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RadioShack Chief Resigns After Lying

By [FLOYD NORRIS](#)

David J. Edmondson resigned as the chief executive of [RadioShack](#) yesterday, only days after he told investors that he intended to stay on despite the revelation that he had lied to the company about his education by claiming two college degrees when he had none.

Leonard H. Roberts, the executive chairman of the company, who had chosen Mr. Edmondson to be his successor as chief executive, announced the departure, which he said was a mutual decision between the board and Mr. Edmondson.

"When our company's credibility becomes based on a single individual, it is time for a change," he told a news conference. "One of the most important things we have as a corporation is integrity and trust. We have to restore that back to the company."

He said the board made the final decision yesterday morning, though it came only after negotiations were completed that resulted in a severance payment for Mr. Edmondson of less than \$1 million in cash.

He said the payment was less than provided in Mr. Edmondson's contract, but conceded that any payment would be questioned by some. "The average employee just doesn't understand," he said. "The company needs protection in terms of noncompete, and his ability to solicit our employees."

He indicated that Mr. Edmondson had agreed to such terms, and had also agreed not to sue the company.

The company said Claire H. Babrowski, currently the chief operating officer, would become the president and acting chief executive while a search was conducted for a permanent successor as chief executive. Ms. Babrowski joined RadioShack last year after 30 years at the [McDonald's Corporation](#), in which she started as a crew member at age 16 and rose to become chief restaurant operations officer.

Mr. Edmondson, 46, had apologized to the company and investors on Friday both for "the embarrassment" that had been caused by the revelation that he had lied about his past, and for the company's poor financial results, which were announced that day. He announced a turnaround plan and said he looked forward to carrying it out over the next 18 to 36 months.

The turnaround plan involved closing as many as 700 of the company's 7,000 stores and hiring a management consultant to find ways to cut corporate overhead.

Yesterday, Mr. Edmondson released a statement saying, "The board and I have agreed that it is in the best interest of the company for new leadership to step forward." The statement made no reference to, and offered no apologies for, his previous misrepresentations.

In announcing the departure, Mr. Roberts seemed to call into question the accuracy of a statement issued by the board last Tuesday, the day The Fort Worth Star-Telegram, RadioShack's hometown newspaper, reported that the unaccredited bible college from which Mr. Edmondson claimed two degrees said he had not graduated. The paper also reported that the Baptist minister-turned-executive was facing a trial on his third arrest on charges of driving while intoxicated.

"The RadioShack Corporation board of directors is aware of the matters raised in the Fort Worth Star-Telegram article and has previously given due consideration to them," said the statement issued then. "The board of directors reaffirms its support for David Edmondson in fulfilling his role as chief executive officer."

But in the announcement yesterday, Mr. Roberts said the board knew "some, but definitely not all" of the issues that were raised last week.

"What we thought we knew then, we did not know," he said in a conference call with reporters. "In retrospect, I wish we had not made that statement."

He declined to specify which facts had not been known.

Mr. Edmondson, in an interview with The Star-Telegram on Feb. 10, had conceded he did not have two degrees, and that the degree he said he did have was not a bachelor's degree, as he had claimed in the résumé he gave RadioShack when he was hired in 1994. But he insisted he had one degree, a Th.G., a theology degree that the college, now known as the Heartland Baptist Bible College, awards after three years of study. The newspaper said the college said its records showed he had attended for two semesters, but did not graduate.

But last Wednesday, the company issued a statement from Mr. Edmondson admitting, "I clearly misstated my academic record and the responsibility for these misstatements is mine alone." The board then announced an investigation, which was canceled yesterday after he resigned.

"This situation is especially painful," Mr. Roberts said in the announcement, "because Dave is a talented and dedicated individual who has made many contributions to the company."

Mr. Roberts said the board stood behind the turnaround strategy developed by the departing chief executive but that Mr. Edmondson "recognized that major distractions for the company could negatively impact its efforts to implement" the strategy.

Mr. Roberts said full details of the severance agreement with Mr. Edmondson would be disclosed today. In addition to the cash, Mr. Edmondson had the terms of his stock options changed, although Mr. Roberts did not give details. He said those changes would result in a noncash charge to the company's earnings of less than \$1 million.

In the past, RadioShack has said that Ms. Babrowski holds a master's degree in business administration from the University of North Carolina, but the announcement yesterday

did not mention her educational background and her biography had been removed from the company's Web site, along with those of all other officers.

The biographies were replaced by a note stating: "We are currently updating and validating all of the biographical information for each of our senior executives. Please check back soon to receive this information."

Ms. Babrowski, 48, has said she earned the master's degree in the executive M.B.A. program in 1995 although she never completed work for her bachelor's degree. In the news conference, Mr. Roberts said her credentials had been carefully checked.

RadioShack's stock performed poorly in the time after Mr. Edmondson became president, in 2000, and since he added the title of chief executive last spring.

Last week, the stock fell 12 percent, to \$19.08, trading at a three-year low, in reaction to the poor performance and the disclosures regarding Mr. Edmondson.