease in sales in the mobility platform.

Selling, General and Administrative Expense. Consolidated SG&A expense decreased $39.0 million for the 13 weeks ended November 1, 2014, when compared with the three months ended October 31, 2013, which was driven by decreased advertising, repairs and maintenance, taxes, compensation and store support expenses. This represents a 2.8 percentage point increase as a percentage of net sales and operating revenues for the 13 weeks ended November 1, 2014, which was driven by declining sales volumes period over period.

Depreciation and Amortization. Depreciation and amortization from continuing operations, including amounts recorded in cost of products sold, was $11.9 million for the 13 weeks ended November 1, 2014, compared with $14.6 million for the three months ended October 31, 2013.

Impairment of Long-lived Assets and Goodwill. Impairments of long-lived assets and goodwill were $2.6 million for the 13 weeks ended November 1, 2014, compared with $2.4 million for the three months ended October 31, 2013.

Net Interest Expense. Consolidated net interest expense, which is interest expense net of interest income, was $18.2 million for the 13 weeks ended November 1, 2014, compared with $10.0 million for the three months ended October 31, 2013. Interest expense increased $8.2 million for the 13 weeks ended November 1, 2014, compared with the three months ended October 31, 2013. This change was primarily driven by a higher borrowings and higher interest rate on our term loan due in December 2018.

Other Loss. Other loss of $28.1 million primarily reflects the write-off of debt issuance costs and debt discount during the 13 weeks ended November 1, 2014, in connection with the recapitalization.

Income Tax Expense. The income tax provision for each period reflects our current estimate of the effective tax rate for the full year, adjusted for any discrete events that are recorded in the period in which they occur. Our effective tax rate was a negative 0.4% for the 13 weeks ended November 1, 2014, compared with 1.9% for the three months ended October 31, 2013.

For the 13 weeks ended November 1, 2014, we continued to provide a valuation allowance against all of our U.S. federal and state deferred tax assets. As a result, we did not record any U.S. federal or state income tax benefit related to our operating losses for the 13 weeks ended November 1, 2014. We continue to provide a valuation allowance against all of the deferred tax assets of our Mexican subsidiary. We continue to recognize income tax expense or benefit related to our other foreign operations and interest accrued on our liabilities for uncertain tax positions. In addition, we continue to recognize income tax expense in certain state jurisdictions.

The effective tax rate for the 13 weeks ended November 1, 2014, was affected by the recognition of previously unrecognized tax benefits of $0.6 million due to the expiration of statute of limitations of state income tax matters.

The effective tax rate for the three months ended October 31, 2013, was affected by a tax benefit associated with a change in measurement of a tax position taken in a prior period in the amount of $3.5 million. The effective tax rate was also affected by the recognition of previously unrecognized tax benefits of $1.0 million due to the settlement and expiration of statute of limitations of state income tax matters.

Our federal and certain state net operating losses and federal general business credit carryforwards may be subject to limitations under Section 382 of the Internal Revenue Code if significant ownership changes occur.

39 Weeks Ended November 1, 2014, and Nine Months Ended October 31, 2013

Net Sales and Operating Revenue:

(In millions)	39 Weeks Ended November 1, 2014	Nine Months Ended October 31, 2013
U.S. RadioShack company-operated stores	$ 1,860.4	$ 2,252.6
Other	200.3	232.6
Consolidated net sales and operating revenues	$ 2,060.7	$ 2,485.2
Consolidated net sales and operating revenues	(17.1%)	
Comparable store sales [(1)] decrease	(15.8%)	

(1) Comparable store sales include the sales of U.S. and Mexico RadioShack company-operated stores with more than 12 full months of recorded sales. Sales from discontinued operations have been excluded from these calculations. These results have been prepared using the new fiscal calendar.

U.S. RadioShack Company-Operated Stores Segment. U.S. RadioShack company-operated store sales for the 39 weeks ended November 1, 2014, decreased $392.2 million, or 17.4%, when compared with the nine months ended October 31, 2013.

These decreases in sales were primarily driven by decreased sales in our mobility and retail platforms. Additionally, we operated 83 fewer stores at November 1, 2014, than we did at October 31, 2013, which contributed to a decrease in consolidated sales and affected the sales results for each platform discussed below.

Mobility Platform. Sales in our mobility platform decreased 24.7% to $950.3 million for the 39 weeks ended November 1, 2014, when compared with $1,262.1 million for the 39 weeks ended November 2, 2013. These decreases were primarily driven by decreased sales in our postpaid wireless business due to intense wireless carrier promotional activities to incentivize customers to switch networks along with new device financing programs offered by the wireless carriers that were initially only available in the wireless carriers' stores. Comparable store sales in this platform decreased 23.9% for the 39 weeks ended November 1, 2014, when compared with the comparable prior period.

Retail Platform. Sales in our retail platform decreased 7.6% to $910.8 million for the 39 weeks ended November 1, 2014, compared with $985.9 million for the 39 weeks ended November 2, 2013. Sales were negatively affected by decreased sales in many categories including batteries, PC communication products such as VOIP devices, phone car chargers and audio cables, which were positively offset in part by increased sales of music accessories, portable speakers and Fix It Here mobile device repair services. Comparable store sales in this platform decreased 6.7% for the 39 weeks ended November 1, 2014, when compared with the comparable prior period.

Other Sales. Amounts in other sales reflect our business activities that are not separately reportable, including sales to our independent dealers and franchisees, sales generated by our Mexican subsidiary and our www.radioshack.com website, sales to commercial customers and sales to other third parties through our global sourcing operations. Other sales decreased $32.3 million, or 13.9%, for the 39 weeks ended November 1, 2014, when compared with the nine months ended October 31, 2013. These decreases were primarily driven by sales decreases to our independent dealers, our Mexican subsidiary and our www.radioshack.com website. Additionally, we had 90 fewer independent dealers and franchisees at November 1, 2014, than we did at October 31, 2013, which contributed to the decrease.

Gross Profit. Consolidated gross profit decreased $163.1 million, or 18.5%, for the 39 weeks ended November 1, 2014, when compared with the nine months ended October 31, 2013. Our consolidated gross margin rate for the 39 weeks ended November 1, 2014, decreased by 0.6 percentage points when compared with the nine months ended October 31, 2013, primarily due to aggressive price competition in our current postpaid and prepaid handset offerings, as well as inventory liquidation reserves partially offset by the shift in product mix to retail from mobility. The decline in gross profit was primarily driven by a 24.7% decrease in sales in the mobility platform.

Selling, General and Administrative Expense. Consolidated SG&A expense decreased $47.6 million, or 4.7%, for the 39 weeks ended November 1, 2014, when compared with the nine months ended October 31, 2013, which was driven by decreased advertising, repairs and maintenance, taxes, compensation and store support expenses, partially offset by store contract terminations. This represents a 6.1 percentage point increase as a percentage of net sales and operating revenues for the 39 weeks ended November 1, 2014, which was driven by declining sales volumes period over period. Included in the 39 weeks ended November 1, 2014, is an $8.7 million non-cash loss on elimination of a key executive life insurance program and $8.2 million of estimated employee severance costs in the U.S. and China. The nine months ended October 31, 2013, included a receipt of $5.3 million from a non-merchandise vendor as settlement of a dispute.

Depreciation and Amortization. Depreciation and amortization from continuing operations, including amounts recorded in cost of products sold, was $37.7 million for the 39 weeks ended November 1, 2014, compared with $46.1 million for the nine months ended October 31, 2013.

Impairment of Long-lived Assets and Goodwill. Impairments of long-lived assets and goodwill were $24.0 million for the 39 weeks ended November 1, 2014, compared with $6.6 million for the nine months ended October 31, 2013. Included in the 39 weeks ended November 1, 2014, is $6.9 million related to estimated store closure costs and $12.3 million of goodwill.

Net Interest Expense. Consolidated net interest expense, which is interest expense net of interest income, was $50.7 million for the 39 weeks ended November 1, 2014, compared with $38.0 million for the nine months ended October 31, 2013. Interest expense increased $13.0 million for the 39 weeks ended November 1, 2014, compared with the nine months ended October 31, 2013. This change was primarily driven by a higher interest rate on our term loan due in December 2018.

Other Loss. Other loss of $28.1 million primarily reflects write-off of debt issuance costs and debt discount during the 39 weeks ended November 1, 2014, in connection with the recapitalization.

Income Tax Expense. Our effective tax rate was a negative 0.9% for the 39 weeks ended November 1, 2014, compared with 7.8% for the nine months ended October 31, 2013.

For the 39 weeks ended November 1, 2014, we continued to provide a valuation allowance against all of our U.S. federal and state deferred tax assets. As a result, we did not record any U.S. federal or state income tax benefit related to our operating loss for the 39 weeks ended November 1, 2014. We continue to provide a valuation allowance against all of the deferred tax

assets of our Mexican subsidiary. We continue to recognize income tax expense or benefit related to our other foreign operations and interest accrued on our liabilities for uncertain tax positions. In addition, we continue to recognize income tax expense in certain state jurisdictions.

The effective tax rate for the nine months ended October 31, 2013, was affected by a tax benefit associated with the settlement of an Internal Revenue Service examination of tax years 2004 through 2006 in the amount of $14.3 million, and a change in measurement of a tax position taken in a prior period in the amount of $3.5 million. The effective tax rate for the nine months ended October 31, 2013 was also affected by the recognition of previously unrecognized tax benefits of $3.6 million due to the settlement and expiration of statute of limitations of state income tax matters.

Our federal and certain state net operating losses and federal general business credit carryforwards may be subject to limitations under Section 382 of the Internal Revenue Code if significant ownership changes occur.

Discontinued Operations. We ceased operating all of our Target Mobile centers prior to March 31, 2013. The income (loss) before income taxes for these discontinued operations was zero for the 39 weeks ended November 1, 2014, compared with a loss of $5.2 million for the nine months ended October 31, 2013.

STORE CLOSURE PROGRAM

In March 2014, we announced we would seek consent from our lenders under the 2018 Credit Agreement and 2018 Term Loan to pursue a program to close up to 1,100 stores. In May 2014, we announced that the terms on which the lenders were then willing to provide this consent were not acceptable to us.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Refer to Note 2 – “New Accounting Standards” in the Notes to Condensed Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Overview

Operating Activities: Cash used in operating activities for the 39 weeks ended November 1, 2014, was $242.9 million, compared with cash provided of $249.9 million for the nine months ended October 31, 2013. Cash flows from operating activities are comprised of net income plus non-cash adjustments to net income and changes in working capital components. Net income plus non-cash adjustments to net income was a loss of $285.9 million for the 39 weeks ended November 1, 2014, compared with a loss of $139.3 million for the nine months ended October 31, 2013. Cash provided by working capital components was $43.0 million for the 39 weeks ended November 1, 2014, compared with $389.2 million for the nine months ended October 31, 2013. The decrease in net income plus non-cash adjustments was primarily driven by our increased net loss for the 39 weeks ended November 1, 2014, when compared with the nine months ended October 31, 2013. The decrease in our cash provided by working capital components was a result of a decrease in accounts payable, accounts receivable and inventory liquidation for the 39 weeks ended November 1, 2014, when compared with a decrease in accounts receivable, increase in accounts payable and higher inventory liquidations for the nine months ended October 31, 2013.

Investing Activities: Net cash used in investing activities was $36.7 million for the 39 weeks ended November 1, 2014, compared with $1.0 million for the nine months ended October 31, 2013. This increase was primarily driven by a decrease in restricted cash for the 39 weeks ended November 1, 2014, compared to the decrease in restricted cash for the nine months ended October 31, 2013. See “Cash Requirements” below in this MD&A regarding our restricted cash and capital expenditures.

Financing Activities: Cash provided by financing activities was $213.3 million for the 39 weeks ended November 1, 2014, compared with cash used of $355.5 million for the nine months ended October 31, 2013. This change was primarily driven by the repayments of long-term debt in the nine months ended October 31, 2013, and the net borrowing of $233.9 million under our 2018 Credit Facility during the 39 weeks ended November 1, 2014.

SOURCES OF LIQUIDITY

As of November 1, 2014, we had $43.3 million of cash and cash equivalents.

The 2018 Credit Agreement matures in December 2018 and as of November 1, 2014, provided for asset-based loans and letters of credit in a maximum principal or face amount outstanding not exceeding the lesser of (a) $535.0 million and (b) the revolving borrowing base. Subject to the borrowing base, the 2018 Credit Agreement provided for (1) a facility of an aggregate principal amount of up to $275.0 million of outstanding revolving loans to be converted into termed out revolving loans, (2) a facility available solely for letters of credit in an aggregate principal amount of up to $120.0 million, and (3) a facility available solely for revolving loans in an aggregate principal amount of up to $140.0 million, in each case on the terms and subject to

the conditions set forth therein. The 2018 Credit Agreement is secured by a lien on substantially all of our assets, including a first priority lien on current assets and a second priority lien on fixed assets, intellectual property and the equity interests of our direct and indirect subsidiaries.

As of November 1, 2014, letters of credit totaling $94.4 million had been issued, and we had $233.9 million in outstanding borrowings resulting in $19.3 million of remaining availability for revolving borrowings under our 2018 Credit Facility. The letters of credit consisted of $33.0 million pledged as collateral for standby letters of credit issued to our casualty insurance providers, $37.7 million related to merchandise vendors and $11.4 million related to depository requirements and other miscellaneous items. We had trade letters of credit of $12.3 million.

Refer to Note 5 – "Indebtedness and Borrowing Facilities" in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, for additional information regarding our 2018 Credit Facility.

We continually assess our liquidity and capital structure and evaluate strategic capital initiatives. These may include, but are not limited to, new debt issuances and debt refinancing or modifications of existing debt, such as the amount of debt outstanding, the types of debt issued and the maturity dates of the debt. These alternatives, if implemented, could materially affect our capital structure, debt ratios and cash balances.

Cash Requirements

Long-term debt: Refer to Note 5 – "Indebtedness and Borrowing Facilities" in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, for information regarding our long-term debt.

Capital Expenditures: We currently estimate that our capital expenditures for the year ending January 31, 2015, will be approximately $50 million. U.S. RadioShack company-operated store remodels and relocations and information systems projects will account for the majority of these anticipated capital expenditures. Cash and cash equivalents and cash generated from operating activities, if any, will be used to fund these capital expenditures. Additionally, our 2018 Credit Facility could be utilized to fund capital expenditures.

Restricted Cash: Restricted cash totaled $6.1 million at November 1, 2014, and $66.0 million at December 31, 2013, and is included in other current assets in our Consolidated Balance Sheets. At December 31, 2013, this cash was pledged as collateral for standby and trade letters of credit. We were required to pledge this cash as collateral in connection with the closing of our 2018 Credit Agreement. Subsequent to December 31, 2013, we have withdrawn this cash.

Contractual Obligations: There have been no significant changes to our contractual obligations and commercial commitments outside the ordinary course of business since December 31, 2013. Refer to our Annual Report on Form 10-K for the year ended December 31, 2013, for additional information regarding our contractual obligations and commercial commitments.

Liquidity Outlook

As of November 1, 2014, we had $43.3 million in cash and cash equivalents. Additionally, we had availability under our 2018 Credit Facility of $19.3 million as of November 1, 2014. This resulted in a total liquidity position of $62.6 million at November 1, 2014.

We have experienced losses for the past two years that continued to accelerate into the third quarter of fiscal 2015, primarily attributed to a prolonged downturn in our business. Our ability to generate cash from operations depends in large part on the level of demand for our products and services. We continue to face an uncertain business environment and a number of fundamental challenges in our mobility business due to lack of availability of new devices launched during the period, aggressive price competition and intense wireless carrier marketing activities. Our retail business also faces the challenge of revamping our product assortment to anticipate and meet our customers' needs and wants to produce profitable operating margins. We believe these challenging market conditions will continue into fiscal year 2016.

Given our negative cash flows from operations and our expected cash needs for the next twelve months and over the longer term as discussed in Note 4 – "Restructuring and Impairment," in the Notes to Condensed Consolidated Financial Statements, we entered into definitive agreements to provide additional near-term liquidity and serve as a first step in our efforts to effect our recapitalization. We continue tightly managing our cash and monitoring our liquidity position and have implemented a number of initiatives to conserve our liquidity position.

As part of the anticipated next phase of the recapitalization plan, we continue to explore alternatives and have engaged in discussions with our existing and potential new lenders in an effort to create a long-term solution. If we do not improve our

cash flow from operations and refinance our existing debt, we may not have enough cash and working capital to continue to fund our operations beyond the near term, which raises substantial doubt about our ability to continue as a going concern.

To date, we have closed 175 underperforming stores since the beginning of the current fiscal year. We may close additional underperforming stores and take other measures to reduce our cost structure. The actual number of store closures could vary considerably depending on the specific restructuring alternative implemented. Our ability to close stores is limited by covenants contained in our debt agreements, and prior efforts to obtain consents from our lenders to close greater numbers of stores have been unsuccessful.

There can be no assurance that our efforts to further restructure our debt or operations will be successful. Even if successful, our restructuring efforts could have materially adverse effects on our business and on the market price of our securities. If our restructuring efforts are not successful, or cannot be completed in a timely manner, or if we are unable to improve our liquidity or if we fail to meet certain conditions of the recapitalization plan described in Note 4 – "Restructuring and Impairment," in the Notes to Condensed Consolidated Financial Statements, we may be required to seek to implement in-court bankruptcy proceedings, which could result in a default on our debt with our lenders and/or the liquidation of the Company and the loss of your investment in the Company.

As of November 1, 2014, we had $43.3 million in cash and cash equivalents. Additionally, we had availability under our 2018 Credit Facility of $19.3 million as of November 1, 2014. This resulted in a total liquidity position of $62.6 million at November 1, 2014.

On December 1, 2014, the Company received a notice of default and acceleration asserting that events of default have occurred and are continuing under the SCP Credit Agreement. The Company disagrees with the assertions contained in the notice of default that any event of default has occurred. See Note 12 – "Subsequent Events" in the Notes to Condensed Consolidated Financial Statements for further discussion.

NYSE Delisting Notice:
On July 24, 2014, we were notified by the NYSE that the average closing price of our common stock had fallen below $1.00 per share over a period of 30 consecutive trading days, which is the minimum average share price for continued listing on the NYSE under Rule 802.01C of the NYSE Listed Company Manual.

Under NYSE rules, we have six months following receipt of the notification to regain compliance with the minimum share price requirement. We can regain compliance at any time during the six-month cure period if our common stock has a closing share price of at least $1.00 on the last trading day of any calendar month during the period and also has an average closing share price of at least $1.00 over the 30 trading-day period ending on the last trading day of that month or on the last day of the cure period.

The notice has no immediate impact on the listing of our common stock, which will continue to trade on the NYSE under the symbol "RSH." We intend to actively monitor the closing share price for our common stock and will consider available options to resolve the deficiency and regain compliance with Rule 802.01C of the NYSE Listed Company Manual. On the last trading day of the month and quarter, our common stock closed at $0.92 and had an average closing price for 30 consecutive trading days of $0.92. We have received approval from the NYSE for an extension for compliance until our annual meeting scheduled for June 2, 2015.

If our common stock ultimately were to be delisted for any reason, it could: (1) reduce the liquidity and market price of our common stock and (2) negatively impact our ability to conduct equity financings and access the public capital markets.

Capitalization

The following table sets forth information about our capitalization on the dates indicated:

	November 1, 2014		February 1, 2014		December 31, 2013	
(In millions)	Dollars	Percent	Dollars	Percent	Dollars	Percent
Current maturities of long-term debt	$ 0.1	0.0 %	$ 1.1	0.1 %	$ 1.1	0.1 %
Long-term debt, excluding current maturities	841.4	128.5	613.0	78.3	613.0	74.7
Total debt	841.5	128.5	614.1	78.4	614.1	74.8
Stockholders' (deficit) equity	(186.7)	(28.5)	168.7	21.6	206.4	25.2
Total capitalization	$ 654.8	100.0 %	$ 782.8	100.0 %	$ 820.5	100.0 %

OFF-BALANCE SHEET ARRANGEMENTS

Other than our operating leases, we do not have any off-balance sheet financing arrangements, transactions, or special purpose entities. Refer to Note 13 – "Commitments and Contingencies" in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, for information regarding our operating leases.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting policies and estimates have not significantly changed since December 31, 2013. Refer to our Annual Report on Form 10-K for the year ended December 31, 2013, for a discussion of our critical accounting policies and estimates.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Matters discussed in MD&A and in other parts of this report include forward-looking statements within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act

of 1934, as amended (the "Exchange Act"). These forward-looking statements are statements that are not historical and may be identified by the use of words such as "expect," "anticipate," "believe," "estimate," "potential" or similar words. These matters include statements concerning management's plans and objectives relating to our operations or economic performance and related assumptions. We specifically disclaim any duty to update any of the information set forth in this report, including any forward-looking statements. Forward-looking statements are made based on management's current expectations and beliefs concerning future events and, therefore, involve a number of assumptions, risks and uncertainties, including the risk factors described in Part II, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2013, and Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q for the 39 weeks ended November 1, 2014. Management cautions that forward-looking statements are not guarantees and our actual results could differ materially from those expressed or implied in the forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our exposure to interest rate or market risk since December 31, 2013. See Item 7A - "Quantitative and Qualitative Disclosures About Market Risk" in our Form 10-K for the year ended December 31, 2013, for further discussion.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established a system of disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) designed to ensure that information relating to the Company that is required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and that such information is accumulated and communicated to management, including our principal executive officer (Chief Executive Officer) and our principal financial officer (Interim Chief Financial Officer), as appropriate, to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report was performed under the supervision and with the participation of management, including our principal executive officer and principal financial officer. Based upon that evaluation, management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 9 – "Commitments and Contingencies" in Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q for information on legal proceedings.

ITEM 1A . RISK FACTORS

Except as set forth below, there have been no material changes in our risk factors as previously disclosed in our 2013 Annual Report under Part I, "Item 1A. – Risk Factors." In addition to the information below and the other information set forth in this

Quarterly Report, you should carefully consider the factors discussed in our 2013 Annual Report which could materially affect our business, financial condition or future results. The risks described in our 2013 Annual Report and herein are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

There is substantial doubt about our ability to continue as a going concern.

We have experienced losses for the past two years that continued to accelerate into the third quarter of fiscal 2015, primarily attributed to a prolonged downturn in our business. We may not have enough cash and working capital to fund our operations beyond the near term, which raises substantial doubt about our ability to continue as a going concern.

Given our negative cash flows from operations and in order to meet our expected cash needs for the next twelve months and over the longer term as discussed in Note 4 – "Restructuring and Impairment," in the Notes to Condensed Consolidated Financial Statements, we entered into definitive agreements to provide additional near-term liquidity and serve as a first step in our efforts to effect our recapitalization. We continue tightly managing our cash and monitoring our liquidity position and have implemented a number of initiatives to conserve our liquidity position. There can be no assurance that any of these efforts will be successful.

We have received a notice from the SCP Agent asserting that events of default have occurred and demanding immediate payment of the outstanding obligations under the SCP Credit Agreement.

We have received a notice of default and acceleration from the SCP Agent. This notice asserts that events of default have occurred and are continuing under the SCP Credit Agreement. The notice also includes a demand by the SCP Agent for the immediate payment in full by us of the $250 million term loan outstanding under the SCP Credit Agreement, together with all accrued and unpaid interest thereon (all of which interest that was due on December 1, 2014 having been paid in full on that date) and any other amounts owing to the SCP Lenders thereunder and asserts other remedies under the SCP Credit Agreement.

We disagree with the assertions contained in the notice. However, if a court determines that an event of default has occurred and is continuing under the SCP Credit Agreement, then this event of default would also constitute an event of default under the 2018 Credit Agreement. Additionally, if the outstanding obligations under the SCP Credit Agreement are accelerated, then an event of default would occur under our Indenture, dated as of May 3, 2011, by and among the Company, the Guarantors named therein, and Wells Fargo Bank, National Association, as Trustee, which governs our $325 million of 6.75% Senior Notes. The occurrence of any such events of default under these other debt arrangements would permit the lenders thereunder (or the agent or trustee acting on their behalf) to declare all amounts outstanding thereunder to become immediately due and payable and to exercise other remedies set forth in the applicable debt documents. If a court determines that an event of default exists under our SCP Credit Agreement, we may be unable to continue as a going concern.

Unless certain closing conditions are satisfied, GRH will not be obligated to complete the Sponsor Conversion under the Recapitalization Agreement.

GRH's obligation to complete the Sponsor Conversion is subject to the satisfaction of various closing conditions, including those discussed in Note 4 "Restructuring and Impairment" in the Notes to the Condensed Consolidated Financial Statements. There is no assurance that these closing conditions will be met.

For example, we have not amended, or replaced, our current contract with a third-party supplier (which expires by its terms on December 31, 2014) on terms that are equivalent or more favorable, taken as a whole, to us than the terms of the existing contract. Additionally, if our results do not improve, we will not have at least $100 million of available cash and borrowing capacity at January 15, 2015. We also may not be able to develop, reasonably and in good faith, an operating plan and budget for fiscal year 2016 that would be accepted by our board of directors and contemplates earnings (excluding specified cash and non-cash charges) before interest, taxes, depreciation and amortization of at least $75.4 million. Further, it is a condition that no default or event of default shall have occurred and be continuing under our 2018 Credit Agreement, the SCP Credit Agreement or our 2019 Notes.

If these conditions, or any of the other conditions under the Recapitalization Agreement, are not satisfied, GRH will not be obligated to complete the Sponsor Conversion and will be able to terminate the Recapitalization Agreement after March 15, 2015, or earlier in certain circumstances as provided in the Recapitalization Agreement.

Our ability to service our indebtedness, to refinance our indebtedness or to fund our other liquidity needs is subject to various risks.

Our ability to make scheduled payments on and to refinance our existing indebtedness depends on, and is subject to, our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors, including the availability of financing in the banking and capital markets as well as the other risks

described herein and in our Annual Report on Form 10-K for the year ended December 31, 2013. We have experienced significant losses from operations and significant net cash used in operating activities in recent periods. Accordingly, we cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our debt, to refinance our debt or to fund our other liquidity needs. If we are unable to service our debt obligations or to fund our other liquidity needs, we could be forced to curtail our operations, reorganize our capital structure or liquidate some or all of our assets in a manner that could cause the holders of our securities to experience a partial or total loss of their investment in us.

Our shares may be delisted from the New York Stock Exchange. Our stock price has been volatile and any investment in our common stock could suffer a significant decline or total loss in value. Furthermore, we are not currently in compliance with and cannot provide assurance that we will be able to regain and maintain compliance with the continued listing standards of the NYSE.

Our common stock is currently listed on the NYSE. We must satisfy certain minimum listing maintenance requirements to maintain such listing, including maintaining a minimum share price of $1.00 per share for our common stock.

On July 24, 2014, we received a written notification from the NYSE, notifying us that we are not in compliance with NYSE Listed Company Manual Rule 802.01C (the "Rule") because our common stock traded below the minimum average closing share price of $1.00 during the last 30 consecutive trading days. The notification has no immediate effect on the listing of our common stock. Under the applicable rules of the NYSE, we must notify the NYSE within 10 business days of receipt of the non-compliance notice that we intend to cure the deficiency. We have notified the NYSE within this time period that we intend to cure the deficiency. We have six months from receipt of the non-compliance notice to cure the deficiency and regain compliance. Compliance can be achieved by having a closing price of at least $1.00 per share on the last trading day of any calendar month during the six-month cure period and an average closing share price of at least $1.00 over the 30 trading-day period ending on the last trading day of that month. Notwithstanding the foregoing, if we determine to remedy the non-compliance by taking action that will require shareholder approval, such as a reverse stock split, the NYSE will continue to list the common stock pending shareholder approval by no later than the Company's next annual meeting, and the implementation of such action promptly thereafter. The deficiency would be cured if the price promptly exceeds $1.00 per share, and the price remains above that level for at least the following 30 trading days. The delisting of our stock from the NYSE could result in even further reductions in our stock price, would substantially limit the liquidity of our common stock, and materially adversely affect our ability to raise capital or pursue strategic restructuring, refinancing or other transactions on acceptable terms, or at all. Delisting from the NYSE could also have other negative results, including the potential loss of confidence by suppliers and employees, the loss of institutional investor interest and fewer business development opportunities.

Furthermore, if we are not in compliance with the NYSE's continued listing standards, the NYSE staff will initiate suspension and delisting proceedings as it deems appropriate.

Because we face significant uncertainties relating to our ability to generate sufficient cash flows from operations and to continue to operate our business, our stock price is volatile and any investment in our common stock could suffer a significant decline or total loss in value. Furthermore, we may not be able to regain or maintain compliance with the continued listing standards of the NYSE.

ITEM 6. EXHIBITS

A list of the exhibits required by Item 601 of Regulation S-K and filed as part of this Quarterly Report on Form 10-Q is set forth in the Index to Exhibits on page 36.

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.

		RADIOSHACK CORPORATION
December 11, 2014	By:	/s/ Holly Felder Etlin Holly Felder Etlin Interim Chief Financial Officer
December 11, 2014	By:	/s/ William R. Russum William R. Russum Vice President and Corporate Controller (principal accounting officer)

RADIOSHACK CORPORATION

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Recapitalization and Investment Agreement, dated as of October 3, 2014, between RadioShack Corporation and General Retail Holdings L.P. (filed as Exhibit 2.1 to RadioShack's Form 8-K filed on October 7, 2014, and incorporated herein by reference)
3.1	Certificate of Amendment of Restated Certificate of Incorporation of RadioShack Corporation[1] dated May 18, 2000 (filed as Exhibit 3a to RadioShack's Form 10-Q filed on August 11, 2000, and incorporated herein by reference).
3.2	Restated Certificate of Incorporation of RadioShack Corporation[1] dated July 26, 1999 (filed as Exhibit 3a(i) to RadioShack's Form 10-Q filed on August 11, 1999, and incorporated herein by reference).
3.3	Certificate of Elimination of Series C Conversion Preferred Stock of RadioShack Corporation[1] dated July 26, 1999 (filed as Exhibit 3a(ii) to RadioShack's Form 10-Q filed on August 11, 1999, and incorporated herein by reference).
3.4	Amended Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock of RadioShack Corporation[1] dated July 26, 1999 (filed as Exhibit 3a(iii) to RadioShack's Form 10-Q filed on August 11, 1999, and incorporated herein by reference).
3.5	Certificate of Designations of Series B TESOP Convertible Preferred Stock dated June 29, 1990 (filed as Exhibit 4A to RadioShack's Form S-8 for the RadioShack Corporation Incentive Stock Plan, Reg. No. 33-51603, filed on November 12, 1993, and incorporated herein by reference).
3.6	RadioShack Corporation Bylaws, amended and restated as of May 19, 2011 (filed as Exhibit 3.1 to RadioShack's Form 8-K filed on May 23, 2011, and incorporated herein by reference).
4.1	Certificate of Designation Term Sheet (filed as Exhibit 99.1 to RadioShack's Form 8-K filed on October 4, 2014, and incorporated herein by reference)
4.2	Investor Rights Agreement Term Sheet (filed as Exhibit 99.2 to RadioShack's Form 8-K filed on October 4, 2014, and incorporated herein by reference)
10.1	Loan Sale Agreement, dated as of October 3, 2014, by and among General Electric Capital Corporation, the other entities listed as Sellers, General Retail Holdings L.P. and General Retail Funding LLC, RadioShack Corporation, certain subsidiaries of RadioShack Corporation, and solely with respect to Section 7(h), Standard General Master Fund L.P., Standard General OC Master Fund L.P., Standard General Ltd. and Standard General Focus Fund L.P. (filed as Exhibit 10.1 to RadioShack's Form 8-K filed on October 7, 2014, and incorporated herein by reference)
10.2	First Amendment to Credit Agreement, dated October 3, 2014, among RadioShack Corporation, certain subsidiaries of RadioShack Corporation that are designated as credit parties, the lenders thereto and Cantor Fitzgerald Securities, as successor agent for the lenders (filed as Exhibit 10.2 to RadioShack's Form 8-K filed on October 7, 2014, and incorporated herein by reference)
31(a) [2]	Rule 13a-14(a) Certification of the principal executive officer of RadioShack Corporation.
31(b) [2]	Rule 13a-14(a) Certification of the principal financial officer of RadioShack Corporation.
32 [2][3]	Section 1350 Certifications of the chief executive officer and the chief financial officer of RadioShack Corporation.
101.INS	XBRL Instance Document [2][4]
101.SCH	XBRL Taxonomy Extension Schema Document [2][4]
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document [2][4]
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document [2][4]
101.LAB	XBRL Taxonomy Extension Label Linkbase Document [2][4]
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document [2][4]

(1) RadioShack Corporation was known as Tandy Corporation until May 18, 2000.

(2) Filed with this report.

(3) This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

(4) The XBRL-related information in Exhibit 101 shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates such information by reference.

Exhibit 31(a)

CERTIFICATIONS

I, Joseph C. Magnacca, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RadioShack Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 11, 2014 By /s/ Joseph C. Magnacca

Joseph C. Magnacca
Chief Executive Officer

Exhibit 31(b)

CERTIFICATIONS

I, Holly Felder Etlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RadioShack Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 11, 2014

By /s/ Holly Felder Etlin
Holly Felder Etlin
Interim Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report on Form 10-Q of RadioShack Corporation (the "Company") for the period ended November 1, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Joseph C. Magnacca, Chief Executive Officer of the Company, and Holly Felder Etlin, Interim Chief Financial Officer of the Company, certify to our knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph C. Magnacca

Joseph C. Magnacca
Chief Executive Officer
December 11, 2014

/s/ Holly Felder Etlin

Holly Felder Etlin
Interim Chief Financial Officer
December 11, 2014

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.