

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re:

GENERAL WIRELESS OPERATIONS INC.
DBA RADIOSHACK et al.,¹

Debtors.

Chapter 11

Case No. 17-[•] (___)

Joint Administration Requested

**DECLARATION OF DENE ROGERS
IN SUPPORT OF FIRST DAY PLEADINGS**

Dene Rogers, being first duly sworn, deposes and states as follows:

1. I am the Chief Executive Officer and President of General Wireless Operations Inc. ("GWO"), which is the operating company among each of the other above-captioned debtors and debtors in possession (collectively, the "Debtors") and have held that position since April, 2016. In my role as President, I have become familiar with the Debtors' history, day-to-day operations, business and financial affairs, and books and records, as well as the Debtors' restructuring efforts. I support this Declaration in support of the Debtors' requests for relief to be heard at the "first day hearing" in these cases.

2. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition with this Court for relief under chapter 11 of the Bankruptcy Code.

3. To minimize the adverse effects of filing for chapter 11 protection while at the same time maximizing value for the benefit of stakeholders, the Debtors have filed a number of pleadings requesting various kinds of "first day" relief (collectively, the "First Day Pleadings")

¹ The Debtors in these chapter 11 cases and the last four digits of each Debtor's U.S. tax identification number are as follows: General Wireless Operations Inc. dba RadioShack (8040); General Wireless Holdings Inc. (4262); General Wireless Inc. (9245); General Wireless Customer Service Inc. (5813). The notice address for all of the Debtors is: 300 RadioShack Circle, Fort Worth, TX 76102-1964.

concurrently with the filing of this declaration (this "Declaration"). I am familiar with the contents of each First Day Pleading (including the exhibits and other attachments to such motions) and, to the best of my knowledge, after reasonable inquiry, believe the relief sought in each First Day Pleading: (a) is necessary to enable the Debtors to operate in chapter 11 with minimal disruption; (b) is critical to the Debtors' efforts to preserve value and maximize recoveries; and (c) best serves the Debtors' estates and creditors' interests. Further, it is my belief that the relief sought in the First Day Pleadings is narrowly tailored and necessary to achieve the goals of these chapter 11 cases.

4. I submit this Declaration in support of the four Debtors' petitions for relief under chapter 11 of the Bankruptcy Code and the First Day Pleadings. Except as otherwise indicated, all statements set forth in this Declaration are based upon: (a) my personal knowledge; (b) information supplied to me by other members of the Debtors' management or the Debtors' professionals that I believe in good faith to be reliable; (c) my review of relevant documents; or (d) my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If called upon to testify, I could and would testify to the facts set forth in this Declaration. I am authorized by the Debtors to submit this Declaration.

5. Part I of this Declaration provides an overview of the Debtors' background, corporate structure and business, the circumstances surrounding the commencement of these chapter 11 cases, and the Debtors' prepetition indebtedness. Part II sets forth relevant facts in support of certain key motions and the First Day Pleadings.

I. BACKGROUND

A. RadioShack Legacy Chapter 11 Cases

6. The Debtors were formed to purchase and operate certain assets of RS Legacy Corporation d/b/a RadioShack Corporation ("RS Legacy") and certain of its affiliates in Case

Nos. 15-10197 (BLS) *et seq.* (the “Prior Chapter 11 Cases”). Those purchases were authorized by this Court in two orders in the Prior Chapter 11 Cases. *See* Docket Nos. 1672 (April 1, 2015) and 2333 (June 4, 2015).

7. Tracing back to companies founded in 1919 and 1921, over the course of the twentieth century RadioShack was on the vanguard of the personal electronics, computer, and mobile phone industries. I understand that beginning in 2011, however, RS Legacy’s revenues steadily declined as a result of increasing competition in the consumer electronics industry and saturation in the postpaid mobility market, and that by 2014, RS Legacy was losing in excess of \$200 million per year in the mobility business. To address these challenges, RS Legacy pursued various strategic options including attempts to close a significant number of stores and raising capital to invest in a turnaround of the business. Unfortunately, RS Legacy management was not able to turnaround the business quickly enough to maintain the company as a going concern. As a result, RS Legacy and its affiliates commenced the Prior Chapter 11 Cases on February 5, 2015.

8. The RS Legacy Chapter 11 cases accomplished three main objectives:

(a) First, approximately 2,400 underperforming stores were closed and liquidated.

(b) Second, the going concern business was sold through an asset sale (the “General Wireless Sale”) to General Wireless Inc. (“General Wireless”), an affiliate of General Retail Holdings LP (“GRH”), incorporated in Delaware on January 28, 2015. The General Wireless Sale transferred ownership of the following assets: (i) 1,733 stores throughout the United States, Puerto Rico, and the U.S. Virgin Islands; (ii) the inventory, fixtures, and equipment in those stores; and (iii) ownership of certain intellectual property, including the

ability to use the RadioShack name in the U.S. and certain foreign markets; while also preserving 7,000 jobs and delivering more than \$200 million of value to the RS Legacy estate. The Court approved the General Wireless Sale on April 1, 2015 and June 4, 2015, respectively (Case No. 15-10197, D.I. 1672 and 2333).

(c) Third, the General Wireless Sale included a critical agreement with Sprint Solutions, Inc. ("Sprint Solutions" and, generally with certain affiliates, "Sprint") to establish co-branded stores for the sale of Sprint mobile devices, including mobile handsets, tablets, and mobile broadband devices. Under the terms of the agreement, Sprint would operate Sprint stores within the RadioShack stores known as "Sprint Team at RadioShack" or "STAR." In exchange for the exclusive use of prime RadioShack floor space, Sprint agreed to pay approximately a third of the rent, to split profits with RadioShack from the sale of wireless accessories, and to pay RadioShack commissions on phones sold in RadioShack stores.

9. The parties projected that the arrangement between the Debtors and Sprint would convert the RadioShack mobility business from a financial burden into a profit center for General Wireless. The rent payments ramped up as stores opened, and commission payments were to begin as soon as Sprint generated \$60 million of sales commissions in RS Legacy stores. In other words, Sprint was entitled to keep the first \$60 million of commissions for itself, but thereafter would be required to pay them to RadioShack. This \$60 million threshold amount was expected to be satisfied approximately twelve (12) months after the Effective Date.

10. The Debtors' relationship with Sprint is discussed in further detail in section D below.

B. **Corporate Structure**

11. General Wireless is the parent company for the Debtors and the non-debtor affiliates, and the Debtors' primary operating entity is GWO. A chart depicting the corporate organizational structure of the Debtors is attached hereto as Exhibit A.

C. **The Debtors' Business**

12. *United States Stores.* GWO currently operates more than 1,500 stores under the RadioShack brand in the United States, Puerto Rico, and the U.S. Virgin Islands. These stores, located primarily in strip centers and individual storefronts, carry both name brand and private label consumer electronics and mobility products. Consumer electronics products include: headphones, speakers, cables, batteries and power products, technical products, remote controlled toys, and accessories. RadioShack stores are a fixture in their communities, with average store being in its location since 1982. Half of the stores transact business in Spanish, and serve the segment of the population that require consultative assistance with their growing electronics needs. The 1994 RadioShack slogan underscores the service RadioShack provides "You've Got Questions, We've Got Answers."

13. *Dealer Outlets.* In addition to the company-operated stores, the Debtors have a network of approximately 425 dealer outlets in the United States and one international franchisee. The dealers are primarily in small towns in America, the electronics hub on "Main Street." The Debtors sells both name brand and private brand consumer electronics products and services to these dealers and its franchisee under a wholesale dealer and franchise arrangements.

14. *Radioshack.com.* In addition to its stores and dealer outlets, GWO sells products and provides information to its customers through its retail website, <http://www.radioshack.com> ("radioshack.com"). Customers can purchase, return, and exchange certain products through [radioshack.com](http://www.radioshack.com). The Debtors operate a distribution center located in Fort Worth, Texas, which

ships products to retail locations and dealer outlets. This distribution center also is used to fulfill radioshack.com orders and to distribute fixtures to U.S. stores.

15. *Employees.* As of the Petition Date, GWO has approximately 5,900 full and part-time hourly and salaried employees in the United States, Puerto Rico, and the U.S. Virgin Islands. These employees are not subject to collective bargaining agreements.

16. *Leases.* The Debtors' headquarters and retail locations are leased. The aggregate monthly rent under these leases (the "Leases") is approximately \$4 million. As of the Petition Date, the outstanding obligations under the Leases is approximately \$10,216,504 million.

D. **Relationship with Sprint**

17. At the time that GWO purchased assets from the RS Legacy, it entered into a series of agreements with Sprint. Those agreements included the following:

(a) Alliance Agreement. The Amended and Restated Master Strategic Retail Alliance Agreement by and between GWO and Sprint Solutions, Inc. dated as of April 1, 2015 (as amended, the "Alliance Agreement") is a summary of the overall business relationship between the Debtors and Sprint and, in particular, documents that Sprint will have the right to be the exclusive mobility provider in the GWO stores and that GWO and Sprint will operate more than one thousand co-branded stores.

(b) Buyer Primary Sublease Agreement. The Multiple Site Sublease Agreement by and among GWO and various Sprint entities dated April 1, 2015 (the "Buyer Primary Sublease Agreement") provides that GWO, as tenant, will sublease a certain area within each of the affected Premises (as such term is defined in the agreement) to allow Sprint to operate a "store within a store." The Buyer Primary Sublease Agreement contains various standards to assure the joint retail success of the operations at each of the Premises.

(c) Sprint Primary Sublease Agreement. The Multiple Site Sublease Agreement by and among various Sprint entities and GWO dated April 1, 2015 (the “Sprint Primary Sublease Agreement”) provided that each Sprint entity, as tenant, will sublease area within each of the affected Premises (as such term is defined in the agreement) to allow GWO to operate a “store within a store.” The Sprint Primary Sublease Agreement contains various standards to assure the joint retail success of the operations at each of the Premises.

(d) Other Agreements. The Alliance Agreement also references the existence of and provides for the parties to enter into other “Related Agreements” including “the Investor Rights Agreement, the MSA Amendment, the Pre-Paid Distribution Agreement, as amended and the Operations, Management and Staffing Agreement.” These agreements address issues including investor rights, retail sales and commissions thereon, and personnel sharing and compensation.

(e) Sprint Settlement Agreement and Release. Following the events described in Section E below, there were extensive negotiations between Debtors and Sprint after which the Debtors determined that an orderly termination of their business relationship with Sprint was warranted. Thus, on March 5, 2017, the Debtors and Sprint entered into a Mutual Settlement and Release, Operations Wind Down, and Bankruptcy Cooperation Agreement (the “Sprint Settlement Agreement”).

Pursuant to the Settlement Agreement, among other things, on March 6, 2017, Sprint paid to the Debtors a \$12 million wind down payment, and in exchange, the Debtors (i) transferred and assigned to Sprint the leases for 115 stores that were subleased in the Buyer Primary Sublease Agreement, and FF&E for those 115 stores and an additional 245 stores for which Sprint is the primary tenant, (ii) returned the Sprint inventory in the STAR Assist Program

locations, and (iii) provided certain information related to sales performance in the stores relating to the Sprint Primary Sublease Agreement.

The Settlement Agreement provides for an additional \$5 million (the “Holdback”) to be paid by Sprint to the Debtors upon the expiration of an Investigation Period (more specifically described in the Settlement Agreement), and certain mutual releases, subject to Court approval. Equally important, the Settlement Agreement provides a detailed framework for the parties’ respective exits from their subleased locations. The Debtors will be filing shortly a Motion for approval of that settlement agreement.

E. **Events Leading to Current Chapter 11 Filing**

18. At the outset of the GWO relationship with Sprint in early 2015, GWO had significant negative annual cash flow. The Debtors’ business plan called for material operating improvements, combined with economies and incremental revenues arising out of the Sprint relationship, to assure its long-term viability.

19. GWO’s operating results showed considerable improvements through the end of 2016. Among other things, GWO increased the selling margins by more than 1,500 bps by focusing on private brands; reduced its operating costs by 23%; successfully restructured its supply chain to remove significant expenses; reduced store count to eliminate over two hundred underperforming stores; relaunched its e-commerce platform; and re-invigorated its 425 store Dealer operations. Additionally, GWO pursued a number of innovative marketing partnerships with businesses including Fedex, Amazon, Comcast, and Hulu, and increased its national emphasis on supply and support of STEM (science, technology, engineering and math) educational initiatives, even winning national awards for new innovative products including a

“Do It Yourself” Drone. In sum, the core RadioShack retail business (i.e. excluding the Sprint mobility business) had turned a corner and become profitable.

20. While the retail business progressed, the Sprint relationship did not yield the benefits that the Debtors anticipated. The estimated cash commissions were originally projected to provide a significant cash flow for GWO, but due to decreased Sprint sales, the payout of these commissions was delayed. Had such payments been made in the manner and amounts projected by the Debtors, the funds received would have been sufficient to allow the Debtors to raise new capital, cover one-time legacy liabilities, service impending debt obligations, and restore the Debtors to financial stability.

21. Sprint mobility sales dropped off precipitously in the fourth quarter of 2016, following the U.S. presidential election, calling the original arrangement into question. It became apparent to the Debtors that not only would they not receive the originally projected cash commissions in 2016, but they likely would not receive commissions from Sprint, even at a substantially reduced amount until 2018. The Debtors’ many stakeholders, who were expecting a considerable cash influx from Sprint during the 2016 calendar year and beyond, lost faith that the Debtors would ever receive these commission payments, as contemplated by the Alliance Agreement and Related Documents.

22. Given these issues, Debtors’ management made numerous attempts to compel Sprint to make the payments beginning as early as March 2016 and continuing into early 2017, all of which were rebuked. Ultimately, in early 2017 management presented a new plan to Sprint in an attempt to restructure the Alliance Agreement and the Related Agreement to provide for a flat fee arrangement, but an agreement could not be reached.

23. As a result of the above-described events, the Debtors determined that they had insufficient capital to operate as a going concern outside of bankruptcy. As such, the Debtors have determined that it is in the best interests of the Debtors' estates and their creditors to file these chapter 11 cases, to permit the Debtors to conduct store closing sales and reject leases at locations that are underperforming, and pursue a sale or restructuring of its remaining assets.

F. **Prepetition Indebtedness**

24. First Lien Facility. In connection with the Debtors' acquisition of the RS Legacy assets, GWO and General Wireless Holdings Inc. ("Holdings") entered into that certain \$75,000,000 Credit Agreement dated as of July 2, 2015, among GWO, Holdings, Royal Bank of Canada, as Administrative Agent, Issuer and Collateral Agent ("RBC"), and GACP Finance Co., LLC, as Term Loan Agent ("Great American") (collectively, the "First Lien Lenders"), which agreement was thereafter amended by amendments dated August 5, 2015; February 2, 2016; and September 14, 2016 (as thereby amended, the "First Lien Agreement"). Under the term of the First Lien Agreement, certain First Lien Lenders have provided or committed to provide, among other things, revolving loans and term loans to GWO in amounts not to exceed \$50 million and \$30 million respectively.

25. Holdings is a guarantor of GWO's obligations pursuant to the Guaranty dated as of July 2, 2015, among GWO, Holdings, and RBC.

26. Loans made pursuant to the First Lien Agreement are secured by the Collateral Documents (as such term is defined in the First Lien Agreement), which documents include a security agreement granting the First Lien Lenders a security interest in substantially all of GWO and Holdings' personal property assets and leasehold mortgages against twelve (12) of GWO's retail leases. As of the date hereof, the outstanding aggregate principal amount of the First Lien

Agreement term loans, is approximately \$25.5 million, and there is no outstanding aggregate principal amount of the First Lien Agreement revolving loans, though there is approximately \$2.8 million fully collateralized letters of credit co-indemnity.

27. Second Lien Facility and Intercreditor and Subordination Agreement. Soon after its incorporation, GWO obtained financing pursuant to that certain Revolving Credit Agreement, dated as of April 1, 2015, by and among GWO, as borrower, Holdings and Standard General Master Fund L.P., as lender. That agreement was refinanced by that certain Second Lien Credit Agreement dated as of February 2, 2016. The facility was thereafter expanded pursuant to the Amended and Restated Second Lien Security Agreement dated as of May 6, 2016, among Holdings, GWO, Cortland Capital Market Services LLC (the "Second Lien Agent") and Prisma Capital Partners LP (collectively, the "Second Lien Lenders"), which agreement was amended by that Amendment No. 1 dated September 14, 2016 (as amended, the "Second Lien Agreement").

28. Under the terms of the Second Lien Agreement, certain of the Second Lien Lenders have provided or committed to provide, among other things, revolving loans and term loans to GWO in amounts not to exceed \$50 million and \$38.3 million respectively.

29. Holdings is a guarantor of GWO's obligations pursuant to the Amended and Restated Second Lien Guaranty dated as of May 6, 2016, among Holdings, and the Second Lien Agent.

30. Loans made pursuant to the Second Lien Agreement are secured by the Collateral Documents (as such term is defined in the Second Lien Agreement), which documents include a security agreement granting the Second Lien Lenders a security interest in substantially all of

GWO and Holdings personal property assets, and leasehold mortgages against twelve (12) of GWO's retail leases.

31. As of the date hereof, the outstanding aggregate principal amount of the Second Lien Agreement term loans is approximately \$39,747,117, and the outstanding aggregate principal amount of the Second Lien Agreement revolving loans is approximately \$55,402,104.

32. The rights of the Second Lien Lenders are subordinated to those of the First Lien Lenders according to the terms of the Amended and Restated Intercreditor and Subordination Agreement dated February 2, 2016, as amended by that certain Amendment No. 1 dated as of May 6, 2016, by and between the First Lien Agent, the Second Lien Agent, and Standard General Master Fund, LP (the "Intercreditor Agreement").

33. The IP Loan. At the time that GWO purchased assets from RS Legacy, GWO transferred certain intellectual property assets to a wholly-owned limited liability company, General Wireless IP Holdings LLC ("GW IP"), which is not a Debtor herein. GW IP licenses those assets to GWO pursuant to the Intellectual Property License Agreement (the "IP License") dated as of June 19, 2015, between GW IP and GWO. The IP License is a perpetual, royalty-free license. GW IP thereafter entered into the Loan Agreement (as amended by that Amendment to Loan Agreement dated as of April 29, 2016, the "IP Loan Agreement") dated as of June 19, 2015, between GW IP and Kensington Technology Holdings, LLC ("Kensington"). The IP Loan Agreement provides for a term loan of up to \$23 million, of which \$11.6 million of principal is payable in June 2017 and the balance is payable in June 2018.

34. Loans made pursuant to the IP Loan Agreement are secured by substantially all of GW IP's personal property assets pursuant to a Security Agreement dated June 19, 2015, between GW IP and Kensington. GWO has guaranteed GW IP's obligations pursuant to the

Guaranty dated as of June 19, 2015, in favor of Kensington, which Guaranty is secured by GWO's interest in GW IP, pursuant to a Pledge Agreement dated June 19, 2015.

35. As of the date hereof, the outstanding aggregate principal amount of the term loans payable to Kensington under the IP Loan Agreement is \$23 million.

36. Trade Debt. As of the date hereof, the Debtors' outstanding trade debt is approximately \$62,859,739, of which \$52,643,235 is payable to vendors and trade creditors, and \$10,216,504 is comprised of unpaid pre-petition rent.

II. FIRST DAY MOTIONS

37. Concurrently with the filing of these chapter 11 cases, the Debtors filed the First Day Pleadings requesting various forms of relief. The Debtors narrowly tailored the First Day Pleadings to enable the Debtors to meet their goals of (a) continuing their operations in chapter 11, with as little disruption as possible, (b) maintaining the confidence and support of their employees, vendors and service providers during the chapter 11 cases; (c) establishing procedures for the orderly closing and liquidation of certain of their stores; and (d) the separation of the operations between the Debtors and Sprint under the Alliance Agreement and the Related Documents in an expeditious and mutually agreed manner.

38. Given the importance of the relief sought in the First Day Pleadings to the Debtors' ability to preserve value as they pursue the liquidation of certain of their assets and their restructuring efforts, the Debtors are seeking an expedited hearing on the First Day Pleadings. The Debtors anticipate that the Court will conduct a hearing soon after the commencement of their chapter 11 cases (the "First Day Hearing") at which the Court will hear and consider certain

First Day Pleadings. Those First Day Pleadings that the Debtors anticipate will be heard at the First Day Hearing are described below.²

39. I have reviewed each of the First Day Pleadings filed contemporaneously herewith. To the best of my knowledge, I believe that the facts set forth in the First Day Pleadings are true and correct. If I were called upon to testify, I could and would, based on the foregoing, testify competently to the facts set forth in each of the First Day Pleadings.

40. Further, as a result of my personal knowledge, information supplied to me by other members of the Debtors' management, from my review of relevant documents, or upon my opinion based upon my experience, discussions with the Debtors' advisors and knowledge of the Debtors' operations and financial condition, I believe the relief sought in the First Day Pleadings is necessary for the Debtors to effectuate a smooth transition into chapter 11 bankruptcy, is necessary to avoid irreparable harm to their businesses and estates and will maximize value and recoveries for the benefit of the Debtors' creditors.

41. It is my further belief that, with respect to those First Day Pleadings requesting authority to pay discrete prepetition claims or continue selected prepetition programs (e.g., those First Day Pleadings seeking relief related to the Debtors' obligations to their employees, customers, taxing authorities, warehouseman and insurers), the relief requested is essential to the Debtors' operations and necessary to avoid immediate and irreparable harm to the Debtors, their estates, employees, creditors and other parties in interest. Specifically, the success of these cases depends in large part on the continuing operation of the Debtors' business in as normal course as possible. Impairment of the Company's operations at the early stages of these cases would

² Capitalized terms used below in the descriptions of the First Day Pleadings and not otherwise defined have the meanings given to them in the applicable First Day Pleadings.

imperil the Debtors' ability to carry out a successful sale process of certain of their assets and potentially damage the value of the Debtors' estates.

42. I respectfully request that all the relief requested in the First Day Pleadings, and such other further relief as may be just and proper, be granted.

A. Administrative Motions

43. The Debtors will file three "administrative" motions, which (i) request a First Day Hearing to consider the relief requested in each of the First Day Motions, (ii) seek to have the Debtors' bankruptcy cases jointly administered, and (iii) seek approval to retain Prime Clerk as claims and noticing agent.

B. Filing Consolidated Lists of Creditors and Related Relief

44. Given the affiliated nature of the debtors and the fact that they share a number of creditors in common, the Debtors will move for entry of an order authorizing them to file a single consolidated list of the Debtors' thirty largest unsecured creditors in these chapter 11 cases in lieu of filing separate lists of the twenty largest unsecured creditors for each of the Debtors. Such authority will facilitate the U.S. Trustee's review of creditors' claims and the appointment of a single creditors' committee in these cases. The Debtors will also seek a waiver of the requirement that each debtor file a list of creditors containing the name and address of each entity included or to be included on a debtor's schedules of liabilities as such information will be provided to the Debtors' claims and noticing agent. The Debtors will seek approval of the form and manner of notice of commencement of these chapter 11 cases and of the meeting of creditors to be held pursuant to section 341 of the Bankruptcy Code. Finally, the Debtors will seek to implement certain e-mail noticing procedures to reduce costs in connection with providing notice to the core service group in these cases.

C. Cash Collateral

45. In order to effectuate its goals in the Chapter 11, the Debtors need to use cash collateral for its operating expenses and working capital.

46. The Debtors will request the entry of an interim order authorizing them to use cash collateral in accordance with a mutually agreed upon budget between the Debtors and the secured creditors who have an interest in the cash collateral. As adequate protection, the Debtors' have agreed to grant their senior lien creditors a replacement lien and super-priority administrative expense claim.

D. Employee Wages and Benefits

47. As noted above, the Debtors currently have approximately 5,900 employees. The continued and uninterrupted support of the employees is essential to the Debtors' success. The employees perform a variety of critical functions in the Debtors' retail locations, distribution centers and corporate headquarters. The skills and experience of the employees, their relationships with key parties to the Debtors' business, such as customers and vendors, and their knowledge of the Debtors' products, infrastructure and business are essential to the preservation of the value of the Debtors' estates and, thus, the ability of the Debtors to maximize their value. Any interruptions in payment of prepetition employee-related obligations will impose hardship on the employees and is certain to jeopardize their continued performance during this critical time.

48. To minimize the personal hardship that employees will suffer if prepetition employee-related obligations are not paid when due, and to maintain the employee's morale during this critical time, it is important to pay and/or perform, as applicable, employee related obligations, including the following: (a) pay and honor owed wages, salaries, overtime pay, bonuses, sick pay, vacation pay and other accrued compensation; (b) reimburse certain

prepetition business expenses and prepetition travel expenses; (c) pay amounts deducted from employee paychecks on behalf of the employees for or with respect to, among other things, the Debtors' employee benefit programs, loan repayments and garnishments or amounts due third parties and on account of various federal, state or local income, FICA, Medicare, state disability, workers' compensation and other taxes to the appropriate parties; (d) pay prepetition contributions to, and benefits under, employee benefit plans, as described below and (e) pay all costs and expenses incident to the foregoing payments and contributions, including payroll-related taxes and related processing and administration costs.

E. Motions for Payment of Other Prepetition Claims

49. Customer Obligations. In the ordinary course of their business, the Debtors maintain numerous programs for the benefit of their respective customers, including: return and exchange policies, a gift card program, and warranties (collectively, the "Customer Programs"). Because the Debtors were in the midst of providing goods and services to their customers on the Petition Date, the Debtors have certain outstanding prepetition obligations to their customers under the Customer Programs which otherwise would be honored in the ordinary course of the Debtors' business (collectively the "Customer Obligations").

50. Given the critical nature of the Debtors' relationship with their customers and the importance of these relationships to the Debtors' business, the Debtors will seek the entry of an order authorizing them to treat all Customer Obligations, and the goods they represent, in the ordinary course of the Debtors' business in the same manner and on the same terms and conditions as such obligations were treated prior to the Petition Date.

51. Taxes. The Debtors, in the ordinary course of their business, incur various tax liabilities, including, among others, sales and use taxes, property taxes, franchise taxes, business

license fees, annual report taxes and other corporate fees and import taxes (collectively, the "Prepetition Taxes") owed to certain taxing authorities (the "Taxing Authorities").

52. The Debtors will seek the entry of an order allowing them to pay the Prepetition Taxes to the Taxing Authorities, including all Prepetition Taxes subsequently determined upon audit to be owed for periods prior to the Petition Date. The Debtors have ample business justification to pay the Prepetition Taxes because it is my understanding that: (a) most, if not all, of the Prepetition Taxes would be priority claims under the Bankruptcy Code that would be paid in full under a chapter 11 plan; (b) certain of the Prepetition Taxes may not constitute property of the Debtors' chapter 11 estates; (c) the Debtors are required to pay the Prepetition Taxes to maintain their good standing in the jurisdictions in which they do business; (d) a failure to pay certain of the Prepetition Taxes could give rise to liens on certain of the Debtors' real and personal property; and (e) the Debtors' directors and officers may face personal liability if certain of the Prepetition Taxes are not paid. Therefore, to prevent immediate and irreparable harm that would result from such disruptions and distractions, the Debtors seek authority to pay these claims on a first day basis.

53. Shipping and Processing Charges. In connection with the day-to-day operation of their business, the Debtors rely on third party shippers, haulers, common carriers, truckers and other transporters,, freight forwarders, and related shipping services (collectively, the "Freight Carriers") to coordinate transportation of their merchandise between and among vendors, the Debtors' warehouses, and, eventually, the Debtors' retail locations. The Debtors also rely on non-freight businesses such as Federal Express, United Parcel Service and the United States Postal Service (the "Shippers," and together with the Freight Carriers, the "Distribution Vendors") to handle individual items or packages for customers who purchase items from the

Debtors' website, and to return goods, merchandise and products from Debtors' customers. Additionally, certain products are stored in third-party warehouses prior to shipment. As a result, the warehouse owner (the "Warehouseman") and the Distribution Vendors have possession of certain of the Debtors' products in the ordinary course of business.

54. It is essential to the Debtors' business that they maintain a reliable and efficient supply of products for sale to customers through their retail operations. If the Debtors fail to pay the claims of the Distribution Vendors and Warehouseman (collectively, the "Distribution Vendors and Warehouseman Related Claims"), the Debtors believe that many of the Distribution Vendors or the Warehouseman may stop providing essential services to the Debtors. Delays in receiving products would cause major disruptions to the Debtors' operations, damaging the Debtors' business reputation and undermining the Debtors' ability to generate ongoing operating revenue. Even if suitable alternatives for warehouse and Distribution Vendors' services were available, the time necessary to identify these replacements and integrate them into the Debtors' operations likely would cause a significant disruption to the Debtors' retail operations.

55. As a result of the foregoing, the Debtors will seek entry of an order authorizing, but not requiring them to pay the undisputed amounts owed by the Debtors on account of outstanding Distribution Vendors and Warehouseman Related Claims, and to discharge the liens that the Distribution Vendors and Warehousemen may have on the Debtors' property. Since the amounts owed to Distribution Vendors and Warehousemen who have lien rights likely are far less than the value of any property securing their claims, such parties are likely fully secured creditors and the payment of their prepetition claims will give them no more than that to which they will likely be entitled to receive in the Debtors' bankruptcy cases.

56. Insurance, Including Workers' Compensation Insurance. In the ordinary course of their business, the Debtors maintains various insurance policies (the "Insurance Policies"). Maintenance of insurance coverage under the various Insurance Policies is essential to the operation of the Debtors' business and is required under the United States Trustee's Operating Guidelines for Chapter 11 Cases, the laws of the various states in which the Debtors operate and the Debtors' various financial agreements. In connection with the Insurance Policies, the Company utilizes the services of third party service providers, including brokers and claims' consultants. Certain third parties may be owed amounts as of the Petition Date. Failure to pay such amounts could result in loss of services, which would drastically impact the Debtors' ability to renew coverage and process claims.

57. The Debtors also maintain workers' compensation insurance in each of the states in which they do business and provide employees with workers' compensation coverage for claims arising in any jurisdiction from or related to their employment by the Debtors. Because the Debtors are required under the laws of most states to maintain workers' compensation coverage, with drastic remedies if the Debtors fail to comply with those laws, the Debtors are also seeking authorization to allow them to continue the workers' compensation programs in all applicable states. In connection therewith, the Debtors will request that the order authorize them to pay all prepetition premiums, fees and expenses arising under, or related to, the workers compensation programs.

58. In addition, the Debtors maintain insurance through premium finance agreements ("Premium Finance Agreements") for property and general liability policies. The Debtors obligations under the Premium Finance Agreements are secured by all sums due thereunder and any unearned premiums or other sums that may later become due. In connection therewith, the

Debtors will request that the order authorize, but not direct them, to pay the prepetition amounts under the Premium Finance Agreements.

59. Utilities. The Debtors utilize various utility services provided by numerous utility companies (collectively, the "Utility Companies"). Because the Utility Companies provide essential services to the Debtors and their retail operations, any interruption in utility services could prove devastating. In fact, the temporary or permanent discontinuation of utilities services at any of the Debtors' locations could irreparably disrupt business operations, and as a result, fundamentally undermine the Debtors' restructuring efforts.

60. The Debtors will propose procedures to protect the rights of Utility Companies, while protecting the Debtors' need for continuous and uninterrupted utility services. The Debtors further intend to pay all obligations owed to Utility Companies in a timely manner and believe that the Debtors have, or will continue to have, sufficient funds from operations and their proposed postpetition financing to satisfy such obligations.

F. Cash Management

61. The Debtors and Non-Debtor Affiliates (the "Company") utilize an integrated, centralized cash management system (the "Cash Management System") to collect, manage, invest and disburse funds throughout the Debtors. The Cash Management System involves approximately 88 integrated bank accounts. The Debtors maintain current and accurate accounting of all of the Company's transactions through the Cash Management System. The Cash Management System includes the necessary accounting controls to enable the Debtors, as well as creditors and the Court, to trace funds through the system and ensure that all transactions are adequately documented and readily ascertainable.

62. In connection with its Cash Management System and the Company's overall operations, the Company established various banking and business practices, including use of

numerous business forms and investment practices. These practices are tailored to the Company's day-to-day and longer-term needs and, as such, were specifically designed and implemented for the Company.

63. Finally, in the ordinary course of business, the Company conducts transactions among the Debtors and the Non-Debtor Affiliates. These transactions relate to, among other things, intercompany loans and intercompany services. The Company engages in these intercompany transactions for a variety of reasons, not the least of which include tax benefits and reduced costs. The Debtors will account for all of their post-petition intercompany transactions and are asking that such transactions be afforded administrative priority status to ensure that each individual Debtor will not, at the expense of its creditors, fund the operations of another entity.

G. Store Closing Motion

64. The Debtors operate approximately 1,500 retail locations, all on leased premises. The Debtors seek authority, but not the obligation, to close and liquidate the inventory and other assets of between 530 and substantially all of their stores (the "Store Closing Sales," each store, a "Closing Store" and, collectively, the "Closing Stores," and the location of each Closing Store, a "Closing Location"), including certain Sprint store-within-a-store ("SWAS") locations. The assets the Debtors seek to sell include the inventory and other assets attributable to the Closing Stores, including consignment inventory (the "Merchandise") as well as the associated furniture, fixtures and equipment (the "FF&E" and, together with the Merchandise, the "Store Closure Assets"). While the Debtors seek the authority to conduct Store Closing Sales at any or all of their stores, they continue to evaluate the performance of each of their stores, and may continue operations at a subset of higher performing stores.

65. The Debtors have identified and are continuing to identify those stores that are underperforming and have experienced low sales of inventory. The Debtors have divided their

stores into three tranches, with different projected closing dates for each tranche, based upon the sales performance and rent value for each store. More specifically, the Debtors identified three tranches of stores, comprised of: (a) 187 stores that the Debtors have been winding down pre-filing and intend to close by approximately March 13 (the “First Tranche Stores”), (b) an additional approximately 365 stores that they intend to close or transfer to Sprint by March 31 (the “Second Tranche Stores”), and (c) the remaining approximately 1,000 stores for which the Debtors will continue to evaluate options during these proceedings. The First Tranche Stores are stores with the lowest sales velocity and highest rent that the Debtors have determined would be dilutive to liquidation recoveries.

66. The Debtors conferred with prospective liquidating agents and assessed the costs associated with engaging a liquidating agent to conduct the Store Closing Sales. I understand that in the Prior Chapter 11 Cases, RS Legacy engaged independent consultants, Hilco Merchant Resources, LLC, Gordon Brothers Retail Partners, LLC and Tiger Capital Group, LLC (the “RS Legacy Consultant”), to supervise and assist RS Legacy in conducting store closing sales. Members of the Debtors’ management and personnel were among those at RS Legacy who oversaw the liquidation process in 2015, and were involved intimately in the store closing sales along with ordinary course store downsizing throughout the years. Based on their experience in the Prior Chapter 11 Cases and the lessons learned as a result of that process, as well as the Debtors’ own wind-down of the First Tranche Stores, the Debtors determined that it would be more cost-effective if they were to conduct the Store Closing Sales themselves, but retain a liquidation consultant to support them in that process as appropriate.

67. Accordingly, the Debtors have been in discussions with a number of nationally recognized liquidation companies in anticipation of entering into an agreement with a liquidation

consultant (the "Liquidation Consultant") to advise and assist the Debtors in the management and direction of the Store Closing Sales. These discussions have been focused on retaining a Liquidation Consultant that, in the Debtors' business judgment, will provide maximum added value to the Store Closing Sales for the benefit of all stakeholders. Further, the retention of the Liquidation Consultant is a requirement for the Debtors' continued use of cash collateral in these cases. The Debtors' anticipate entering into an agreement with the Liquidation Consultant within one (1) day of the entry of the Proposed Interim Cash Collateral Order.

68. The Debtors' personnel have first-hand knowledge of internal store processes and on-site assets, as well as access to internal analytics that allow them to set pricing strategies on a product-by-product basis – for example, maintaining prices on products that sell quickly and focusing heavier discounting on slower-moving products. The Debtors plan to use their field team of 180 market managers and regional and area directors to manage the Store Closing Sales. The Debtors' field team includes approximately 150 market managers who will be responsible for personally going to the stores, executing corporate directives, moving merchandise, ensuring that pricing and signage are correct, and taking actions to reduce shrink and increase recovery on-site.

69. In the weeks leading up to the Petition Date, the Debtors took initial steps in preparation for and to begin the Store Closing Sales. For example, approximately three weeks prior to the Petition Date, the Debtors began discounting merchandise in all of the stores without displaying external signage. During the week prior to the Petition Date, the Debtors posted signs in a manner consistent with the Sale Guidelines at the First Tranche Stores. Given the significant number of stores that are co-branded with Sprint, the Debtors' plan for implementation of the Store Closing Sales is designed to facilitate a smooth disentanglement of the Debtors' and

Sprint's respective operations. The Debtors intend to conduct their Store Closing Sales in accordance with those SWAS Sale Guidelines worked out with Sprint, which are attached to the Store Closing Sales Motion.

H. Scheduling Hearings on Shortened Notice

70. As previously discussed, the Debtors' success in these cases depends upon (a) reducing costs by closing and liquidating certain of the Debtors' stores, and (b) separation of the operations between the Debtors and Sprint under the Alliance Agreement and the Related Documents in expeditious and mutually agreed manner.

71. Accordingly, the Debtors are requesting that the Court hear the motion discussed herein on an expedited basis.

72. These expedited hearings are required for the orderly liquidation of certain of the Debtors' stores and to enable the Debtors to efficiently and expeditiously maximize the value of their assets.

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CONCLUSION

73. For all the reasons described herein and in the First Day Pleadings, I respectfully request that the Court grant the relief requested in each of the First Day Pleadings.

Dated: March 8, 2017

/s/ 
Dene Rogers

EXHIBIT A

RadioShack Organizational Chart

1 2016 ACTIVE

