

RADIOSHACK CORP
Form 10-K/A
December 12, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
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Common Stock, par value \$1 per share New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 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

As of June 28, 2013, the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant was \$251,965,806 based on the New York Stock Exchange closing price. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers and beneficial owners of 5% or more of the registrant's common stock as of June 28, 2013, are the affiliates of the registrant.

As of February 21, 2014, there were 100,346,536 shares of the registrant's Common Stock outstanding.

EXPLANATORY NOTE

RadioShack Corporation (“our,” “we,” “us,” and “RadioShack”) intends to file a registration statement on Form S-3 related to its previously announced rights offering. In connection with this registration statement, we concluded it was necessary to update a footnote to our financial statements to take into consideration events and circumstances that have occurred subsequent to the filing of our Annual Report on Form 10-K for the year ended December 31, 2013, which Annual Report was filed with the SEC on March 4, 2014 (the “Form 10-K”). Our independent registered public accounting firm, PricewaterhouseCoopers LLP (“PwC”), has updated their audit report accordingly.

We are filing this Amendment No. 1 on Form 10-K/A (this “Amendment”) to include the updated footnote to the financial statements and PwC’s updated report .

Pursuant to SEC rules, we are also filing new certifications pursuant to Section 302 and 906 of the Sarbanes-Oxley Act of 2002. These certifications are attached as Exhibits 31(A), 31(B) and 32 to this Amendment.

This Amendment does not amend any other information set forth in the Form 10-K, and we have not updated disclosures included therein to reflect any subsequent event other than in Note 1 to our financial statements. This Amendment should be read in conjunction with the Form 10-K and with our subsequent SEC filings.

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PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Index to our Consolidated Financial Statements is found on page 35. Our Consolidated Financial Statements and Notes to Consolidated Financial Statements follow the index.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Documents filed as part of this Annual Report on Form 10-K:

- 1) The financial statements listed in the "Index to Consolidated Financial Statements" on page 6.
- 2) None
- 3) A list of the exhibits required by Item 601 of Regulation S-K to be filed as part of this report is set forth in the Index to Exhibits beginning on page 51, which immediately precedes such exhibits.

Certain instruments defining the rights of holders of our long-term debt are not filed as exhibits to this report because the total amount of securities authorized thereunder does not exceed ten percent of our total assets on a consolidated basis. We will furnish the SEC copies of such instruments upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, RadioShack Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RADIOSHACK CORPORATION

December 12, 2014 By: /s/ Holly Felder Etlin
Holly Felder Etlin
Interim Chief Financial Officer

RADIOSHACK CORPORATION

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All financial statement schedules have been omitted because they are not applicable, not required, or the information is included in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of RadioShack Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of RadioShack Corporation and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has experienced continued losses primarily attributed to a prolonged downturn in the business, which has impacted the Company's overall liquidity and raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Fort Worth, Texas

March 4, 2014, except for Note 1, as to which the date is December 12, 2014

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RADIOSHACK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

	Year Ended December 31,					
	2013	% of	2012	% of	2011	% of
(In millions, except per share amounts)	Dollars	Revenues	Dollars	Revenues	Dollars	Revenues
Net sales and operating revenues	\$ 3,434.3	100.0 %	\$ 3,831.3	100.0 %	\$ 4,032.1	100.0 %
Cost of products sold (includes depreciation amounts of \$9.0 million, \$8.4 million, and \$7.5 million, respectively)	2,262.1	65.9	2,360.9	61.6	2,309.7	57.3
Gross profit	1,172.2	34.1	1,470.4	38.4	1,722.4	42.7
Operating expenses:						
Selling, general and administrative	1,407.4	41.0	1,419.8	37.1	1,474.7	36.6
Depreciation and amortization	61.4	1.8	65.9	1.7	70.6	1.7
Impairment of long-lived assets and goodwill	47.4	1.4	9.7	0.3	3.1	0.1
Total operating expenses	1,516.2	44.2	1,495.4	39.1	1,548.4	38.4
Operating (loss) income	(344.0)	(10.1)	(25.0)	(0.7)	174.0	4.3
Interest income	2.2	0.1	1.9	0.1	3.1	0.1
Interest expense	(52.3)	(1.5)	(54.5)	(1.4)	(46.8)	(1.2)
Other loss	(10.9)	(0.3)	(0.6)	--	(4.1)	(0.1)
(Loss) income from continuing operations before income taxes	(405.0)	(11.8)	(78.2)	(2.0)	126.2	3.1
Income tax (benefit) expense	(13.0)	(0.4)	32.6	0.9	47.5	1.2
(Loss) income from continuing operations	(392.0)	(11.4) %	(110.8)	(2.9) %	78.7	1.9 %
Discontinued operations, net of income taxes	(8.2)		(28.6)		(6.5)	
Net (loss) income	\$ (400.2)		\$ (139.4)		\$ 72.2	
Basic net (loss) income per share:						
(Loss) income per share from continuing operations	\$ (3.89)		\$ (1.11)		\$ 0.77	
	(0.08)		(0.28)		(0.07)	

Loss per share from discontinued operations			
Net (loss) income per share	\$ (3.97)	\$ (1.39)	\$ 0.70
Diluted net (loss) income per share:			
(Loss) income per share from continuing operations	\$ (3.89)	\$ (1.11)	\$ 0.76
Loss per share from discontinued operations	(0.08)	(0.28)	(0.06)
Net (loss) income per share	\$ (3.97)	\$ (1.39)	\$ 0.70
Shares used in computing net (loss) income per share:			
Basic	100.7	100.1	102.5
Diluted	100.7	100.1	103.3

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

RADIOSHACK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In millions)	Year Ended December 31,		
	2013	2012	2011
Net (loss) income	\$ (400.2)	\$ (139.4)	\$ 72.2
Other comprehensive income:			
Foreign currency translation adjustments:			
Foreign currency translation adjustments, net of tax	0.6	4.1	(8.5)
Less: Reclassification of realized foreign currency translation loss included in net income (includes income tax benefit of \$0.5 million in 2011)	--	--	1.0
Foreign currency translation adjustments, net of tax	0.6	4.1	(7.5)
Defined benefit pension plan adjustments, net of tax	0.8	0.3	(0.1)
Other comprehensive income (loss), net of tax	1.4	4.4	(7.6)
Comprehensive (loss) income	\$ (398.8)	\$ (135.0)	\$ 64.6

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

RADIOSHACK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(In millions, except share amounts)	December 31,	
	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 179.8	\$ 535.7
Accounts and notes receivable, net	211.9	452.5
Inventories	802.3	908.3
Other current assets	139.0	85.4
Total current assets	1,333.0	1,981.9
Property, plant and equipment, net	187.2	239.0
Goodwill, net	12.7	36.6
Other assets, net	58.3	41.6
Total assets	\$ 1,591.2	\$ 2,299.1
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 1.1	\$ 278.7
Accounts payable	376.4	435.6
Accrued expenses and other current liabilities	207.1	263.9
Total current liabilities	584.6	978.2
Long-term debt, excluding current maturities	613.0	499.0
Other non-current liabilities	187.2	223.2
Total liabilities	1,384.8	1,700.4
Commitments and contingencies (See Note 13)		
Stockholders' 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
Additional paid-in capital	123.6	133.3
Retained earnings	960.6	1,360.8
Treasury stock, at cost; 45,735,000 and 46,425,000 shares, respectively	(1,017.7)	(1,033.9)
Accumulated other comprehensive loss	(6.1)	(7.5)

Total stockholders' equity	206.4	598.7
Total liabilities and stockholders' equity	\$ 1,591.2	\$ 2,299.1

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

RADIOSHACK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In millions)	Year Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net (loss) income	\$ (400.2)	\$ (139.4)	\$ 72.2
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization	71.6	80.7	83.1
Amortization of discounts on long-term debt	7.3	16.3	16.3
Impairment of long-lived assets and goodwill	47.4	21.4	3.1
Stock-based compensation	7.2	7.1	5.4
Deferred income taxes	3.9	68.9	35.2
Other non-cash items	12.2	4.9	0.1
Changes in assets and liabilities:			
Accounts and notes receivable	241.9	(93.9)	15.6
Inventories	105.9	(161.6)	(24.1)
Other current assets	(34.1)	29.2	(11.4)
Accounts payable	48.0	58.5	46.2
Accrued expenses and other liabilities	(52.1)	(23.8)	(23.2)
Liability for unrecognized tax benefits and accrued interest	(17.6)	101.2	3.8
Other	(5.6)	(12.5)	(4.4)
Net cash provided by (used in) operating activities	35.8	(43.0)	217.9
Cash flows from investing activities:			
Additions to property, plant and equipment	(42.3)	(67.8)	(82.1)
Proceeds from sale of property, plant and equipment	6.5	--	--
Changes in restricted cash	(39.5)	(26.5)	--
Other investing activities	(2.9)	0.1	2.0
Net cash used in investing activities	(78.2)	(94.2)	(80.1)
Cash flows from financing activities:			
Principal amount of long-term debt repayments	(461.9)	(88.1)	(306.8)
Net proceeds from issuance of long-term debt	289.2	175.0	322.5
Payments of debt issuance costs	(32.5)	(7.3)	(7.1)
Changes in cash overdrafts	(108.3)	26.5	32.8
Payments of dividends	--	(24.9)	(49.6)
Purchases of treasury stock	--	--	(113.3)
Proceeds from exercise of stock options	--	--	6.0

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Net cash (used in) provided by financing activities	(313.5)	81.2	(115.5)
Net (decrease) increase in cash and cash equivalents	(355.9)	(56.0)	22.3
Cash and cash equivalents, beginning of period	535.7	591.7	569.4
Cash and cash equivalents, end of period	\$ 179.8	\$ 535.7	\$ 591.7
Supplemental cash flow information:			
Non-cash additions to property, plant and equipment	\$ 5.4	\$ 1.0	\$ 2.7
Interest paid	\$ 47.7	\$ 38.2	\$ 29.2
Cash payments made for income taxes	\$ 6.5	\$ 5.5	\$ 47.1
Income tax refunds received	(66.3)	(118.6)	(2.1)
Cash tax (refunds) payments, net	\$ (59.8)	\$ (113.1)	\$ 45.0

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

RADIOSHACK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

(In millions)	Shares at December 31,			Dollars at December 31,		
	2013	2012	2011	2013	2012	2011
Common stock						
Beginning and end of year	146.0	146.0	146.0	\$ 146.0	\$ 146.0	\$ 146.0
Treasury stock						
Beginning of year	(46.4)	(46.7)	(40.3)	\$ (1,033.9)	\$ (1,043.0)	\$ (949.0)
Purchase of treasury stock	--	--	(7.3)	--	--	(113.3)
Issuance of common stock, net	0.7	0.3	0.3	16.2	9.1	5.1
Exercise of stock options	--	--	0.6	--	--	14.2
End of year	(45.7)	(46.4)	(46.7)	\$ (1,017.7)	\$ (1,033.9)	\$ (1,043.0)
Additional paid-in capital						
Beginning of year				\$ 133.3	\$ 137.1	\$ 147.3
Issuance of common stock				(16.1)	(9.7)	(6.0)
Exercise of stock options				--	--	(9.2)
Stock-based compensation				6.4	5.9	5.0
End of year				\$ 123.6	\$ 133.3	\$ 137.1
Retained earnings						
Beginning of year				\$ 1,360.8	\$ 1,525.1	\$ 1,502.5
Net income or loss				(400.2)	(139.4)	72.2
Cash dividends declared				--	(24.9)	(49.6)
End of year				\$ 960.6	\$ 1,360.8	\$ 1,525.1
Accumulated other comprehensive loss						
Beginning of year				\$ (7.5)	\$ (11.9)	\$ (4.3)
Other comprehensive income (loss), net of tax				1.4	4.4	(7.6)
End of year				\$ (6.1)	\$ (7.5)	\$ (11.9)
Total stockholders' equity				\$ 206.4	\$ 598.7	\$ 753.3

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

RADIOSHACK CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Notes to our Consolidated Financial Statements are important and should be read in conjunction with your review of the Consolidated Financial Statements. Below is a list of the notes.

- Note 1 Description of Business
- Note 2 Summary of Significant Accounting Policies
- Note 3 Supplemental Balance Sheet Disclosures
- Note 4 Goodwill
- Note 5 Indebtedness and Borrowing Facilities
- Note 6 Stockholders' Equity
- Note 7 Severance Costs and Exit Activities
- Note 8 Stock-Based Incentive Plans
- Note 9 Employee Benefit Plans
- Note 10 Income Taxes
- Note 11 Net (Loss) Income Per Share
- Note 12 Fair Value Measurements
- Note 13 Commitments and Contingencies
- Note 14 Segment Reporting
- Note 15 Quarterly Data (Unaudited)
- Note 16 Supplemental Guarantor Financial Information

NOTE 1 – DESCRIPTION OF BUSINESS

RadioShack Corporation was incorporated in Delaware in 1967. Throughout the Notes to these Consolidated Financial Statements, the terms “our,” “we,” “us” and “RadioShack” refer to RadioShack Corporation, including its subsidiaries. We primarily engage in the retail sale of consumer electronics goods and services through our RadioShack store chain.

U.S. RADIOSHACK COMPANY-OPERATED STORES

At December 31, 2013, we operated 4,297 U.S. company-operated stores under the RadioShack brand located throughout the United States, as well as in Puerto Rico and the U.S. Virgin Islands. These stores are located in strip centers and major shopping malls, as well as individual storefronts. Each location carries a broad assortment of both name brand and private brand consumer electronics products.

To reflect more closely how we manage our merchandise and product assortment, we have consolidated our product platform reporting structure into two platforms: mobility and retail.

These platforms include the following product categories:

Mobility: The mobility platform includes postpaid and prepaid wireless handsets, commissions, residual income, prepaid wireless airtime, e-readers, and tablet devices. Our wireless accessories and tablet accessories, which were previously included in our signature platform, are now also included in this platform.

Retail: Our retail platform includes our remaining consumer electronics product categories and related accessories; batteries and power products; and technical products. This platform now also consists of products that were previously included in our signature and consumer electronics platforms, except wireless accessories and tablet accessories.

Other Sales Channels

In addition to the reportable segment discussed above, we have the following additional sales channels and support operations:

Dealer Outlets: At December 31, 2013, we had a network of 943 RadioShack dealer outlets, including 42 located outside North America. Our North American outlets provide name brand and private brand products and services, typically to smaller communities. These independent dealers are often engaged in other retail operations and augment their businesses with our products and service offerings. Our dealer sales derived outside the United States are not significant.

RadioShack de Mexico: At December 31, 2013, there were 274 company-operated stores under the RadioShack brand, 5 dealers, and one distribution center in Mexico.

RadioShack.com: Products and information are available through our website: <http://www.radioshack.com>. Online customers can purchase, return or exchange various products available through this website. Additionally, certain products ordered online may be picked up, exchanged or returned at RadioShack stores.

Support Operations

Our retail stores, along with our dealer outlets, are supported by an established infrastructure. Below are the major components of this support structure:

Distribution Centers - At December 31, 2013, we had three U.S. distribution centers shipping products to our U.S. retail locations and dealer outlets. One of these distribution centers also serves as a fulfillment center for our online customers and as a distribution center that ships store fixtures to our U.S. and Mexico company-operated stores.

RadioShack Technology Services (“RSTS”) - Our management information system architecture is composed of a distributed, online network of computers that links all stores, customer channels, delivery locations, service centers, credit providers, distribution facilities and our home office into a fully integrated system. Each retail location has its own server to support the point-of-sale (“POS”) system. Our U.S. company-operated stores communicate through a broadband network, which provides efficient access to customer support data. This design also allows store management to track daily sales and inventory at the product or sales associate level. RSTS provides the majority of our programming and systems analysis needs.

RadioShack Global Sourcing (“RSGS”) - RSGS serves our wide-ranging international import/export, sourcing, evaluation, logistics and quality control needs. RSGS’s activities support our name brand and private brand businesses.

DISCONTINUED OPERATIONS

In the third quarter of 2010, we signed a multi-year agreement to operate retail locations in Target stores (“Target Mobile”) throughout most of the United States. These retail locations, which were not RadioShack-branded, offered wireless handsets with activation of third-party postpaid wireless services. At December 31, 2012, we operated 1,522 Target Mobile centers.

We ceased operating all of our Target Mobile centers prior to March 31, 2013. Upon ceasing these operations, we transitioned substantially all of our Target Mobile center employees to a third-party service provider that will continue to operate these locations on Target Corporation’s behalf. We concluded that the cash flows from these centers were eliminated from our ongoing operations. Therefore, the results of these operations, net of income taxes, have been presented as discontinued operations in the Consolidated Statements of Income for all periods presented.

In February 2009 we signed a contract extension with Sam’s Club through March 31, 2011, with a transition period that ended on June 30, 2011, to continue operating wireless kiosks in certain Sam’s Club locations. All of these kiosks were transitioned to Sam’s Club by June 30, 2011. We concluded that the cash flows from these kiosks were eliminated from our ongoing operations. Therefore, the results of these operations, net of income taxes, have been presented as discontinued operations in our Consolidated Statements of Income for all periods presented.

Net sales and operating revenues related to these discontinued operations were \$72.2 million, \$426.5 million and \$408.8 million for 2013, 2012 and 2011, respectively. The amount of loss before income taxes for these discontinued operations was \$7.9 million, \$35.9 million and \$10.5 million for 2013, 2012 and 2011, respectively.

Liquidity

We have experienced losses for the past two years, primarily attributed to a downturn in our business, which has impacted our overall liquidity. In response to our liquidity needs and to continue execution of our Strategic Plan, we entered into the 2018 Credit Agreement in December 2013. It is our belief that this will provide the financial flexibility needed to improve operating results and provide sufficient liquidity to meet our obligations through 2014.

While we continue to execute our strategic plan and proposed store closure program, which are designed to improve operating results and control costs through operational efficiency, we realize that there are significant risks due to consumer acceptance of our efforts to reposition the brand, revamp our product assortment and reinvigorate our store experience as well as the competitive nature of the consumer electronics industry.

As we execute the strategic turnaround plan and move through 2014, we will be tightly managing our cash and monitoring our liquidity position. We have implemented a number of initiatives to conserve our liquidity position including activities such as reducing our capital expenditures, reducing discretionary spending and selling surplus property. Many of the aspects of the plan involve management’s judgments and estimates that include factors that could be beyond our control and actual results could differ from our estimates. These and other factors could cause the strategic turnaround plan and the proposed store closure program to be unsuccessful which could have a material adverse effect on our operating results, financial condition and liquidity.

SUBSEQUENT EVENT

Since the filing of the 10-K, we have experienced losses 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, low consumer demand for other handsets available in the market today, aggressive price competition on these products 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 in order to meet our expected cash needs for the next twelve months and over the longer term, 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 restructuring 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.

In fiscal 2015, 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, 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.

Store Closure Program: On March 4, 2014, along with our fourth quarter earnings release, we announced that we intend to close up to 1,100 underperforming stores. This program was driven by a comprehensive review of the existing store base and selection of stores based upon historical and projected financial performance, lease termination costs, and impact to the market and nearby stores. This proposed store closure program is expected to preserve liquidity by avoiding operating losses and generating cash by liquidating inventory in those stores. This will be partially offset by lease termination payments and liquidation costs. This program resulted in a non-cash impairment charge of fixed assets in these stores of \$11.2 million and inventory write down of \$10.1 million, reflected in the 2013 financial statements. The proposed store closure program is subject to the consent of the lenders under our 2018 Credit Agreement and 2018 Term Loan. If we are unsuccessful in obtaining consent, we believe that we have sufficient liquidity to meet our obligations through 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The consolidated financial statements include the accounts of RadioShack Corporation and all majority-owned domestic and foreign subsidiaries. All intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses, and the disclosure of gain and loss contingencies at the date of the financial statements and during the periods presented. We base these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. Actual results could differ materially from those estimates.

Cash and Cash Equivalents: Cash on hand in stores, deposits in banks, credit card receivables, and all highly liquid investments with a maturity of three months or less at the time of purchase are considered cash and cash equivalents. We carry our cash equivalents at cost, which approximates fair value because of the short maturity of the instruments. The weighted-average annualized interest rates were 0.2% and 0.2% at December 31, 2013 and 2012, respectively, for cash equivalents totaling \$124.4 million and \$408.2 million, respectively.

Outstanding checks in excess of deposits with these banks totaled \$8.0 million and \$108.3 million at December 31, 2013 and 2012, respectively, and are classified as accounts payable in the Consolidated Balance Sheets. The terms of these bank accounts changed in connection with the closing of our five-year, \$585 million asset-based credit agreement in December 2013. Prior to the closing of this credit agreement, changes in these overdrafts were classified in the Consolidated Statement of Cash Flows as a financing activity. Subsequent to the closing of the credit agreement, changes in these overdraft amounts have been reported in the Consolidated Statements of Cash Flows as

an operating activity.

Restricted Cash: We have pledged cash as collateral for standby and trade letters of credit issued to our general liability insurance provider and certain other vendors. Since December 31, 2013, substantially all of these letters of credit have either expired or have been issued under our asset-based revolving credit facility that expires in December 2018. Restricted cash totaled \$66.0 million and \$26.5 million at December 31, 2013 and 2012, respectively, and is included in other current assets in our Consolidated Balance Sheets.

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Accounts Receivable and Allowance for Doubtful Accounts: Concentrations of credit risk with respect to customer and dealer receivables are limited due to the large number of customers and dealers and their location in many different geographic areas of the country. We establish an allowance for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends and other information. Historically, such losses, in the aggregate, have not exceeded our estimates. Account balances are charged against the allowance when we believe it is probable that the receivable will not be recovered. We have concentration of credit risk from service providers in the wireless telephone industry, primarily Sprint, AT&T, and Verizon Wireless (“Verizon”). The average payment term for these receivable balances is approximately 45 days.

Inventories: Our inventories are stated at the lower of cost - on a first-in first-out basis - or market value and are comprised primarily of finished goods. Included in the cost of the inventories are in-bound freight expenses to our distribution centers, out-bound freight expenses to our retail outlets, and other direct costs relating to merchandise acquisition and distribution. Also included in the cost of inventory are certain vendor allowances that are not a reimbursement of specific, incremental and identifiable costs to promote a vendor’s products. If the calculated net realizable value of the inventory is determined to be less than the recorded cost, a provision is made to reduce the carrying amount of the inventory to its net realizable value. To determine market value, we consider the following items: inventory turnover statistics, current selling prices, seasonality factors, consumer trends, competitive pricing, performance of similar products or accessories, planned promotional incentives, technological obsolescence, and estimated costs to sell or dispose of merchandise such as sales commissions.

Property, Plant and Equipment: We present our property, plant and equipment at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the following useful lives: 10-40 years for buildings; 2-15 years for furniture, fixtures, equipment and software; leasehold improvements are amortized over the shorter of the terms of the underlying leases, including certain renewal periods, or the estimated useful lives of the improvements. Major additions and betterments that substantially extend the useful life of an asset are capitalized and depreciated. Expenditures for normal maintenance and repairs are charged directly to expense as incurred.

Capitalized Software Costs: We capitalize qualifying costs related to the acquisition or development of internal-use software. Capitalization of costs begins after the conceptual formulation stage has been completed. Capitalized costs are amortized over the estimated useful life of the software, which ranges between three and five years. The unamortized balance of capitalized software costs at December 31, 2013 and 2012, was \$40.1 million and \$39.8 million, respectively. Amortization of computer software was approximately \$13.2 million, \$13.5 million and \$12.6 million in 2013, 2012 and 2011, respectively.

Impairment of Long-Lived Assets: We review long-lived assets (primarily property, plant and equipment) held and used, or to be disposed of, for impairment whenever events or changes in circumstances indicate that the net book value of the asset may not be recoverable. Recoverability is assessed based on estimated undiscounted cash flows from the useful asset. If the carrying amount of an asset is not recoverable, we recognize an impairment loss equal to the amount by which the carrying amount exceeds fair value. We estimate fair value based on projected future discounted cash flows. Our policy is to evaluate long-lived assets for impairment at a store level for retail operations.

Leases: For lease agreements that provide for escalating rent payments or free-rent occupancy periods, we recognize rent expense on a straight-line basis over the non-cancelable lease term and certain option renewal periods that appear to be reasonably assured at the inception of the lease term. The lease term commences on the date we take possession of or control the physical use of the property. Deferred rent is included in other non-current liabilities in the Consolidated Balance Sheets.

Goodwill and Intangible Assets: Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill and intangible assets with indefinite useful lives are reviewed at least annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and intangible assets may

be impaired). We estimate fair values utilizing valuation methods such as discounted cash flows and comparable market valuations. We have elected the fourth quarter to complete our annual goodwill impairment test.

Self-Insurance: We are self-insured for certain claims relating to workers' compensation, automobile, property, employee health care, and general and product liability claims, although we obtain third-party insurance coverage to limit our exposure to these claims. We estimate our self-insured liabilities using historical claims experience and actuarial assumptions followed in the insurance industry. Although we believe we have the ability to reasonably estimate losses related to claims, it is possible that actual results could differ from recorded self-insurance liabilities.

Income Taxes: Income taxes are accounted for using the asset and liability method. Deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. We recognize future tax benefits to the extent that such benefits are more likely than not to be realized.

We record a valuation allowance to reduce a deferred tax asset if based on the consideration of all available evidence, it is more likely than not that all or some portion of the deferred tax asset will not be realized. Significant weight is given to

evidence that can be objectively verified. We evaluate our deferred income taxes quarterly to determine if a valuation allowance is required by considering all available evidence, including historical and projected taxable income and tax planning strategies. Any deferred tax asset subject to a valuation allowance is still available to us to offset future taxable income, subject to annual limitations in the event of an “ownership change” under Section 382 of the Internal Revenue Code. We will adjust a previously established valuation allowance if we change our assessment of the amount of deferred income tax asset that is more likely than not to be realized.

Income tax expense includes U.S. and international income taxes, plus the provision for U.S. taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested. Undistributed earnings of international subsidiaries deemed to be permanently invested are used to invest in the growth of these operations.

Revenue Recognition: Our revenue is derived principally from the sale of name brand and private brand products and services to consumers. Revenue is recognized, net of an estimate for customer refunds and product returns, when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured.

Certain products, such as wireless telephone handsets, require the customer to use the services of a third-party service provider. The third-party service provider pays us an upfront commission and, in some cases, a monthly recurring residual amount based upon the ongoing arrangement between the service provider and the customer. Our sale of an activated wireless handset is the single event required to meet the delivery criterion for both the upfront commission and the recurring residual revenue. Upfront commission revenue, net of estimated service deactivations, is generally recognized at the time an activated wireless handset is sold to the customer at the point-of-sale. Based on our extensive history in selling activated wireless handsets, we have been able to establish reliable deactivation estimates. Recurring residual income is recognized as earned under the terms of our contracts with the service providers, which is typically as the service provider bills its customer, generally on a monthly basis. Sales of wireless handsets and the related commissions and residual income are approximately 42 percent of our total revenue. Our three largest third-party wireless service providers are AT&T, Sprint, and Verizon.

Cost of Products Sold: Cost of products sold primarily includes the total cost of merchandise inventory sold, direct costs relating to merchandise acquisition and distribution (including depreciation and excise taxes), costs of services provided, in-bound freight expenses to our distribution centers, out-bound freight expenses to our retail outlets, physical inventory valuation adjustments and losses, customer shipping and handling charges, and certain vendor allowances (see “Vendor Allowances” below).

Vendor Allowances: We receive allowances from third-party service providers and product vendors through a variety of promotional programs and arrangements as a result of purchasing and promoting their products and services in the normal course of business. We consider vendor allowances received to be a reduction in the price of a vendor's products or services and record them as a component of inventory until the product is sold, at which point we record them as a component of cost of products sold unless the allowances represent reimbursement of specific, incremental and identifiable costs incurred to promote a vendor's products and services. In this case, we record the vendor reimbursement when earned as an offset to the associated expense incurred to promote the applicable products and/or services.

Advertising Costs: Our advertising costs are expensed the first time the advertising takes place. We receive allowances from certain third-party service providers and product vendors that we record when earned as an offset to advertising expense incurred to promote the applicable products and/or services only if the allowances represent reimbursement of specific, incremental and identifiable costs (see “Vendor Allowances” above). Advertising expense was \$176.2 million, \$175.8 million and \$203.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Stock-Based Compensation: We measure all employee stock-based compensation awards using a fair value method and record this expense in the consolidated financial statements. Our stock-based compensation relates to stock options, restricted stock awards, and other equity-based awards issued to our employees and directors. On the date that an award is granted, we determine the fair value of the award and recognize the compensation expense over the requisite service period, which typically is the period over which the award vests.

Fair Value Measurements: Certain assets and liabilities are required to be measured at fair value either on a recurring or non-recurring basis. We estimate fair values based on one or more of the following valuation techniques: the market approach (comparable market prices), the income approach (present value of future income or cash flow), or the cost approach (cost to replace the service capacity of an asset or replacement cost). See Note 12 - "Fair Value Measurements" for additional disclosures of our fair value measurements.

Derivative Instruments and Hedging Activities: We recognize all financial instruments that qualify for derivative instrument accounting at fair value in the Consolidated Balance Sheets. Changes in the fair value of derivative financial instruments that qualify for hedge accounting are recorded in stockholders' equity as a component of comprehensive income or as an adjustment to the carrying value of the hedged item. Changes in fair values of derivatives not qualifying for hedge accounting

are reported in earnings. Since the expiration of our interest rate swaps in May 2011, we have not held any derivative instruments.

Foreign Currency Translation: The functional currency of substantially all operations outside the U.S. is the applicable local currency. Translation gains or losses related to net assets located outside the United States are included as a component of accumulated other comprehensive loss and are classified in the stockholders' equity section of the accompanying Consolidated Balance Sheets.

Discontinued Operations: We account for closed retail locations as discontinued operations when the operations and cash flows of a retail location being disposed of are eliminated from 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 will be 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.

Reclassifications: Certain amounts in the December 31, 2012 and 2011, financial statements have been reclassified to conform to the December 31, 2013, presentation. These reclassifications had no effect on net income, total assets, total liabilities, or total stockholders' equity as previously reported.

NOTE 3 – SUPPLEMENTAL BALANCE SHEET DISCLOSURES

Accounts and Notes Receivable, Net: As of December 31, 2013 and 2012, we had the following accounts and notes receivable outstanding in the accompanying Consolidated Balance Sheets:

(In millions)	December 31,	
	2013	2012
Receivables from vendors and service providers, net	\$ 144.2	\$ 315.3
Trade accounts receivable	37.0	49.9
Income tax receivable	9.8	64.4
Other receivables	22.3	24.1
Allowance for doubtful accounts	(1.4)	(1.2)
Accounts and notes receivable, net	\$ 211.9	\$ 452.5

Receivables from vendors and service providers relate to earned wireless activation commissions, rebates, residual income, promotions, marketing development funds and other payments from our third-party service providers and product vendors, after taking into account estimates for service providers' customer deactivations and non-activations, which are factors in determining the amount of wireless activation commissions and residual income earned. The decrease in our receivables from vendors and service providers in 2013 was driven by the decrease in our postpaid wireless business and the timing of payments received from our service providers.

The change in the allowance for doubtful accounts is as follows:

(In millions)	December 31,		
	2013	2012	2011
Beginning of year	\$ 1.2	\$ 1.4	\$ 1.4
Provision for bad debts included in selling, general and administrative expense	0.2	0.1	0.1
Uncollected receivables written off, net	--	(0.3)	(0.1)
End of year	\$ 1.4	\$ 1.2	\$ 1.4

Other Current Assets, Net:

(In millions)	December 31,	
	2013	2012
Restricted cash	\$ 66.0	\$ 26.5
Prepaid rent	22.5	1.3
Deferred income taxes	--	23.9
Other	50.5	33.7
Total other current assets, net	\$ 139.0	\$ 85.4

The increase in restricted cash in 2013 was required in connection with the closing of our asset-based revolving credit facility that expires in December 2018. Since December 31, 2013, substantially all of these letters of credit have either expired or have been issued under our asset-based revolving credit facility.

Property, Plant and Equipment, Net:

(In millions)	December 31,	
	2013	2012
Land	\$ 2.4	\$ 2.5
Buildings	61.4	62.9
Furniture, fixtures, equipment and software	672.5	685.9
Leasehold improvements	349.8	355.7
Total PP&E	1,086.1	1,107.0
Less accumulated depreciation and amortization	(898.9)	(868.0)
Property, plant and equipment, net	\$ 187.2	\$ 239.0

Other Assets, Net:

(In millions)	December 31,	
	2013	2012
Deferred credit facility fees	\$ 21.6	\$ 1.7
Notes receivable	10.4	12.2
Deferred debt issuance costs	8.8	10.0
Other	17.5	17.7
Total other assets, net	\$ 58.3	\$ 41.6

Accrued Expenses and Other Current Liabilities:

(In millions)	December 31,	
	2013	2012
Insurance	\$ 62.5	\$ 58.7
Sales and payroll taxes	28.3	41.6
Payroll and bonuses	28.1	49.5
Gift card deferred revenue	23.4	21.9
Advertising	5.7	21.6
Other	59.1	70.6
Total accrued expenses and other current liabilities	\$ 207.1	\$ 263.9

Other Non-Current Liabilities:

(In millions)	December 31,	
	2013	2012
Liability for unrecognized tax benefits	\$ 122.8	\$ 135.8
Deferred compensation	23.5	27.0
Deferred rent	22.9	24.7
Deferred income taxes	--	21.2
Other	18.0	14.5
Total other non-current liabilities	\$ 187.2	\$ 223.2

NOTE 4 – GOODWILL

During the fourth quarter of 2013, we conducted our annual review of goodwill balances. Included in Other business activities in our segment reporting we have goodwill assigned to our Mexican subsidiary reporting unit which is the primary component of our consolidated goodwill balance.

In step 1 of the two-step impairment test we compared the carrying amount, including assigned goodwill, to the fair value of the 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 include, but were not limited to, projected financial information, growth rates, terminal value, discount rates, and multiples from publicly traded companies that were comparable to our Mexican subsidiary. We did a multi-year projection based upon our normal annual planning process for the upcoming year during the fourth quarter of 2013. Due to the less than anticipated operating results of the Mexican subsidiary in the fourth quarter of 2013 and a review of operations in our normal planning process for the upcoming year, the projected operating results of our Mexican subsidiary for 2014 were reduced and the timing of a planned expansion was delayed to future years. The result of these actions was a significant reduction in sales and gross profits in our multi-year projection which was the primary factor in the calculation that determined the fair value of the goodwill of the 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 of the Mexican subsidiary measured in step 1 was allocated to its assets and liabilities to determine the implied fair value of the goodwill. This process calculated the implied fair value of the goodwill of the Mexican subsidiary to be \$12.2 million compared to a carrying value of the goodwill of \$35.9 million. The difference between the fair value and carrying amount of \$23.7 was recorded in the fourth quarter of 2013 in the “Impairment of long-lived assets and goodwill” line within our Consolidated Statements of Income.

If future actual results or performance of our Mexican subsidiary are not consistent with our projections, estimates and assumptions, we may incur additional goodwill impairment charges.

For the first half of 2012, we experienced a significant decline in the market capitalization of our common stock, which was driven primarily by lower than expected operating results. Our market capitalization was lower than our consolidated net book value for much of this period. We determined that these facts were an indicator that we should conduct an interim goodwill impairment test in the third quarter.

After reviewing our reporting units, we determined that the fair value of our U.S. RadioShack company-operated stores reporting unit could not support its \$3.0 million of goodwill due to our lower market capitalization. This resulted in a \$3.0 million impairment charge that was included in our operating results for the third quarter of 2012. Our U.S. RadioShack company-operated stores reporting unit is comprised of our U.S. RadioShack company-operated stores operating segment, our overhead and corporate expenses that are not allocated to our operating segments, and all of our interest expense.

The changes in the carrying amount of goodwill by reportable segment were as follows for the years ended December 31, 2013 and 2012:

(In millions)	U.S. RadioShack		
	Stores	Other(1)	Total
Balances at December 31, 2011			
Goodwill	\$ 2.9	\$ 34.1	\$ 37.0
Accumulated impairment losses	--	--	--
	2.9	34.1	37.0
Acquisition of dealer	0.1	--	0.1
Goodwill impairment	(3.0)	--	(3.0)
Foreign currency translation adjustment	--	2.5	2.5
Balances at December 31, 2012			
Goodwill	3.0	36.6	39.6
Accumulated impairment losses	(3.0)	--	(3.0)
	--	36.6	36.6
Foreign currency translation adjustment	--	(0.2)	(0.2)
Goodwill impairment	--	(23.7)	(23.7)
Balances at December 31, 2013			
Goodwill	3.0	36.4	39.4
Accumulated impairment losses	(3.0)	(23.7)	(26.7)
	\$ --	\$ 12.7	\$ 12.7

(1) Goodwill classified as Other in the above table primarily relates to goodwill recorded on our Mexican subsidiary reporting unit.

NOTE 5 – INDEBTEDNESS AND BORROWING FACILITIES

Long-Term Debt:

(In millions)	December 31,	
	2013	2012
Term loan due in December 2018	\$ 250.0	\$ --
Credit facility term loan due in December 2018	50.0	--
Eight year 6.75% unsecured notes due in May 2019	325.0	325.0
Five year 2.50% unsecured convertible notes due in August 2013	--	286.9
Credit facility term loan due in January 2016	--	50.0
Credit facility term loan due in September 2017	--	25.0
Term loan due in September 2017	--	100.0
Other	1.4	1.0
	626.4	787.9
Unamortized debt discounts	(12.3)	(10.2)
	614.1	777.7
Less current portion of:		
Convertible notes and other	1.1	286.9
Unamortized debt discount	--	(8.2)
	1.1	278.7
Total long-term debt	\$ 613.0	\$ 499.0

Long-term borrowings outstanding at December 31, 2013, mature as follows:

(In millions)	Long-term Borrowings
2014	\$ 1.1
2015	0.2
2016	0.1
2017	--
2018	300.0
2019 and thereafter	325.0
Total	\$ 626.4

2018 Credit Facility: In December 2013, we entered into a five-year, \$585 million asset-based credit agreement (“2018 Credit Agreement”) with a group of lenders with General Electric Capital Corporation as administrative and collateral agent. The 2018 Credit Agreement consists of a \$535 million asset-based revolving credit line (“2018 Credit Facility”) and a \$50 million asset-based term loan (“2018 Credit Agreement Term Loan”). The 2018 Credit Agreement expires in December 2018. The 2018 Credit Agreement may be used for general corporate purposes and the issuance of letters of credit.

Obligations under the 2018 Credit Agreement are guaranteed by all of our wholly-owned domestic subsidiaries except Tandy Life Insurance Company. 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.

Revolving borrowings under the 2018 Credit Facility bear interest at our choice of a bank’s prime rate plus 1.0% to 1.5% or LIBOR plus 2.0% to 2.5%. The applicable rates in these ranges are based on the aggregate average unused availability under the facility. The 2018 Credit Facility also contains a \$150 million sub-limit for the issuance of standby and commercial letters of credit. The issuance of letters of credit reduces the amount available under the facility. Letter of credit fees range from 2.0% to 2.5%. We pay commitment fees to the lenders at an annual rate of 0.5% of the unused amount of the facility.

The availability of credit under the 2018 Credit Facility is limited at any time to the lesser of \$535 million and the amount of the revolving borrowing base at such time, in each case, less the principal amount of loans and letters of credit then-outstanding under the 2018 Credit Facility. The revolving borrowing base is based on percentages of eligible accounts receivable and eligible inventory and is subject to certain reserves. In addition, the revolving borrowing base is reduced by a minimum availability block equal to approximately 10% of the revolving borrowing base. The borrowing capacity is reduced by \$35 million if the revolving borrowing base is less than \$150 million.

If at any time the outstanding revolving borrowings and term loans under the 2018 Credit Facility exceed the revolving borrowing base, we will be required to repay an amount equal to such excess. If we or any of our subsidiaries that are guarantors of our obligations under the 2018 Credit Agreement sell assets on which the lenders under the 2018 Credit Agreement have a first priority lien (other than sales of inventory in the ordinary course of business), we must use the net proceeds from the sale to repay amounts outstanding under the 2018 Credit Agreement.

As of December 31, 2013, our maximum availability for revolving borrowings under the 2018 Credit Facility was \$429.5 million. As of December 31, 2013, no revolving borrowings had been made under the facility, and letters of

credit totaling \$55.0 million had been issued, resulting in \$374.5 million of remaining availability for revolving borrowings under the 2018 Credit Facility.

The 2018 Credit Agreement contains customary events of default, the occurrence of which could result in the acceleration of our obligation to repay the outstanding indebtedness under the agreement.

The 2018 Credit Agreement includes covenants that, subject to certain exceptions, limit our ability to:

- Incur additional debt, including guarantees;
 - Make acquisitions, loans or investments;
 - Pay dividends or repurchase our common stock;
 - Create liens on our property;
 - Change the nature of our business;
 - Dispose of assets, including in connection with store closures;
 - Amend or terminate certain material agreements;
 - Engage in sale and leaseback transactions; and
- Consolidate or merge with or into other companies or sell all or substantially all our assets.

At December 31, 2013, we were in compliance with these covenants.

Credit Agreement Term Loan Due December 2018: In December 2013 we entered into a term loan agreement for \$50.0 million under our 2018 Credit Agreement. The 2018 Credit Agreement Term Loan bears interest at our choice of a bank's prime rate plus 3.0% or LIBOR plus 4.0%. For this term loan, interest is payable on the interest rate reset dates, which will be on at least a quarterly basis. This term loan is secured by the same assets that secure the 2018 Credit Facility and matures in December 2018.

This term loan was issued at a discount of \$1.5 million for aggregate consideration of \$48.5 million, and resulted in net proceeds to the Company of \$47.7 million, after the payment of debt issuance costs of \$0.8 million. These proceeds were used to repay outstanding debt at the time of the borrowing. This term loan may not be repaid until all revolving borrowings, letters of credit, or other commitments under the 2018 Credit Facility have been repaid or otherwise satisfied.

Term Loan Due December 2018: In December 2013 we borrowed \$250 million, due in December 2018, under a new term loan credit agreement ("2018 Term Loan") with two lenders and Salus Capital Partners, LLC as administrative and collateral agent. The 2018 Term Loan bears interest at our choice of a bank's prime rate plus 10.0% or LIBOR plus 11.0%, but never less than 11.5%. Interest is payable on a monthly basis.

This term loan was issued at a discount of \$9.2 million for aggregate consideration of \$240.8 million, and resulted in net proceeds to the Company of \$237.0 million, after the payment of debt issuance costs of \$3.8 million. A portion of these proceeds was used to repay outstanding debt at the time of the borrowing. The remaining proceeds will be used for working capital and general corporate purposes.

Obligations under the 2018 Term Loan are guaranteed by all of our wholly-owned domestic subsidiaries except Tandy Life Insurance Company. The 2018 Term Loan is secured on a second priority basis by current assets and by a first priority lien on fixed assets, intellectual property and equity interests of our direct and indirect subsidiaries.

If we or any of our subsidiaries that are guarantors of our obligations under the 2018 Term Loan sell assets on which the lenders holding all or a portion of the 2018 Term Loan have a first priority lien (other than sales of surplus property in the ordinary course of business not in connection with a store closure), we must use the net proceeds from the sale to repay the 2018 Term Loan.

Voluntary prepayments of the 2018 Term Loan must be in amounts of \$1.0 million or more. Voluntary and certain mandatory prepayments are subject to prepayment premiums of 4% in year one, 3% in year two, 2% in year three, and 1% in year four. The 2018 Term Loan contains affirmative and negative covenants and events of default that are substantially similar to those contained in the 2018 Credit Agreement.

2019 Notes: On May 3, 2011, we sold \$325 million aggregate principal amount of 6.75% senior unsecured notes due May 15, 2019, in a private offering to qualified institutional buyers (such notes, together with any notes issued in the exchange offer we subsequently registered with the SEC for such notes (the "Exchange Offer"), being referred to as the "2019 Notes"). In September 2011 substantially all of the privately placed notes were exchanged for notes in an equal principal amount that we issued pursuant to the Exchange Offer. Accordingly, the exchange resulted in the issuance of substantially all of the 2019 Notes in a transaction registered with the SEC, but it did not result in the incurrence of any additional debt.

The obligation to pay principal and interest on the 2019 Notes is jointly and severally guaranteed on a full and unconditional basis by all of our wholly-owned domestic subsidiaries except Tandy Life Insurance Company. The 2019 Notes pay interest at a fixed rate of 6.75% per year. Interest is payable semiannually, in arrears, on May 15 and November 15. The 2019 Notes were sold to the initial purchasers at a discount of \$2.5 million for aggregate consideration of \$322.5 million, and resulted in net proceeds to the Company of \$315.4 million after the payment of

\$7.1 million in issuance costs. The effective annualized interest rate of the 2019 Notes after giving effect to the original issuance discount is 6.875%.

The 2019 Notes and the guarantees are the Company's and the guarantors' general unsecured senior obligations and, therefore, will be subordinated to all of the Company's and the guarantors' existing and future secured debt to the extent of the assets securing that debt. In addition, the 2019 Notes will be effectively subordinated to all of the liabilities of our subsidiaries that do not guarantee the 2019 Notes, to the extent of the assets of those subsidiaries.

The 2019 Notes contain covenants that could, in certain circumstances, limit our ability to issue additional debt, repurchase shares of our common stock, make certain other restricted payments, make investments, or enter into certain other transactions. At December 31, 2013, we were in compliance with these covenants.

2016 Credit Facility: In August 2012 we entered into an amended and restated asset-based credit agreement ("2016 Credit Facility") with a group of lenders with Bank of America, N.A., as the administrative and collateral agent. The 2016 Credit Facility originally matured on January 4, 2016, and provided for an asset-based revolving credit line of \$450 million, subject to a borrowing base. Obligations under the 2016 Credit Facility were secured by substantially all of our inventory, accounts

receivable, cash, cash equivalents, and certain real estate. No revolving borrowings were made under the facility. The 2016 Credit Facility was terminated in connection with the establishment of our 2018 Credit Facility. We recognized a loss on the termination of this facility in the amount of \$1.8 million, classified as other loss, for unamortized deferred credit facility fees.

Credit Facility Term Loan Due January 2016: In August 2012 we entered into a term loan agreement for \$50.0 million under our 2016 Credit Facility. This term loan was originally due in January 2016, subject to a term loan borrowing base, and bore interest at our choice of a bank's prime rate plus 3.5% or LIBOR plus 4.5%. This term loan was repaid in connection with the establishment of our 2018 Credit Agreement and 2018 Term Loan. We recognized a loss on the extinguishment of this debt in the amount of \$0.9 million, classified as other loss, for unamortized debt issuance costs.

Credit Facility Term Loan Due September 2017: In October 2012 we entered into a term loan agreement for \$25.0 million under our 2016 Credit Facility. This term loan was originally due in September 2017, subject to a term loan borrowing base, and bore interest at our choice of a bank's prime rate plus 3.5% or LIBOR plus 4.5%. This term loan was repaid in connection with the establishment of our 2018 Credit Agreement and 2018 Term Loan. We recognized a loss on the extinguishment of this debt in the amount of \$0.6 million, classified as other loss, for unamortized debt issuance costs.

Term Loan Due September 2017: In September 2012 we borrowed \$100 million under a new term loan credit agreement ("2017 Term Loan") with two lenders and Wells Fargo, N. A., as administrative and collateral agent. The 2017 Term Loan was originally due in September 2017 and bore interest at a rate of 10.0% plus adjusted LIBOR for a one, two, or three month interest period, but never less than 11.0%. The 2017 Term Loan was secured on a second priority basis by the same assets that secured the 2016 Credit Facility and on a first priority basis by substantially all of our other assets. This term loan was repaid in connection with the establishment of our 2018 Term Loan. We recognized a loss on the extinguishment of this debt in the amount of \$7.2 million, classified as other loss, for prepayment penalties and unamortized debt issuance costs.

2013 Convertible Notes: In August 2008 we sold \$375 million aggregate principal amount of 2.50% convertible senior notes due August 1, 2013, (the "2013 Convertible Notes") in a private offering to qualified institutional buyers. The 2013 Convertible Notes were issued at par and interest was payable semiannually, in arrears, on February 1 and August 1. On August 1, 2013, we repaid the \$214.4 million remaining aggregate principal balance of the 2013 Convertible Notes at their maturity.

Each \$1,000 of principal of the 2013 Convertible Notes was convertible, under certain circumstances into 42.0746 shares of our common stock, which was the equivalent of \$23.77 per share, in 2013, 2012 and 2011. Upon conversion, we would have paid the holder the cash value of the applicable number of shares of our common stock, up to the principal amount of the note. Amounts in excess of the principal amount, if any (the "excess conversion value"), would have been paid in cash or in stock, at our option. The 2013 Convertible Notes were not convertible at any time during their term.

Prior to their maturity, we repurchased \$72.5 million of aggregate principal amount of 2013 Convertible Notes in the first six months of 2013. We paid a total of \$71.6 million for these notes, which consisted of the purchase price of \$71.4 million plus \$0.2 million in accrued and unpaid interest, to the holders of the notes. This transaction resulted in a loss of \$0.3 million, which was classified as other loss on our Consolidated Statements of Income.

In the third quarter of 2012, we repurchased \$88.1 million of aggregate principal amount of the 2013 Convertible Notes. We paid a total of \$84.8 million, which consisted of the purchase price of \$84.6 million for the 2013 Convertible Notes plus \$0.2 million in accrued and unpaid interest, to the holders of the 2013 Convertible Notes. This transaction resulted in a loss of \$0.6 million classified as other loss on our Consolidated Statements of Income. At December 31, 2012, there was \$286.9 million aggregate principal amount of 2013 Convertible Notes still outstanding.

In connection with the issuance of the 2013 Convertible Notes, we entered into separate convertible note hedge transactions and separate warrant transactions with respect to our common stock to reduce the potential dilution upon conversion of the 2013 Convertible Notes (collectively referred to as the “Call Spread Transactions”). The convertible note hedges and warrants generally had the effect of increasing the economic conversion price of the 2013 Convertible Notes to \$35.88 per share of our common stock, representing a 100% conversion premium based on the closing price of our common stock on August 12, 2008. See Note 6 - “Stockholders’ Equity,” for more information on the Call Spread Transactions.

Because the principal amount of the 2013 Convertible Notes would have been settled in cash upon conversion, the 2013 Convertible Notes would have only affected diluted earnings per share when the price of our common stock exceeded the conversion price.

When accounting for the 2013 Convertible Notes, we applied accounting guidance related to the accounting for convertible debt instruments that may be settled in cash upon conversion. This guidance required us to account separately for the liability and equity components of these notes in a manner that reflected our nonconvertible debt borrowing rate when interest cost was recognized. This guidance requires bifurcation of a component of the debt, classification of that component in equity, and then accretion of the resulting discount on the debt as part of interest expense being reflected in the income statement.

Accordingly, we recorded an adjustment to reduce the carrying value of our 2013 Convertible Notes by \$73.0 million and recorded this amount in stockholders' equity. This adjustment was based on the calculated fair value of a similar debt instrument in August 2008 (at issuance) that did not have an associated equity component. The annual interest rate calculated for a similar debt instrument in August 2008 was 7.6%. The resulting discount was amortized to interest expense over the term of these notes. The carrying value of the 2013 Convertible Notes was \$278.7 million and \$346.9 million at December 31, 2012 and 2011, respectively. We recognized interest expense of \$3.5 million, \$8.7 million, and \$9.4 million in 2013, 2012 and 2011, respectively, related to the stated 2.50% coupon. We recognized non-cash interest expense of \$6.9 million, \$16.0 million, and \$16.1 million in 2013, 2012 and 2011, respectively, for the amortization of the discount on the liability component.

2011 Long-Term Notes: In 2001 we issued \$350 million of 10-year 7.375% notes ("2011 Notes"). Interest was payable on November 15 and May 15 of each year. In March 2011, we redeemed all of our remaining 2011 Notes. The redemption of these notes resulted in a loss on extinguishment of debt of \$4.1 million, which was classified as other loss on our Consolidated Statements of Income.

NOTE 6 – STOCKHOLDERS' EQUITY

Dividends: We paid \$0.125 per share dividends in the first and second quarters of 2012. On July 25, 2012, we announced that we were suspending our dividend. We paid a per share annual dividend of \$0.50 in 2011.

2011 Share Repurchase Program: In October 2011 our Board of Directors approved a share repurchase program with no expiration date authorizing management to repurchase up to \$200 million of our common stock to be executed through open market or private transactions. During the fourth quarter of 2011, we paid \$11.9 million to purchase approximately 0.9 million shares of our common stock in open market purchases. As of December 31, 2011, there was \$188.1 million available for share repurchases under this program. We announced on January 30, 2012, that we had suspended further share repurchases under this program.

2008 Share Repurchase Program: During the second quarter of 2011, we paid \$101.4 million to purchase 6.3 million shares of our common stock in open market purchases. This completed our purchases under our 2008 share repurchase program.

Call Spread Transactions: In connection with the issuance of the 2013 Convertible Notes (see Note 5 – "Indebtedness and Borrowing Facilities"), we entered into separate convertible note hedge transactions and separate warrant transactions related to our common stock with Citigroup and Bank of America to reduce the potential dilution upon conversion of the 2013 Convertible Notes.

The convertible note hedge arrangements (the "Convertible Note Hedges") expired on August 1, 2013. Under the terms of the Convertible Note Hedges, we paid \$86.3 million for a forward purchase option contract under which we were entitled to purchase a fixed number of shares (15.8 million shares) of our common stock at a price per share of \$23.77. In the event of the conversion of the 2013 Convertible Notes, this forward purchase option contract allowed us to purchase, at a fixed price equal to the implicit conversion price of common shares issued under the 2013 Convertible Notes, a number of common shares equal to the common shares that we would have issued to a note holder upon conversion. Settlement terms of this forward purchase option allowed us to elect cash or share settlement based on the settlement option we would have chosen in settling the conversion feature of the 2013 Convertible Notes.

Also concurrent with the issuance of the 2013 Convertible Notes, we sold warrants (the "Warrants") permitting the purchasers to acquire shares of our common stock. The Warrants were exercisable for 15.8 million shares of our common stock at an exercise price of \$35.88 per share. We received \$39.9 million in proceeds for the sale of the Warrants. The Warrants may be settled at various dates beginning in November 2013 and ending in March 2014. The Warrants provide for net share settlement. At December 31, 2013, the remaining outstanding Warrants were exercisable for 8.4 million shares of our common stock at an exercise price of \$35.88 per share.

We determined that the Convertible Note Hedges and Warrants meet the requirements of the FASB's accounting guidance for accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock and other relevant guidance and, therefore, are classified as equity transactions. As a result, we recorded the purchase of the Convertible Note Hedges as a reduction in additional paid-in capital and the proceeds of the Warrants as an increase to additional paid-in capital in the Consolidated Balance Sheets, and we do not recognize subsequent changes in the fair value of the agreements in the financial statements.

In accordance with the FASB's accounting guidance in calculating earnings per share, the Warrants will have no effect on diluted net income per share until our common stock price exceeds the per share strike price of \$35.88 for the Warrants. We will include the effect of additional shares that may be issued upon exercise of the Warrants using the treasury stock method. The Convertible Note Hedges were antidilutive and, therefore, had no effect on diluted net income per share.

Accumulated Other Comprehensive Loss: The components of accumulated other comprehensive loss were as follows at December 31, 2013, 2012 and 2011:

(In millions)	Foreign Currency Translation	Pension Adjustments	Total
Balances at December 31, 2011	\$ (11.3)	\$ (0.6)	\$ (11.9)
Foreign currency translation adjustments	4.1	--	4.1
Defined benefit pension plan adjustments	--	0.3	0.3
Balances at December 31, 2012	(7.2)	(0.3)	(7.5)
Foreign currency translation adjustments	0.6	--	0.6
Defined benefit pension plan adjustments	--	0.8	0.8
Balances at December 31, 2013	\$ (6.6)	\$ 0.5	\$ (6.1)

NOTE 7 – Severance Costs and Exit Activities

Executive Severance: We announced on September 25, 2012, that our Board of Directors and Mr. James F. Gooch had agreed that Mr. Gooch would step down from his position as Chief Executive Officer and as a director of the Company, effective immediately. Under Mr. Gooch's employment agreement, he was entitled to a specified cash payment and the accelerated vesting of certain stock awards. During the third quarter ended September 30, 2012, we recorded \$5.6 million of employee separation charges classified as selling, general and administrative expense in connection with Mr. Gooch's departure. This included a cash charge of \$4.0 million that was paid in the fourth quarter of 2012 and a non-cash charge of \$1.6 million related to the accelerated vesting of stock awards.

Headcount Reduction: During the third quarter ended September 30, 2012, we recorded \$2.9 million of employee separation charges classified as selling, general and administrative expense in connection with the termination of the employment of approximately 150 employees, who worked primarily at our corporate headquarters.

Plant Closure: During the second quarter of 2011, we ceased production operations in our Chinese manufacturing plant. Since production operations ceased, we have continued to acquire inventory similar to that previously produced by this facility from alternative product sourcing channels. In conjunction with the plant closing, we incurred total costs of \$11.4 million in 2011. We incurred \$7.7 million in compensation expense for severance packages for the termination of the employment of approximately 1,500 employees. We recorded a foreign currency exchange loss of

\$1.5 million related to the reversal of our foreign currency cumulative translation adjustment, which is classified as a selling, general and administrative expense. The remaining \$2.2 million related to an inventory valuation loss, accelerated depreciation, and other general and administrative costs. Substantially all of these costs were incurred in the second quarter of 2011.

NOTE 8 – STOCK-BASED INCENTIVE PLANS

We have implemented several plans to award employees with stock-based compensation, which are described below.

Incentive Plans: Under the Incentive Stock Plans (“ISPs”) and 2013 Omnibus Incentive Plan described below, the exercise price of options must be equal to or greater than the fair market value of a share of our common stock on the date of grant. The Management Development and Compensation Committee of our Board of Directors (“MD&C”) specifies the terms for grants of options under these plans; terms of these options may not exceed ten years. Grants of options generally vest over three years and grants typically have a term of seven or ten years. Option agreements issued under these plans generally provide that, in the event of a change in control, all options become immediately and fully exercisable. Repricing or exchanging options for lower priced options is not permitted under the plans without shareholder approval. A brief description of each of our incentive plans with awards still outstanding is included below:

1997 Incentive Stock Plan (“1997 ISP”): The 1997 ISP permitted the grant of up to 11.0 million shares in the form of incentive stock options (“ISOs”), non-qualified stock options (options which are not ISOs) (“NQs”) and restricted stock. The 1997 ISP expired on February 27, 2007, and no further grants may be made under this plan. At December 31, 2013, zero stock options were outstanding under this plan.

1999 Incentive Stock Plan (“1999 ISP”): The 1999 ISP permitted the grant of up to 9.5 million shares in the form of NQs. Grants of restricted stock, performance awards and options intended to qualify as ISO’s under the Internal Revenue Code were not authorized under this plan. The 1999 ISP also permitted directors to elect to receive shares in lieu of cash

payments for their annual retainer fees and board and committee meeting fees. The 1999 ISP expired on February 23, 2009, and no further grants may be made under this plan. At December 31, 2013, approximately 11,000 stock options were outstanding under this plan.

2001 Incentive Stock Plan (“2001 ISP”): The 2001 ISP permitted the grant of up to 9.2 million shares in the form of ISOs and NQs. The 2001 ISP also permitted directors to elect to receive shares in lieu of cash payments for their annual retainer fees and board and committee meeting fees. The 2001 ISP was terminated in 2009 upon the shareholder approval of the 2009 ISP and no further grants may be made under this plan. At December 31, 2013, approximately 0.7 million stock options were outstanding under this plan.

2009 Incentive Stock Plan (“2009 ISP”): The 2009 ISP permitted the grant of up to 11.0 million shares in the form of ISOs, NQs, restricted stock, restricted stock units, stock appreciation rights, or other stock-based awards. The 2009 ISP also permitted directors to elect to receive shares in lieu of cash payments for their annual retainer fees and board and committee meeting fees. Full-value awards granted under the 2009 ISP, such as restricted stock and restricted stock units, reduced the number of shares available for grant by 1.68 shares for each share or unit granted. Stock options and stock appreciation rights reduced the number of shares available for grant by one share for each stock option or stock appreciation right granted. This plan was terminated in 2013 upon the shareholder approval of the 2013 Omnibus Incentive Plan and no further grants may be made under this plan. As of December 31, 2013, approximately 1.4 million stock options and 1.4 million shares of unvested restricted stock were outstanding under this plan.

2013 Omnibus Incentive Plan (“2013 Omnibus Plan”): The 2013 Omnibus Plan permits the grant of up to 16.7 million shares in the form of ISOs, NQs, restricted stock, restricted stock units, stock appreciation rights, or other stock-based awards. The 2013 Omnibus Plan also permits directors to elect to receive shares in lieu of cash payments for their annual retainer fees and board and committee meeting fees. Full-value awards granted under the 2013 Omnibus Plan, such as restricted stock and restricted stock units, will reduce the number of shares available for grant by 1.96 shares for each share or unit granted. Stock options and stock appreciation rights will reduce the number of shares available for grant by one share for each stock option or stock appreciation right granted. This plan expires on March 24, 2023. At December 31, 2013, approximately 2.6 million stock options and zero shares of unvested restricted stock were outstanding under this plan, and up to 13.8 million shares were available for grants in the form of stock options under this plan.

In 2013, we granted 2.5 million non-plan options to our Chief Executive Officer as part of an inducement grant related to the terms of his employment. These options vest over 7 years from the date of grant and expire in 2020. An additional market condition was attached to these non-plan options that restrict exercise until a stock price hurdle has been achieved. The market condition was not met in 2013.

Stock Options: The respective fair values of the stock options granted during the years ended December 31, 2013, 2012 and 2011, were estimated using either the Black-Scholes-Merton option-pricing model or a lattice model. These option-pricing models require the use of certain subjective assumptions. The following table lists the assumptions used in calculating the fair value of stock options granted during each year:

Valuation Assumptions (1)	2013	2012	2011
Risk free interest rate (2)	1.6 %	1.0 %	1.6 %
Expected dividend yield	0.0 %	4.9 %	2.0 %
Expected stock price volatility (3)	57.1 %	55.4 %	43.0 %

Expected life of stock options (in years) (4)	6.5	5.5	5.4
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- (1) Forfeitures are estimated using historical experience and projected employee turnover. Forfeitures were estimated to be zero for all periods because of the low number of grant recipients.
- (2) Based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of our stock options.
- (3) We consider both the historical volatility of our stock price, as well as implied volatilities from exchange-traded options on our stock.
- (4) We estimate the expected life of stock options based upon historical experience.

Information with respect to stock option activity under the above plans is as follows:

	Shares (in thousands)	Weighted-average Exercise Price	Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2013	6,861	\$ 13.97		
Grants	7,097	3.48		
Exercised	--	--		
Expired	(4,244)	14.33		
Forfeited	(2,583)	7.78		
Outstanding at December 31, 2013	7,131	\$ 5.56	5.0	\$ 0.1
Exercisable at December 31, 2013	1,594	\$ 12.76	1.0	\$ --

The weighted-average grant-date fair value of stock options granted during 2013, 2012 and 2011, was \$1.46, \$2.38 and \$4.84, respectively.

The aggregate intrinsic value of options exercised under our stock option plans was zero, zero, and \$3.5 million for 2013, 2012 and 2011, respectively. The aggregate intrinsic value is the amount by which the market price of our common stock on the date of exercise exceeded the exercise price of the option. Net cash proceeds from the exercise of stock options were zero, zero and \$6.0 million in 2013, 2012 and 2011, respectively. The actual income tax benefit realized from stock option exercises was zero, zero and \$1.4 million, in 2013, 2012 and 2011, respectively.

The following table summarizes information concerning currently outstanding and exercisable options to purchase our common stock:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares Outstanding at Dec. 31, 2013 (in thousands)	Weighted- average Contractual Life (in years)	Weighted- average Exercise Price	Shares Exercisable at Dec. 31, 2013 (in thousands)	Weighted- average Exercise Price
\$ 2.23 - 2.95	552	6.4	\$ 2.58	--	\$ --
3.00	2,500	6.2	3.00	--	--
3.04 - 3.93	394	6.3	3.23	--	--

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4.13	2,014	6.2	4.13	--	--
4.21 - 24.41	1,671	1.2	12.63	1,594	12.76
\$ 2.23 - 24.41	7,131	5.0	\$ 5.56	1,594	\$ 12.76

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Restricted Stock: Transactions related to restricted stock awards for the year ended December 31, 2013, are summarized as follows:

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	Shares (in thousands)	Weighted-average Fair Value Per Share
Non-vested at January 1, 2013	751	\$ 4.99
Granted	1,872	3.05
Vested or released (1)	(885)	4.04
Canceled or forfeited	(367)	3.95
Non-vested at December 31, 2013	1,371	\$ 3.20

(1) For plan participants age 55 and older, certain granted but unvested shares are released from the plan for tax withholdings on the participants' behalf.

We granted approximately 1,872,000, 1,073,000, and 277,000 shares of restricted stock in 2013, 2012 and 2011, respectively, under these plans.

Restricted stock awards are valued at the market price of a share of our common stock on the date of grant. In general, these awards vest at the end of a three-year period from the date of grant and are expensed on a straight-line basis over that period, which is considered to be the requisite service period. The amounts of this expense were \$3.4 million, \$4.4 million, and \$2.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The weighted-average grant-date fair values per share of restricted stock awards granted were \$3.05, \$5.26 and \$14.68 in 2013, 2012 and 2011, respectively. The total fair values of restricted stock awards vested were approximately \$3.6 million, \$5.2 million and \$3.8 million in 2013, 2012 and 2011, respectively.

The compensation cost charged against income for all stock-based compensation plans was \$7.2 million, \$7.1 million and \$5.4 million in 2013, 2012 and 2011, respectively. The total income tax benefit recognized for all stock-based compensation plans was \$2.1 million in 2011. The tax benefit that would have been recognized for all stock-based compensation plans for 2013 and 2012 was \$2.0 million and \$2.7 million; however, such benefit was offset by the valuation allowance against our deferred tax assets. At December 31, 2013, there was \$7.0 million of unrecognized compensation expense related to the unvested portion of our stock-based awards that is expected to be recognized over a weighted-average period of 3.61 years.

Deferred Stock Units: In 2004, the stockholders approved the RadioShack 2004 Deferred Stock Unit Plan for Non-Employee Directors ("Deferred Plan"), which was amended in 2008. Under the plan, each non-employee director received a one-time initial grant of units equal to the number of shares of our common stock that represent a fair market value of \$150,000 on the grant date, and an annual grant of units equal to the number of shares of our common stock that represent a fair market value of \$105,000 on the grant date.

This plan was terminated in 2013 upon the shareholder approval of the 2013 Omnibus Incentive Plan and no further grants may be made under this plan. We granted approximately 156,000, and 53,000 units in 2012 and 2011, respectively. The weighted-average grant-date fair value per unit granted was \$5.00 and \$14.80 in 2012 and 2011, respectively. There were approximately 382,000 units outstanding at December 31, 2013.

In 2013, under the Omnibus Incentive Plan, non-employee directors were granted deferred stock units under the same terms as the previous Deferred Plan as described above. We granted approximately 230,000 units in 2013 with a weighted average grant-date fair value per unit of \$3.65. There were approximately 202,000 units outstanding at December 31, 2013.

NOTE 9 – EMPLOYEE BENEFIT PLANS

The following benefit plans were in place during the periods covered by the financial statements.

RadioShack 401(k) Plan: The RadioShack 401(k) Plan (“401(k) Plan”), a defined contribution plan, allows a participant to defer, by payroll deductions, from 1% to 75% of the participant’s annual compensation, limited to certain annual maximums set by the Internal Revenue Code. The 401(k) Plan also presently provides that our contribution to each participant’s account maintained under the 401(k) Plan be an amount equal to 100% of the participant’s contributions up to 4% of the participant’s annual compensation. This percentage contribution made by us is discretionary and may change in the future. Our contributions go directly to the 401(k) Plan and are made in cash and invested according to the investment elections made by the participant for the participant’s own contributions. Company contributions to the 401(k) Plan were \$5.5 million, \$5.7 million and \$5.6 million for 2013, 2012 and 2011, respectively.

Supplemental Executive Retirement Plan: The Company adopted an unfunded Supplemental Executive Retirement Plan (“SERP”) effective January 1, 2006, for selected officers of the Company. Upon retirement at age 55 years or older, participants in the SERP are eligible to receive, for ten years, an annual amount equal to a percentage of the average of their five highest consecutive years of compensation (base salary and bonus), to be paid in 120 monthly installments. The amount of the percentage increases by 2 ½% for each year of participation in the SERP, up to a maximum of 50%. At December 31, 2013, there were three participants in the plan. This plan has been closed to new officers since 2007.

The net periodic benefit cost of the SERP defined benefit plan was \$1.0 million, \$1.3 million and \$1.7 million for 2013, 2012 and 2011, respectively. The benefit obligation was \$13.1 million and \$16.6 million at December 31, 2013 and 2012, respectively.

NOTE 10 – INCOME TAXES

The following is a reconciliation of the federal statutory income tax rate to our income tax expense:

(In millions)	Year Ended December 31,		
	2013	2012	2011
Components of (loss) income from continuing operations:			
United States	\$ (357.8)	\$ (75.4)	\$ 135.9
Foreign	(47.2)	(2.8)	(9.7)
(Loss) income from continuing operations before income taxes	(405.0)	(78.2)	126.2
Statutory tax rate	x 35.0%	x 35.0%	x 35.0%
Federal income tax (benefit) expense at statutory rate	(141.7)	(27.4)	44.2
Change in valuation allowance	145.3	67.7	3.2
Foreign tax branch benefit	(6.8)	(5.0)	(3.2)
Mexico goodwill impairment	8.3	--	--
State income taxes, net of federal effect	(13.0)	(3.8)	2.8
Stock-based compensation tax shortfall	3.8	1.7	0.9
Income tax credits	(1.4)	(0.5)	(3.3)
Unrecognized tax benefits and accrued interest, net of indirect effect	(13.0)	(0.9)	2.5
Other, net	5.5	0.8	0.4
Total income tax (benefit)expense	\$ (13.0)	\$ 32.6	\$ 47.5
Effective tax rate	3.2 %	(41.7) %	37.6 %

The components of income tax expense (benefit) were as follows:

(In millions)	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	\$ (15.4)	\$ (37.8)	\$ 20.9
State	(2.4)	(2.1)	5.5
Foreign	0.9	2.6	2.0
	(16.9)	(37.3)	28.4
Deferred:			
Federal	1.3	57.2	16.7
State	--	13.5	1.6
Foreign	2.6	(0.8)	0.8
	3.9	69.9	19.1
Total income tax (benefit)expense	\$ (13.0)	\$ 32.6	\$ 47.5

The income tax benefit recognized in 2013 primarily relates to the effective settlement of certain federal and state income tax matters resulting in the recognition of previously unrecognized tax benefits and the reversal of interest accrued thereon. In 2012 we recognized an income tax benefit with respect to our U.S. operating losses and losses generated in certain state jurisdictions because we were able to carry back those losses and offset prior year taxable income.

The significant components of deferred income tax assets and liabilities were as follows:

(In millions)	December 31,	
	2013	2012
Deferred tax assets:		
Federal net operating loss	\$ 132.0	\$ --
Inventory valuation adjustments	19.7	15.9
Insurance reserves	15.7	14.4
Reserve for estimated wireless service deactivations	2.8	14.1
Deferred revenue	4.5	13.4
Foreign branch net operating losses	18.3	12.1
Indirect effect of unrecognized tax benefits	7.9	11.6
Deferred compensation	9.1	10.1
Stock-based compensation	4.7	8.0
Accrued average rent	7.0	7.6
State net operating loss, net		

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of federal benefit	21.0	5.8
Other	16.6	15.0
Gross deferred tax assets	259.3	128.0
Valuation allowance	(228.8)	(80.9)
Total deferred tax assets	30.5	47.1
Deferred tax liabilities:		
Depreciation and amortization	13.5	29.7
Deferred taxes on foreign operations	3.9	4.0
Other	14.3	10.7
Total deferred tax liabilities	31.7	44.4
Net deferred tax (liabilities) assets	\$ (1.2)	\$ 2.7

Deferred tax assets and liabilities were included in the Consolidated Balance Sheets as follows:

(In millions)	December 31,	
	2013	2012
Other current assets	\$ --	\$ 23.9
Other non-current assets	0.1	--
Other current liabilities	(1.3)	--
Other non-current liabilities	--	(21.2)
Net deferred tax assets	\$ (1.2)	\$ 2.7

We had deferred tax assets associated with our federal net operating losses, which will expire in 2033, of \$132 million as of December 31, 2013. Net operating losses generated in 2011 and 2012 were carried back to offset prior year taxable income. Deferred tax assets associated with U.S. general business credits, which expire on various dates between 2031 and 2033, were \$2.8 million and \$2.4 million as of December 31, 2013 and 2012, respectively.

In addition, we had deferred tax assets associated with state net operating loss carryforwards of \$32.3 million, net of \$11.3 million federal benefit, and \$9.0 million, net of \$3.2 million federal benefit, as of December 31, 2013 and 2012, respectively. The related state net operating losses expire at various dates between 2016 and 2033. At December 31, 2013 and 2012, deferred tax assets associated with the net operating losses of our foreign branches were \$18.3 million and \$12.1 million, respectively. The net operating losses of our foreign branches will expire on various dates between 2016 and 2033.

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.

A reconciliation of the consolidated valuation allowance for deferred tax assets from January 1, 2011, to December 31, 2013, is as follows:

(In millions)	2013	2012	2011
Balance at beginning of year	\$ 80.9	\$ 7.1	\$ 3.9
Additions, charged to expense	145.3	67.7	3.2
Additions, charged to discontinued operations	2.9	6.1	
Deductions	(0.3)	--	--
Balance at end of year	\$ 228.8	\$ 80.9	\$ 7.1

We are required to assess the available positive and negative evidence to estimate if sufficient income will be generated to utilize deferred tax assets. A significant piece of negative evidence that we consider is cumulative losses (generally defined as losses before income taxes) incurred over the most recent three-year period. Such evidence limits our ability to consider other subjective evidence such as our projections for future growth. At December 31, 2013, domestic cumulative losses were incurred over the applicable three-year period.

In 2012 we established a valuation allowance of \$68.8 million with respect to our U.S. federal deferred tax assets and state deferred tax assets of which \$6.1 million was charged to discontinued operations. We considered all available positive and negative evidence in evaluating whether these deferred tax assets were more likely than not to be realized. The significant negative evidence of our losses generated before income taxes in 2012 and the unfavorable shift in our business could not be overcome by considering other sources of taxable income, which included the reversal of taxable temporary differences and tax-planning strategies. These deferred tax assets are still available to us to offset future taxable income, subject to limitations in the event of an "ownership change" under Section 382 of the Internal Revenue Code and we will adjust this valuation allowance if we change our assessment of the amount of deferred income tax asset that is more likely than not to be realized.

We continue to provide a valuation allowance against all of our U.S. federal and state deferred tax assets in 2013. As a result, any U.S. federal or state income tax benefit related to our operating losses in 2013 was offset by an increase in our valuation allowance. In addition we determined, based on an evaluation of the positive and negative evidence, that

the net deferred tax assets of our subsidiary, RadioShack de Mexico, were not more likely than not to be realized. Accordingly, we established a full valuation allowance against RadioShack de Mexico's deferred tax assets in the amount of \$5.2 million. This tax expense was partially offset by the deferred tax benefit related to their current operating losses. 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.

We have not recorded deferred U.S. income taxes or foreign withholding taxes on temporary differences resulting from earnings for certain foreign subsidiaries that are considered permanently invested outside the United States. At December 31, 2013, there were no cumulative earnings for those foreign subsidiaries for which earnings are considered permanently invested outside the United States.

A reconciliation of the consolidated liability for gross unrecognized income tax benefits (excluding interest) from January 1, 2011, to December 31, 2013, is as follows:

(In millions)	2013	2012	2011
Balance at beginning of year	\$ 139.8	\$ 27.3	\$ 25.9
Increases related to prior period tax positions	4.3	96.9	1.8
Decreases related to prior period tax positions	(19.8)	(2.9)	(0.4)
Increases related to current period tax positions	0.3	19.3	1.8
Settlements	(5.0)	(0.3)	(0.6)
Lapse in applicable statute of limitations	(0.5)	(0.5)	(1.2)
Balance at end of year	\$ 119.1	\$ 139.8	\$ 27.3

In 2012 we took certain tax positions that resulted in approximately \$97 million of tax benefits on our 2011 federal and state tax returns. In connection with these tax positions, we recorded a liability for unrecognized tax benefits, of which approximately \$87 million was classified as other non-current liabilities in our Consolidated Balance Sheets. The remaining \$10 million of unrecognized tax benefit liabilities were offset as a reduction against certain state net operating loss carryforwards recorded as part of our deferred tax assets. These unrecognized tax benefits are directly associated with tax positions taken in the tax years that resulted in the net operating loss carryforwards.

The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of December 31, 2013, was \$113.8 million.

We recognize accrued interest and penalties associated with unrecognized tax benefits as part of the tax provision. As of December 31, 2013 and 2012, we had \$9.4 million and \$14.0 million, respectively, of accrued interest expense associated with unrecognized tax benefits. Income tax expense included interest associated with unrecognized tax benefits of \$4.2 million, \$2.5 million, and \$2.7 million, in 2013, 2012 and 2011, respectively.

RadioShack Corporation and its U.S. subsidiaries join in the filing of a U.S. federal consolidated income tax return. The U.S. federal statute of limitations is closed for all years prior to 2007. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 3 to 5 years. Our tax returns are currently under examination in various federal, state and foreign jurisdictions. It is reasonably possible that the amount of unrecognized tax benefits related to certain tax positions could be reduced by \$0.8 million over the next 12 months because of settlements or the expiration of the applicable statute of limitations.

NOTE 11 – NET (LOSS) INCOME PER SHARE

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

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

(In millions)	2013	2012	2011
Numerator:			
(Loss) income from continuing operations	\$ (392.0)	\$ (110.8)	\$ 78.7
Discontinued operations, net of taxes	(8.2)	(28.6)	(6.5)
Net (loss) income	\$ (400.2)	\$ (139.4)	\$ 72.2
Denominator:			
Weighted-average common shares outstanding	100.7	100.1	102.5
Dilutive effect of stock-based awards	--	--	0.8
Weighted-average shares for diluted net (loss) income per share	100.7	100.1	103.3

The following table includes common stock equivalents that were not included in the calculation of diluted net (loss) income per share for the periods presented:

(In millions)	2013	2012	2011
Employee stock options (1) (2)	7.1	6.9	6.3
Warrants to purchase common stock (1) (3)	8.4	15.8	15.8
Convertible debt instruments (1) (4)	--	12.1	15.8

- (1) For 2013 and 2012, these common stock equivalents 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.
- (2) For 2011 these 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.

- (3) These common stock equivalents were excluded because the exercise prices (\$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.
- (4) These common stock equivalents were excluded because the exercise prices (\$23.77 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.

NOTE 12 – FAIR VALUE MEASUREMENTS

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

(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)
Year Ended December 31, 2013				
Long-lived assets held and used	\$ 9.6	--	--	\$ 9.6
Year Ended December 31, 2012				
Long-lived assets held and used	\$ 3.2	--	--	\$ 3.2
Year Ended December 31, 2011				
Long-lived assets held and used	\$ 1.3	--	--	\$ 1.3

U.S. RadioShack Company-Operated Stores: In 2013 long-lived assets held and used in certain stores with a total carrying value of \$32.9 million were written down to their fair value of \$9.6 million, resulting in an impairment charge of \$23.3 million that was included in our operating results for the period.

In 2012 long-lived assets held and used in certain stores with a total carrying value of \$8.8 million were written down to their fair value of \$2.1 million, resulting in an impairment charge of \$6.7 million that was included in our operating results for the period.

In 2011 long-lived assets held and used in certain stores with a total carrying value of \$4.4 million were written down to their fair value of \$1.3 million, resulting in an impairment charge of \$3.1 million that was included in our operating results for the period.

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 rate of return used to discount these cash flows ranges from 15% to 20%.

Fair Value of Financial Instruments

Financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, 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. Estimated fair values for our 2013 Convertible Notes and our 2019 Notes were determined using recent trading activity and/or bid-ask spreads and are classified as Level 2 in the FASB's fair value hierarchy. Estimated fair values of our secured term loans approximated their carrying values due to the recentness of these borrowings and are classified as Level 3.

(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 December 31, 2013					
2019 Notes	\$ 323.3	\$ 197.9	--	\$ 197.9	--
Secured term loans	\$ 289.4	\$ 289.4	--	--	\$ 289.4
Other	\$ 1.4	\$ 1.4	--	--	\$ 1.4
As of December 31, 2012					
2013 Convertible Notes	\$ 278.7	\$ 265.9	--	\$ 265.9	--
2019 Notes	\$ 323.0	\$ 198.3	--	\$ 198.3	--
Secured term loans	\$ 175.0	\$ 175.0	--	--	\$ 175.0
Other	\$ 1.0	\$ 1.0	--	--	\$ 1.0

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Lease Commitments: We lease, rather than own, all of our retail facilities. Some of these leases are subject to renewal options and provide for the payment of taxes, insurance and maintenance. Our retail locations comprise the largest portion of our leased facilities. These locations are primarily in strip centers, major shopping malls and shopping centers owned by other companies. Some leases are based on a minimum rental plus a percentage of the store's sales in excess of a stipulated base figure (contingent rent). Certain leases contain escalation clauses. We also lease a

distribution center in Mexico, our corporate headquarters, and automobiles.

Future minimum rent commitments at December 31, 2013, under non-cancelable operating leases (net of immaterial amounts of sublease rent income), are included in the following table.

(In millions)	Operating Leases
2014	\$ 200.4
2015	151.6
2016	101.9
2017	63.2
2018	33.6
2019 and thereafter	38.2
Total minimum lease payments	\$ 588.9

Rent Expense:

(In millions)	2013	2012	2011
Minimum rents	\$ 219.2	\$ 220.6	\$ 224.3
Occupancy cost	28.2	29.1	35.3
Contingency rents	3.4	4.2	4.1
Total rent expense	\$ 250.8	\$ 253.9	\$ 263.7

Purchase Obligations: We had purchase obligations of \$260.5 million at December 31, 2013, which include product commitments and marketing agreements. Of this amount, \$255.2 million related to 2013.

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: On April 6, 2004, plaintiffs filed a putative class action in Los Angeles Superior Court, Brookler v. RadioShack Corporation, claiming that we violated California's wage and hour laws relating to meal and rest periods. The meal period portion of the case was originally certified as a class action in February 2006. We 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, we filed a Second Motion for Decertification which was granted in October 2008. The plaintiffs appealed this ruling and in August 2010, the California Court of Appeals reversed the trial court's decertification. In September 2010, we 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 our case to the California Court of Appeals instructing it to vacate its prior order and reconsider its ruling in light of the Supreme Court's ruling in Brinker. In December 2012, the Court of Appeals affirmed the trial court's decertification of the 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 PAGA claims, and to add an additional class representative. In July 2013 the trial court granted the Motion to Amend and the plaintiff filed his Second Amended Complaint. In August 2013 we moved the case to federal court. In September 2013 the plaintiff filed a Motion to Remand the case back to state court, which was granted in October 2013. In November 2013 we filed a demurrer to all causes of action in the Second Amended Complaint, which was granted in January 2014. The state court granted the demurrer without leave to amend. On February 11, 2014 the California Court of Appeals issued an order directing the lower court to vacate its order granting the demurrer and issue a new order denying our demurrer. We are considering our alternatives in light of this development. The outcome of this case is uncertain

and the ultimate resolution of it could have a material adverse effect on our consolidated financial statements in the period in which the resolution is recorded.

Ordonez v. RadioShack Corporation: In May 2010, we were named as a defendant in a putative class action lawsuit in Los Angeles Superior Court alleging that we failed to provide required meal periods and rest breaks, pay for all time worked, pay overtime compensation, pay minimum wages, and maintain required records. In September 2010, we removed the case to the United States District Court for the Central District of California. The meal period claims in Ordonez are similar to the claims in the Brookler case discussed above. 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 scheduled for February 10, 2014 at which time the court approved Plaintiff's Motion for Class Certification. We are considering our options in regards to the court's approval of the Motion for Class Certification. The outcome of this case is uncertain and the ultimate resolution of it could have a material adverse effect on our consolidated financial statements in the period in which the resolution is recorded.

Song-Beverly Credit Card Act Litigation: In November 2010 we were named as a defendant in the first of four putative class action lawsuits filed in California alleging violations under California's Song-Beverly Credit Card Act. These lawsuits were resolved in 2013 and no further actions are necessary. The resolution to these matters did not have a material adverse effect on our consolidated financial statements.

FACTA Litigation: In September 2011 and November 2011, we were named as a defendant in nationwide putative class action lawsuits in the United States District Court for the Northern District of Illinois alleging that we violated certain provisions of the Fair and Accurate Credit Transactions Act of 2003 ("FACTA") by displaying the expiration dates of customers' credit or debit cards on printed transaction receipts. In May 2013, the parties reached a settlement and on May 29, 2013, the court granted preliminary approval of the settlement. Notice of the settlement was mailed to known class members and published in several national publications. A hearing on final approval of the settlement was held on September 17, 2013. On February 7, 2014, the court signed an order approving the settlement. The outcome of this matter did not have a material adverse effect on our consolidated financial statements in the period in which the resolution is recorded.

FLSA Litigation: We have been named as a defendant in multiple putative class action lawsuits claiming we violated the federal Fair Labor Standards Act, and the laws of Pennsylvania, New York, New Jersey and Ohio based on our use of the "fluctuating workweek" method to calculate overtime pay. The outcome of these cases is still uncertain and the ultimate resolution of them could have a material adverse effect on our 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 accruals, and we estimate that the aggregate of these amounts could be up to \$5.2 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.

NOTE 14 – SEGMENT REPORTING

The U.S. RadioShack company-operated stores segment consists solely of our 4,297 U.S. company-operated retail stores, all operating under the RadioShack brand name. In 2013 we closed out Target Mobile centers and the segment has been reclassified to discontinued operations. 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, 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)	Year Ended December 31,		
	2013	2012	2011
U.S. RadioShack company-operated stores	\$ 3,094.9	\$ 3,456.5	\$ 3,663.3
Other (1)	339.4	374.8	368.8
	\$ 3,434.3	\$ 3,831.3	\$ 4,032.1

(1) Includes \$3.0 million of franchise fee revenue for 2012 related to the opening of our first franchised stores in Southeast Asia.

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

(In millions)	Year Ended December 31,		
	2013	2012	2011
U.S. RadioShack company-operated stores (1) (2) (3) (4)	\$ 73.8	\$ 337.7	\$ 530.2
Other (5) (6)	(12.1)	36.3	20.9
	61.7	374.0	551.1
Unallocated (7) (8) (9)	(405.7)	(399.0)	(377.1)
Operating (loss) income	(344.0)	(25.0)	174.0
Interest income	2.2	1.9	3.1
Interest expense	(52.3)	(54.5)	(46.8)
Other loss	(10.9)	(0.6)	(4.1)
(Loss) income from continuing operations before income taxes	\$ (405.0)	\$ (78.2)	\$ 126.2

(1) Includes a goodwill impairment charge of \$3.0 million for 2012.

(2) Includes a charge to earnings of \$23.4 million for 2011 related to a payment to T-Mobile in conjunction with our transition from offering T-Mobile products and services to offering Verizon products and services.

(3) Includes a \$10.1 million inventory write down and a fixed asset impairment charge of \$11.2 million related to our proposed store closure program for 2013.

- (4) Includes \$46.6 million of inventory losses resulting from the removal of products from the inventory assortment for 2013.
- (5) Includes a loss on the closing of our Chinese manufacturing plant of \$11.4 million in 2011.
- (6) Includes a goodwill impairment charge related to our Mexican subsidiary of \$23.7 million for 2013.
- (7) 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, as well as advertising, insurance, distribution and information technology costs, plus certain unusual or infrequent gains or losses.
- (8) Includes severance costs of \$8.5 million for 2012 related to the departure of our CEO and headcount reductions.
- (9) The operating loss for our unallocated category increased by \$21.9 million from 2011 to 2012. This increase was primarily due to a decrease in intercompany profits earned by our supply chain operations related to the mix of products distributed.

Depreciation and amortization by reportable segment is as follows:

(In millions)	Year Ended December 31,		
	2013	2012	2011
U.S. RadioShack company-operated stores	\$ 29.9	\$ 31.8	\$ 37.9
Other	4.4	3.8	4.0
	34.3	35.6	41.9
Unallocated (1)	36.1	38.7	36.2
Depreciation and amortization from continuing operations	70.4	74.3	78.1
Depreciation and amortization from discontinued operations	1.2	6.4	5.0
Total depreciation and amortization	\$ 71.6	\$ 80.7	\$ 83.1

(1) Depreciation and amortization included in the unallocated category primarily relate to our information technology assets.

Product Sales Information: Our consolidated net sales and operating revenues are summarized by groups of similar products and services, as follows (prior period amounts have been reclassified to conform to our current presentation):

(In millions)	Consolidated Net Sales and Operating Revenues					
	Year Ended December 31,					
	2013		2012		2011	
Mobility	\$ 1,799.7	52.4 %	\$ 2,008.6	52.4 %	\$ 2,014.8	50.0 %
Retail	1,612.2	46.9	1,794.0	46.8	1,992.1	49.4
Other sales (1)	22.4	0.7	28.7	0.8	25.2	0.6
Consolidated net sales and operating revenues	\$ 3,434.3	100.0 %	\$ 3,831.3	100.0 %	\$ 4,032.1	100.0 %

(1) Other sales include outside sales from repair services and outside sales of our global sourcing operations and domestic and overseas manufacturing facilities. We closed our overseas manufacturing facility in June 2011.

NOTE 15 – QUARTERLY DATA (UNAUDITED)

As our operations are retail oriented, our business is subject to seasonal fluctuations, with the fourth quarter generally being the most significant in terms of sales and profits because of the winter holiday selling season.

	Three Months Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
(In millions, except per share amounts)				
Net sales and operating revenues	\$ 849.0	\$ 844.5	\$ 805.4	\$ 935.4
Cost of products sold (1) (2)	511.7	530.7	562.7	657.0
Gross profit	337.3	313.8	242.7	278.4
Operating expenses:				
Selling, general and administrative	337.9	336.9	343.3	389.3
Depreciation and amortization	16.5	15.5	15.0	14.4
Impairment of long-lived assets and goodwill (3)	1.4	2.8	2.4	40.8
Total operating expenses	355.8	355.2	360.7	444.5
Operating loss	(18.5)	(41.4)	(118.0)	(166.1)
Interest income	0.4	0.3	0.3	1.2
Interest expense	(15.0)	(14.1)	(11.5)	(11.7)
Other loss (4)	(0.3)	--	--	(10.6)
Loss from continuing operations before income taxes	(33.4)	(55.2)	(129.2)	(187.2)
Income tax expense (benefit)	1.4	(1.8)	(16.8)	4.2
Loss from continuing operations	(34.8)	(53.4)	(112.4)	(191.4)
Discontinued operations, net of income taxes	(8.5)	0.3	--	--
Net loss	\$ (43.3)	\$ (53.1)	\$ (112.4)	\$ (191.4)
Basic and diluted net loss per share:				
Loss per share from continuing operations	\$ (0.35)	\$ (0.53)	\$ (1.11)	\$ (1.90)
Loss per share from discontinued operations	(0.08)	--	--	--
Net loss per share	\$ (0.43)	\$ (0.53)	\$ (1.11)	\$ (1.90)
Shares used in computing net loss per share:				
Basic and diluted	100.4	100.7	101.0	101.0
Comprehensive loss	\$ (39.0)	\$ (56.7)	\$ (113.2)	\$ (189.9)

(1)

The third quarter includes inventory losses of \$46.6 million resulting from the removal of products from the inventory assortment.

- (2) The fourth quarter includes a \$10.1 million inventory write down related to our proposed store closure program.
- (3) The fourth quarter includes a goodwill impairment charge related to our Mexican subsidiary of \$23.7 million and an \$11.2 million fixed asset impairment charge related to our proposed store closure program.
- (4) The fourth quarter includes a \$10.6 million debt extinguishment charge related to our repayment of debt in December 2013.

The sum of the quarterly net income per share amounts may not total to each full year amount because these computations are made independently for each quarter and for the full year and take into account the weighted-average number of common stock equivalent shares outstanding for each period, including the effect of dilutive securities for that period.

(In millions, except per share amounts)	Three Months Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Net sales and operating revenues (1)	\$ 913.3	\$ 848.6	\$ 898.0	\$ 1,171.4
Cost of products sold	543.2	508.4	557.2	752.1
Gross profit	370.1	340.2	340.8	419.3
Operating expenses:				
Selling, general and administrative (2) (3)	345.3	337.0	354.0	383.5
Depreciation and amortization	17.2	16.3	16.0	16.4
Impairment of long-lived assets and goodwill (4)	0.5	1.0	4.8	3.4
Total operating expenses	363.0	354.3	374.8	403.3
Operating income (loss)	7.1	(14.1)	(34.0)	16.0
Interest income	0.5	0.3	0.5	0.6
Interest expense	(13.1)	(12.9)	(13.2)	(15.3)
Other loss	--	--	(0.6)	--
(Loss) income from continuing operations before income taxes	(5.5)	(26.7)	(47.3)	1.3
Income tax (benefit) expense (5)	(0.8)	(10.5)	(15.9)	59.8
Loss from continuing operations	(4.7)	(16.2)	(31.4)	(58.5)
Discontinued operations, net of income taxes	(3.3)	(4.8)	(15.7)	(4.8)
Net loss	\$ (8.0)	\$ (21.0)	\$ (47.1)	\$ (63.3)
Basic and diluted net loss per share:				
Loss per share from continuing operations	\$ (0.05)	\$ (0.16)	\$ (0.31)	\$ (0.58)
Loss per share from discontinued operations	(0.03)	(0.05)	(0.16)	(0.05)
Net loss per share	\$ (0.08)	\$ (0.21)	\$ (0.47)	\$ (0.63)
Shares used in computing net loss per share:				
Basic and diluted	99.8	100.1	100.1	100.2
Comprehensive loss	\$ (2.4)	\$ (23.9)	\$ (44.6)	\$ (64.1)

(1) The third quarter includes \$3.0 million of franchise fee revenue related to the opening of our first franchised stores in Southeast Asia.

(2) The third quarter includes severance costs of \$8.5 million related to the departure of our CEO and headcount reductions.

- (3) The fourth quarter includes an adjustment to reduce occupancy expense by \$1.4 million.
- (4) The third quarter includes a goodwill impairment charge of \$3.0 million for our U.S. RadioShack company-operated stores reporting unit.
- (5) The fourth quarter includes an increase to income tax expense of \$60.9 million related to a valuation allowance with respect to our U.S. federal deferred tax assets and our remaining state deferred tax assets.

The sum of the quarterly net income per share amounts may not total to each full year amount because these computations are made independently for each quarter and for the full year and take into account the weighted-average number of common stock equivalent shares outstanding for each period, including the effect of dilutive securities for that period.

NOTE 16 – Supplemental Guarantor Financial Information

The obligation to pay principal and interest on the 2019 Notes is jointly and severally guaranteed on a full and unconditional basis, subject to customary release provisions, by all of the guarantors under the 2018 Credit Facility. The 2019 Notes are guaranteed by all of our 100%-owned domestic subsidiaries except Tandy Life Insurance Company. Refer to Note 5 – “Indebtedness and Borrowing Facilities” for additional information on the 2019 Notes and the related exchange offer.

The following condensed consolidating financial information represents the financial information of RadioShack Corporation, 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 and Tandy Life Insurance 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.

We determined that we should revise the classification of intercompany dividend cash inflows paid to RadioShack Corporation (Parent Co.) by Non-Guarantor Subsidiaries from an investing inflow to an operating inflow on the accompanying Condensed Consolidating Statements of Cash Flows. This was based upon an evaluation that concluded these dividend inflows were a return on capital instead of a return of capital. This reclassification increased the cash flows from operations and decreased the cash flows from investing activities for RadioShack Corporation (Parent Co.). The reclassification did not affect consolidated cash flows from operations or cash flows from investing activities.

We have concluded that the effect of this revision did not materially impact any previously issued financial statements, however we have revised the comparative information presented herein for the years ended December 31, 2012 and 2011 in order to present such information on a consistent basis.

Condensed Consolidating Statements of Comprehensive Income

For the Year Ended December 31, 2013

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales and operating revenues	\$ 3,354.3	\$ 2,765.3	\$ 147.1	\$ (2,832.4)	\$ 3,434.3
Cost of products sold	2,278.1	2,714.1	102.3	(2,832.4)	2,262.1
Gross profit	1,076.2	51.2	44.8	--	1,172.2
Operating expenses:					
Selling, general and administrative	1,348.7	4.1	54.6	--	1,407.4
Depreciation and amortization	58.1	--	3.3	--	61.4
Impairment of long-lived assets	23.3	--	24.1	--	47.4
Total operating expenses	1,430.1	4.1	82.0	--	1,516.2

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Operating (loss) income	(353.9)	47.1	(37.2)	--	(344.0)
Interest income	1.6	11.2	5.8	(16.4)	2.2
Interest expense	(68.0)	--	(0.7)	16.4	(52.3)
Other loss	(10.9)	--	--	--	(10.9)
(Loss) income from continuing operations before income taxes	(431.2)	58.3	(32.1)	--	(405.0)
Income tax (benefit) expense	(13.2)	(3.6)	3.8	--	(13.0)
Equity in earnings of subsidiaries, net of income taxes	17.8	(37.2)	--	19.4	--
(Loss) income from continuing operations	(400.2)	24.7	(35.9)	19.4	(392.0)
Discontinued operations, net of income taxes	--	(8.2)	--	--	(8.2)
Net (loss) income	\$ (400.2)	\$ 16.5	\$ (35.9)	\$ 19.4	\$ (400.2)
Comprehensive (loss) income	\$ (398.8)	\$ 16.8	\$ (35.4)	\$ 18.6	\$ (398.8)

Condensed Consolidating Statements of Comprehensive Income

For the Year Ended December 31, 2012

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales and operating revenues	\$ 4,103.1	\$ 3,499.5	\$ 145.0	\$ (3,916.3)	\$ 3,831.3
Cost of products sold	2,773.2	3,409.6	94.4	(3,916.3)	2,360.9
Gross profit	1,329.9	89.9	50.6	--	1,470.4
Operating expenses:					
Selling, general and administrative	1,364.1	9.5	46.2	--	1,419.8
Depreciation and amortization	63.6	--	2.3	--	65.9
Impairment of long-lived assets and goodwill	9.7	--	--	--	9.7
Total operating expenses	1,437.4	9.5	48.5	--	1,495.4
Operating (loss) income	(107.5)	80.4	2.1	--	(25.0)
Interest income	0.7	11.2	5.9	(15.9)	1.9
Interest expense	(70.0)	--	(0.4)	15.9	(54.5)
Other loss	(0.6)	--	--	--	(0.6)
(Loss) income from continuing operations before income taxes	(177.4)	91.6	7.6	--	(78.2)
Income tax (benefit) expense	(31.6)	61.9	2.3	--	32.6
Equity in earnings of subsidiaries, net of income taxes	6.4	3.7	--	(10.1)	--
(Loss) income from continuing operations	(139.4)	33.4	5.3	(10.1)	(110.8)
Discontinued operations, net of income taxes	--	(28.6)	--	--	(28.6)
Net (loss) income	\$ (139.4)	\$ 4.8	\$ 5.3	\$ (10.1)	\$ (139.4)
Comprehensive (loss) income	\$ (135.0)	\$ 8.5	\$ 9.2	\$ (17.7)	\$ (135.0)

Condensed Consolidating Statements of Comprehensive Income

For the Year Ended December 31, 2011

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales and operating revenues	\$ 4,288.2	\$ 3,582.3	\$ 149.5	\$ (3,987.9)	\$ 4,032.1
Cost of products sold	2,821.1	3,371.5	105.0	(3,987.9)	2,309.7
Gross profit	1,467.1	210.8	44.5	--	1,722.4
Operating expenses:					
Selling, general and administrative	1,422.8	4.9	47.0	--	1,474.7
Depreciation and amortization	68.0	--	2.6	--	70.6
Impairment of long-lived assets	3.1	--	--	--	3.1
Total operating expenses	1,493.9	4.9	49.6	--	1,548.4
Operating (loss) income	(26.8)	205.9	(5.1)	--	174.0
Interest income	1.8	10.3	5.8	(14.8)	3.1
Interest expense	(61.5)	--	(0.1)	14.8	(46.8)
Other loss	(4.1)	--	--	--	(4.1)
(Loss) income from continuing operations before income taxes	(90.6)	216.2	0.6	--	126.2
Income tax (benefit) expense	(35.6)	79.6	3.5	--	47.5
Equity in earnings of subsidiaries, net of income taxes	127.2	(4.6)	--	(122.6)	--
Income (loss) from continuing operations	72.2	132.0	(2.9)	(122.6)	78.7
Discontinued operations, net of income taxes	--	(6.5)	--	--	(6.5)
Net income (loss)	\$ 72.2	\$ 125.5	\$ (2.9)	\$ (122.6)	\$ 72.2
Comprehensive income (loss)	\$ 64.6	\$ 118.6	\$ (9.9)	\$ (108.7)	\$ 64.6

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
Goodwill, net	--	0.5	12.2	--	12.7
Other assets, net	43.2	2.0	13.1	--	58.3
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 Balance Sheets

At December 31, 2012

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 84.9	\$ 430.5	\$ 20.3	\$ --	\$ 535.7
Accounts and notes receivable, net	381.0	69.6	1.9	--	452.5
Inventories	804.8	62.7	40.8	--	908.3
Other current assets	74.8	4.2	6.4	--	85.4
Intercompany receivables	--	146.9	--	(146.9)	--
Intercompany notes receivable	--	1,354.5	--	(1,354.5)	--
Total current assets	1,345.5	2,068.4	69.4	(1,501.4)	1,981.9
Property, plant and equipment, net	218.5	6.3	14.2	--	239.0
Goodwill, net	--	0.5	36.1	--	36.6
Other assets, net	30.7	0.1	10.8	--	41.6
Investment in subsidiaries	2,041.0	77.8	--	(2,118.8)	--
Total assets	\$ 3,635.7	\$ 2,153.1	\$ 130.5	\$ (3,620.2)	\$ 2,299.1
Liabilities and Stockholders' Equity					
Current liabilities:					
Current maturities of long-term debt	\$ 278.7	\$ --	\$ --	\$ --	\$ 278.7
Accounts payable	373.0	36.5	26.1	--	435.6
Accrued expenses and other current liabilities	217.6	36.4	9.9	--	263.9
Intercompany payables	141.7	--	5.2	(146.9)	--
Intercompany notes payable	1,354.5	--	--	(1,354.5)	--
Total current liabilities	2,365.5	72.9	41.2	(1,501.4)	978.2
Long-term debt, excluding current maturities	499.0	--	--	--	499.0
Other non-current liabilities	172.5	50.5	0.2	--	223.2
Total liabilities	3,037.0	123.4	41.4	(1,501.4)	1,700.4
Stockholders' equity	598.7	2,029.7	89.1	(2,118.8)	598.7
Total liabilities and stockholders' equity	\$ 3,635.7	\$ 2,153.1	\$ 130.5	\$ (3,620.2)	\$ 2,299.1

Condensed Consolidating Statements of Cash Flows

For the Year Ended December 31, 2013

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	\$ (142.9)	\$ 176.6	\$ 3.8	\$ (1.7)	\$ 35.8
Cash flows from investing activities:					
Additions to property, plant and equipment	(40.2)	--	(2.1)	--	(42.3)
Proceeds from sale of property, plant and equipment	6.5	--	--	--	6.5
Changes in restricted cash	(39.5)	--	--	--	(39.5)
Other investing activities	(2.9)	(2.9)	(2.9)	5.8	(2.9)
Return of capital from subsidiary	6.0	6.0	--	(12.0)	--
Net cash (used in) provided by investing activities	(70.1)	3.1	(5.0)	(6.2)	(78.2)
Cash flows from financing activities:					
Net proceeds from issuance of long-term debt	289.2	--	--	--	289.2
Payments of debt issuance costs	(32.5)	--	--	--	(32.5)
Principal amount of long-term debt repayments	(461.9)	--	--	--	(461.9)
Payments of dividends	--	--	(1.7)	1.7	--
Changes in cash overdrafts	(108.3)	--	--	--	(108.3)
Payment of capital distribution	--	(6.0)	(6.0)	12.0	--
Capital contribution	--	2.9	2.9	(5.8)	--
Change in intercompany receivable/payable	479.5	(485.9)	6.4	--	0.0
Net cash provided by (used in) financing activities	166.0	(489.0)	1.6	7.9	(313.5)
Net (decrease) increase in cash and cash equivalents	(47.0)	(309.3)	0.4	--	(355.9)
Cash and cash equivalents, beginning of period	84.9	430.5	20.3	--	535.7
Cash and cash equivalents, end of period	\$ 37.9	\$ 121.2	\$ 20.7	\$ --	\$ 179.8

Condensed Consolidating Statements of Cash Flows

For the Year Ended December 31, 2012

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	\$ (65.9)	\$ 27.9	\$ (2.9)	\$ (2.1)	\$ (43.0)
Cash flows from investing activities:					
Additions to property, plant and equipment	(58.7)	(1.4)	(7.7)	--	(67.8)
Changes in restricted cash	(26.5)	--	--	--	(26.5)
Other investing activities	0.1	--	--	--	0.1
Net cash used in investing activities	(85.1)	(1.4)	(7.7)	--	(94.2)
Cash flows from financing activities:					
Net proceeds from issuance of long-term debt	175.0	--	--	--	175.0
Payments of debt issuance costs	(7.3)	--	--	--	(7.3)
Principal amount of long-term debt repayments	(88.1)	--	--	--	(88.1)
Payments of dividends	(24.9)	--	(2.1)	2.1	(24.9)
Changes in cash overdrafts	26.5	--	--	--	26.5
Change in intercompany receivable/payable	0.1	(0.9)	0.8	--	--
Net cash provided by (used in) financing activities	81.3	(0.9)	(1.3)	2.1	81.2
Net (decrease) increase in cash and cash equivalents	(69.7)	25.6	(11.9)	--	(56.0)
Cash and cash equivalents, beginning of period	154.6	404.9	32.2	--	591.7
Cash and cash equivalents, end of period	\$ 84.9	\$ 430.5	\$ 20.3	\$ --	\$ 535.7

Condensed Consolidating Statements of Cash Flows

For the Year Ended December 31, 2011

(In millions)	RadioShack Corporation (Parent Co.)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 95.2	\$ 134.0	\$ (9.8)	\$ (1.5)	\$ 217.9
Cash flows from investing activities:					
Additions to property, plant and equipment	(64.2)	(14.8)	(3.1)	--	(82.1)
Other investing activities	2.0	--	--	--	2.0
Net cash used in investing activities	(62.2)	(14.8)	(3.1)	--	(80.1)
Cash flows from financing activities:					
Net proceeds from issuance of long-term debt	322.5	--	--	--	322.5
Payments of debt issuance costs	(7.1)	--	--	--	(7.1)
Principal amount of long-term debt repayments	(306.8)	--	--	--	(306.8)
Payments of dividends	(49.6)	--	(1.5)	1.5	(49.6)
Changes in cash overdrafts	32.8	--	--	--	32.8
Purchases of treasury stock	(113.3)	--	--	--	(113.3)
Proceeds from exercise of stock options	6.0	--	--	--	6.0
Change in intercompany receivable/payable	127.4	(141.7)	14.3	--	0.0
Net cash provided by (used in) financing activities	11.9	(141.7)	12.8	1.5	(115.5)
Net increase (decrease) in cash and cash equivalents	44.9	(22.5)	(0.1)	--	22.3
Cash and cash equivalents, beginning of period	109.7	427.4	32.3	--	569.4
Cash and cash equivalents, end of period	\$ 154.6	\$ 404.9	\$ 32.2	\$ --	\$ 591.7

RADIOSHACK CORPORATION

INDEX TO EXHIBITS

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Exhibit Number	Description
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 Master Terms and Conditions for Warrants Issued by RadioShack Corporation, dated August 12, 2008, between Citibank, N.A. and RadioShack Corporation (filed as Exhibit 10.5 to RadioShack's Form 8-K filed on August 18, 2008, and incorporated herein by reference).
- 4.2 Master Terms and Conditions for Warrants Issued by

RadioShack Corporation, dated August 12, 2008, between Bank of America, N.A. and RadioShack Corporation (filed as Exhibit 10.6 to RadioShack's Form 8-K filed on August 18, 2008, and incorporated herein by reference).

4.3 Confirmation for Warrants, dated August 12, 2008, between Citibank, N.A. and RadioShack Corporation (filed as Exhibit 10.7 to RadioShack's Form 8-K filed on August 18, 2008, and incorporated herein by reference).

4.4 Confirmation for Warrants, dated August 12, 2008, between Bank of America, N.A. and RadioShack Corporation (filed as Exhibit 10.8 to RadioShack's Form 8-K filed on August 18, 2008, and

- incorporated herein by reference).
- 4.5 Indenture, dated as of May 3, 2011, by and among RadioShack Corporation, the Guarantors named therein, and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.1 to RadioShack's Form 8-K filed on May 4, 2011, and incorporated herein by reference).
- 4.6 Form of Senior Notes due 2019 (included in Exhibit 4.1 to RadioShack's Form 8-K filed on May 4, 2011, and incorporated by reference).
- 10.1 Amended and Restated Lease, dated as of June 25, 2008, between Tarrant County College District as Landlord, and RadioShack Corporation, as Tenant (filed as Exhibit 10.2 to

RadioShack's
Form 8-K filed
on June 25,
2008, and
incorporated
herein by
reference).

10.2 First
Amendment to
Lease,
effective as of
March 11,
2010, by and
between
Tarrant
County
College
District as
Landlord, and
RadioShack
Corporation as
Tenant (filed
as Exhibit 10.1
to
RadioShack's
Form 8-K filed
on March 18,
2010, and
incorporated
herein by
reference).

10.3 Second
Amendment to
Lease, dated
for all
purposes as of
July 12, 2010,
by and
between
Tarrant
County
College
District as
Landlord, and
RadioShack
Corporation as
Tenant (filed
as Exhibit 10.1
to
RadioShack's
Form 8-K filed

on July 12,
2010, and
incorporated
herein by
reference).

10.4 (2) Second
Amended and
Restated
RadioShack
Corporation
Officers
Deferred
Compensation
Plan, effective
as of
December 31,
2008 (filed as
Exhibit 10.54
to
RadioShack's
Form 10-K
filed on
February 24,
2009, and
incorporated
herein by
reference).

- 10.5 (2) Second Amended and Restated Salary Continuation Plan for Executive Employees of RadioShack Corporation and Subsidiaries, effective as of December 31, 2008 (filed as Exhibit 10.53 to RadioShack's Form 10-K filed on February 24, 2009, and incorporated herein by reference).
- 10.6 (2) Form of September 30, 1997 Deferred Compensation Agreement (filed as Exhibit 10aa to RadioShack's (1) Form 10-Q filed on May 13, 1998, and incorporated herein by reference).
- 10.7 (2) Amended and Restated RadioShack Corporation 1999 Incentive Stock Plan (filed as Exhibit 10.2 to RadioShack's Form 8-K filed on May 24, 2005, and incorporated herein by reference).
- 10.8 (2) Second Amended and

Restated
RadioShack
Corporation
Unfunded
Deferred
Compensation
Plan for
Directors,
effective as of
December 31,
2008 (filed as
Exhibit 10.57 to
RadioShack's
Form 10-K filed
on February 24,
2009, and
incorporated
herein by
reference).

10.9 (2) Amended and
Restated
RadioShack
Corporation
2001 Incentive
Stock Plan (filed
as Exhibit 10.3
to RadioShack's
Form 8-K filed
on May 24,
2005, and
incorporated
herein by
reference).

10.10 (2) Third Amended
and Restated
RadioShack
2004 Deferred
Stock Unit Plan
for
Non-Employee
Directors,
effective as of
December 31,
2008 (filed as
Exhibit 10.58 to
RadioShack's
Form 10-K filed
on February 24,
2009, and
incorporated
herein by

- reference).
- 10.11 (2) Form of Notice of Grant of Deferred Stock Units and Deferred Stock Unit Agreement under the RadioShack 2004 Deferred Stock Unit Plan for Non-Employee Directors (filed as Exhibit 10.2 to RadioShack's Form 8-K filed on June 6, 2005, and incorporated herein by reference).
- 10.12 (2) Form of Incentive Stock Plan(s) Stock Option Agreement for Officers (filed as Exhibit 10(a) to RadioShack's Form 10-Q filed on November 5, 2004, and incorporated herein by reference).
- 10.13 (2) Form of Indemnification Agreement (filed as Exhibit 10.1 to RadioShack's Form 8-K filed on June 6, 2005, and incorporated herein by reference).
- 10.14 (2) Form of RadioShack Corporation

Officer's
Supplemental
Executive
Retirement Plan
Agreement
(filed as Exhibit
10.53 to
RadioShack's
Form 10-K filed
on March 15,
2006, and
incorporated
herein by
reference).

10.15 (2) Form of
RadioShack
Corporation
Officer's
Supplemental
Executive
Retirement Plan
Agreement for
Existing
Participants in
the Salary
Continuation
Plan (filed as
Exhibit 10.54 to
RadioShack's
Form 10-K filed
on March 15,
2006, and
incorporated
herein by
reference).

10.16 (2) Second
Amended and
Restated
RadioShack
Corporation
Officer's
Supplemental
Executive
Retirement Plan,
effective as of
December 31,
2010 (filed as
Exhibit 10.43 to
RadioShack's
Form 10-K filed
on February 22,

- 2011, and incorporated herein by reference).
- 10.17 (2) Third Amended and Restated RadioShack Corporation Officers' Severance Program, effective December 31, 2011 (filed as Exhibit 10.40 to RadioShack's Form 10-K filed on February 21, 2012, and incorporated herein by reference).
- 10.18 (2) RadioShack Corporation 2007 Restricted Stock Plan (included as Appendix A to RadioShack's Proxy Statement filed on April 12, 2007, and incorporated herein by reference).
- 10.19 (2) Form of Restricted Stock Agreement under the RadioShack Corporation 2007 Restricted Stock Plan (filed as Exhibit 10.2 to RadioShack's Form 8-K filed on May 18, 2007, and incorporated herein by reference).

- 10.20 (2) Third Amended and Restated RadioShack Corporation Termination Protection Plan (Level I), effective as of December 31, 2010 (filed as Exhibit 10.64 to RadioShack's Form 10-K filed on February 22, 2011, and incorporated herein by reference).
- 10.21 (2) First Amended and Restated 2009 RadioShack Corporation Annual & Long-Term Incentive Compensation Plan, effective as of November 3, 2011 (filed as Exhibit 10.58 to RadioShack's Form 10-K filed on February 21, 2012, and incorporated herein by reference).
- 10.22 (2) First Amended and Restated RadioShack Corporation 2009 Incentive Stock Plan, effective as of November 3, 2011 (filed as Exhibit 10.60 to RadioShack's Form 10-K filed on February 21,

2012, and
incorporated
herein by
reference).

10.23 (2) Form of Stock
Option
Agreement
under the
RadioShack
Corporation
2009 Incentive
Stock Plan (filed
as Exhibit 10.3
to RadioShack's
Form 10-Q filed
on July 27,
2009, and
incorporated
herein by
reference).

- 10.24 (2) Form of Restricted Stock Agreement under the RadioShack Corporation 2009 Incentive Stock Plan (filed as Exhibit 10.59 to RadioShack's Form 10-K filed on February 22, 2010, and incorporated herein by reference).
- 10.25 (2) Form of Restricted Stock Unit Agreement under the RadioShack Corporation 2009 Incentive Stock Plan (filed as Exhibit 10.60 to RadioShack's Form 10-K filed on February 22, 2010, and incorporated herein by reference).
- 10.26 (2) RadioShack Corporation 2011 Executive Deferred Compensation Plan, effective as of December 1, 2010 (filed as Exhibit 10.70 to RadioShack's Form 10-K filed on February 22, 2011, and incorporated herein by reference).
- 10.27 Amended and Restated Joint Venture Agreement, dated January 31, 2013, among RadioShack Global Sourcing (Hong Kong) Ltd., First Honest Enterprises Limited and Perfect Legend Development Limited (filed as Exhibit 99.1 to RadioShack's Form 8-K filed on February 1, 2013, and incorporated herein by reference).
- 10.28 (2) Employment Offer Letter to Joseph C. Magnacca, dated February 7, 2013 (filed as Exhibit 99.2 to RadioShack's Form 8-K filed on February 8,

- 2013, and incorporated herein by reference).
- 10.29 Credit Agreement, dated December 10, 2013, among RadioShack, certain subsidiaries of RadioShack that are designated as credit parties, the lenders party thereto and General Electric Capital Corporation, as agent for the lenders (filed as Exhibit 10.1 to RadioShack's Form 8-K filed on December 12, 2013, and incorporated herein by reference).
- 10.30 Guaranty and Security Agreement, dated December 10, 2013, among the Company, the guarantors and General Electric Capital Corporation, as agent for the lenders and certain other secured parties (filed as Exhibit 10.2 to RadioShack's Form 8-K filed on December 12, 2013, and incorporated herein by reference).
- 10.31 Credit Agreement, dated December 10, 2013, among RadioShack, certain subsidiaries of RadioShack that are designated as credit parties, the lenders party thereto and Salus Capital Partners, as agent for the lenders (filed as Exhibit 10.3 to RadioShack's Form 8-K filed on December 12, 2013, and incorporated herein by reference).
- 10.32 Guaranty and Security Agreement, dated December 10, 2013, among the Company, the

guarantors and Salus Capital Partners, LLC, as agent for the lenders and certain other secured parties (filed as Exhibit 10.4 to RadioShack's Form 8-K filed on December 12, 2013, and incorporated herein by reference).

- 21 (3) RadioShack Significant Subsidiaries.
- 23 (4) Consent of PricewaterhouseCoopers LLP.
- 31(a) (4) Rule 13a-14(a) Certification of the Chief Executive Officer of RadioShack Corporation.
- 31(b) (4) Rule 13a-14(a) Certification of the Chief Financial Officer of RadioShack Corporation.
- 32 (4) Section 1350 Certifications.(5)
- 101.INS XBRL Instance Document (2)(6)
- 101.SCH XBRL Taxonomy Extension Schema Document (2)(6)
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document (2)(6)
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document (2)(6)
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document (2)(6)
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document (2)(6)

- (1) RadioShack Corporation was known as Tandy Corporation until May 18, 2000.
- (2) Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.
- (3) Filed with the Original Form 10-K.
- (4) Filed with this report.
- (5) These certifications shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. These certifications 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
them by
reference.

(6) 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.