

HHGREGG, INC.

FORM 10-Q (Quarterly Report)

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Address	4151 EAST 96TH STREET INDIANAPOLIS, IN 46240
Telephone	317-848-8710
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Industry	Retail (Specialty)
Sector	Services
Fiscal Year	03/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

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 001-33600



hhgregg, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

4151 East 96th Street
Indianapolis, IN
(Address of principal executive offices)

20-8819207
(I.R.S. Employer
Identification No.)

46240
(Zip Code)

(317) 848-8710
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) 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 whether 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. (check one):

Large accelerated filer Accelerated Filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The number of shares of hhgregg, Inc.'s common stock outstanding as of October 30, 2009 was 38,378,888.

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Part I: Financial Information

ITEM 1. Condensed Consolidated Financial Statements

HHGREGG, INC. AND SUBSIDIARIES Condensed Consolidated Statements of Income (Unaudited)

	Three Months Ended		Six Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	(In thousands, except share and per share data)			
Net sales	\$ 332,178	\$ 320,302	\$ 616,568	\$ 615,717
Cost of goods sold	229,858	221,791	429,573	426,752
Gross profit	102,320	98,511	186,995	188,965
Selling, general and administrative expenses	75,471	69,598	140,611	136,258
Net advertising expense	13,485	17,003	25,288	31,601
Depreciation and amortization expense	4,011	4,224	7,979	8,096
Income from operations	9,353	7,686	13,117	13,010
Other expense (income):				
Interest expense	1,337	1,997	2,655	3,801
Interest income	(8)	(3)	(14)	(7)
Total other expense	1,329	1,994	2,641	3,794
Income before income taxes	8,024	5,692	10,476	9,216
Income tax expense	3,077	2,294	4,060	3,714
Net income	<u>\$ 4,947</u>	<u>\$ 3,398</u>	<u>\$ 6,416</u>	<u>\$ 5,502</u>
Net income per share				
Basic	\$ 0.13	\$ 0.11	\$ 0.18	\$ 0.17
Diluted	\$ 0.13	\$ 0.10	\$ 0.18	\$ 0.17
Weighted average shares outstanding-Basic	36,922,496	32,358,081	34,881,955	32,329,706
Weighted average shares outstanding-Diluted	38,148,471	33,088,052	36,134,669	33,174,835

See accompanying notes to condensed consolidated financial statements.

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HHGREGG, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	<u>September 30, 2009</u>	<u>March 31, 2009</u>
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 91,774	\$ 21,496
Accounts receivable—trade, less allowances of \$242 and \$219, respectively	6,342	5,319
Accounts receivable—other, less allowances of \$0 and \$0, respectively	12,891	9,038
Merchandise inventories, net	172,938	141,610
Prepaid expenses and other current assets	6,917	4,247
Deferred income taxes	5,093	4,421
Total current assets	295,955	186,131
Net property and equipment	96,737	83,555
Deferred financing costs, net	3,853	2,624
Deferred income taxes	74,976	77,564
Other assets	587	501
Total long-term assets	176,153	164,244
Total assets	\$ 472,108	\$ 350,375
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 80,829	\$ 62,265
Current maturities of long-term debt	908	908
Customer deposits	17,047	15,234
Accrued liabilities	38,164	32,067
Total current liabilities	136,948	110,474
Long-term liabilities:		
Long-term debt, excluding current maturities	91,245	91,700
Other long-term liabilities	26,748	23,048
Total long-term liabilities	117,993	114,748
Total liabilities	254,941	225,222
Stockholders' equity:		
Preferred stock, par value \$.0001; 10,000,000 shares authorized; no shares issued and outstanding as of September 30, 2009 and March 31, 2009, respectively	—	—
Common stock, par value \$.0001; 150,000,000 shares authorized; 38,373,887 and 32,744,111 shares issued and outstanding as of September 30, 2009 and March 31, 2009, respectively	4	3
Additional paid-in capital	251,253	165,524
Accumulated other comprehensive loss	(917)	(747)
Accumulated deficit	(33,082)	(39,498)
Total stockholders' equity	217,258	125,282
Note receivable for common stock	(91)	(129)
Total liabilities and stockholders' equity	\$ 472,108	\$ 350,375

See accompanying notes to condensed consolidated financial statements.

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HHGREGG, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	September 30, 2009	September 30, 2008
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 6,416	\$ 5,502
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	7,979	8,096
Amortization of deferred financing costs	382	334
Stock-based compensation	1,828	1,318
Excess tax benefits from stock-based compensation	(2,358)	(159)
(Gain) loss on sales of property and equipment	(55)	64
Deferred income taxes	2,029	(420)
Changes in operating assets and liabilities:		
Accounts receivable—trade	(1,023)	(588)
Accounts receivable—other	(1,281)	4,709
Merchandise inventories	(31,328)	(20,169)
Prepaid expenses and other assets	(2,673)	1,476
Accounts payable	11,000	(14,874)
Customer deposits	1,813	94
Accrued liabilities	9,425	(2,733)
Other long-term liabilities	928	(2,481)
Net cash provided by (used in) operating activities	<u>3,082</u>	<u>(19,831)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(20,844)	(19,722)
Net proceeds from sale leaseback transactions	4,694	7,591
Deposit on future sale leaseback transactions applied	(1,802)	(878)
Proceeds from sales of property and equipment	34	49
Net cash used in investing activities	<u>(17,918)</u>	<u>(12,960)</u>
Cash flows from financing activities:		
Proceeds for issuance of common stock	82,913	—
Transaction costs for stock issuance	(4,764)	—
Proceeds from exercise of stock options	3,395	513
Excess tax benefits from stock-based compensation	2,358	159
Net increase in bank overdrafts	3,240	5,856
Net borrowings on line of credit	—	25,029
Payment on notes payable	(455)	—
Transaction costs for amending ABL Facility	(1,611)	—
Other, net	38	100
Net cash provided by financing activities	<u>85,114</u>	<u>31,657</u>
Net increase (decrease) in cash and cash equivalents	70,278	(1,134)
Cash and cash equivalents		
Beginning of period	21,496	1,869
End of period	<u>\$ 91,774</u>	<u>\$ 735</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 2,441	\$ 3,805
Income taxes paid	\$ 2,450	\$ 4,956

See accompanying notes to condensed consolidated financial statements.

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HHGREGG, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity and Comprehensive Income
Six Months Ended September 30, 2009
(in thousands)

	Preferred Stock	Common Stock	Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Note Receivable For Common Stock	Total Stockholders' Equity
Balance at March 31, 2009	\$ —	\$ 3	\$165,524	\$ (747)	\$ (39,498)	\$ (129)	\$ 125,153
Comprehensive income:							
Net income	—	—	—	—	6,416	—	6,416
Unrealized loss on hedge arrangement, net of tax expense of \$113	—	—	—	(170)	—	—	(170)
Total comprehensive income	—	—	—	(170)	6,416	—	6,246
Issuance of common stock	—	1	82,912	—	—	—	82,913
Transaction costs for stock issuance	—	—	(4,764)	—	—	—	(4,764)
Payments received on notes receivable for issuance of common stock	—	—	—	—	—	38	38
Exercise of stock options	—	—	3,395	—	—	—	3,395
Excess tax benefits from stock-based compensation	—	—	2,358	—	—	—	2,358
Stock-based compensation expense	—	—	1,828	—	—	—	1,828
Balance at September 30, 2009	<u>\$ —</u>	<u>\$ 4</u>	<u>\$251,253</u>	<u>\$ (917)</u>	<u>\$ (33,082)</u>	<u>\$ (91)</u>	<u>\$ 217,167</u>

See accompanying notes to condensed consolidated financial statements.

HHGREGG, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(1) Summary of Significant Accounting Policies

Description of Business

hhgregg, Inc. (the “Company” or “hhgregg”) is a specialty retailer of consumer electronics, home appliances and related products and services operating under the name hhgregg™. As of September 30, 2009, the Company had 118 stores located in Alabama, Florida, Georgia, Indiana, Kentucky, North Carolina, Ohio, South Carolina and Tennessee. The Company operates in one reportable segment.

Interim Financial Information

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). In the opinion of the Company’s management, these unaudited condensed consolidated financial statements reflect all necessary adjustments, which are of a normal recurring nature, for a fair presentation of such data. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such SEC rules and regulations. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of hhgregg, Inc. and the notes thereto for the fiscal year ended March 31, 2009, included in the Company’s Annual Report on Form 10-K filed with the SEC on June 2, 2009. The unaudited condensed consolidated results of operations and financial position for interim periods are not necessarily indicative of those to be expected for a full year. Further, the Company has made a number of estimates and assumptions relating to the assets and liabilities and the reporting of sales and expenses to prepare these unaudited condensed consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of hhgregg, Inc. and its wholly-owned subsidiary, Gregg Appliances, Inc. (“Gregg Appliances”). The unaudited condensed consolidated financial statements of Gregg Appliances include its wholly-owned subsidiary HHG Distributing LLC (“HHG Distributing”) which has no assets or operations.

Property and Equipment

The Company sold three and four store locations in the six months ended September 30, 2009 and 2008, respectively. The Company leased the buildings back applying the provisions of Accounting Standards Codification (“ASC”) 840-40 *Sale-Leaseback Transactions*. Net proceeds from the transactions were \$4.7 million and \$7.6 million for the six months ended September 30, 2009 and 2008, respectively. The Company does not have any continuing ownership interest with the sale leaseback locations and the leases are accounted for as operating leases.

(2) Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (“FASB”) issued ASC 105-10 *Generally Accepted Accounting Principles*. ASC 105-10 is the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other nongrandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative. This standard was effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The Company began to use the new guidelines and numbering system prescribed by the Codification when referring to GAAP in the second quarter of fiscal 2010. As the Codification was not intended to change or alter existing GAAP, it did not have any impact on the Company’s unaudited condensed consolidated financial statements.

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In May 2009, the FASB issued ASC 855-10 *Subsequent Events*. This standard is intended to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. ASC 855-10 was effective for fiscal years and interim periods ending after June 15, 2009. See discussion of subsequent events at Note 12.

In April 2009, the FASB issued three FASB Staff Positions (“FSP”) intended to provide additional application guidance and enhanced disclosures regarding fair value measurements and impairments of securities. FSP No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* provides additional guidelines for estimating fair value. FSP No. 115-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, provides additional guidance related to the disclosure of impairment losses on securities and the accounting for impairment losses on debt securities. FSP No. 115-2 does not amend existing guidance related to other-than-temporary impairments of equity securities. FSP No. 157-4 and FSP No. 115-2 were codified into ASC 820-10 *Fair Value Measurements*. FSP No. 107-1 and Accounting Principles Board (“APB”) Opinion No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, which was codified into ASC 825-10 *Financial Instruments*, increases the frequency of fair value disclosures. These FSPs were effective for fiscal years and interim periods ending after June 15, 2009 and were effective for the Company for the first quarter of fiscal 2010. The adoption of these FSPs did not have any impact on the Company’s consolidated financial position or results of operations.

(3) Fair Value Measurements

The Company adopted FSP No. 157-2, “*Effective Date of FASB Statement No. 157*”, which was codified into ASC 820 *Fair Value Measurements and Disclosures* on April 1, 2009. This adoption did not impact the Company’s results of operation or financial condition.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The following table sets forth by level within the fair value hierarchy, the Company’s financial assets and liabilities that were accounted for at fair value on a recurring basis at September 30, 2009 according to the valuation techniques the Company used to determine their fair values (in thousands):

	Fair Value	Fair Value Measurements		
	September 30,	Using Inputs Considered as		
	2009	Level 1	Level 2	Level 3
Financial instruments classified as liabilities				
Interest rate swaps	\$ 1,528	\$ —	\$ 1,528	\$ —

The fair value of the Company’s interest rate swaps were determined based on LIBOR yield curves at the reporting date.

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Assets and Liabilities that are Measured at Fair Value on a Non-Recurring Basis

Disclosures for nonfinancial assets and liabilities that are measured at fair value, but are recognized and disclosed at fair value on a nonrecurring basis, were required prospectively beginning April 1, 2009. During the six months ended September 30, 2009, the Company had no measurements of assets or liabilities at fair value on a non-recurring basis, such as property and equipment, subsequent to their initial recognition.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable—trade, accounts receivable—other, accounts payable and customer deposits approximate fair value because of the short maturity of these instruments. The carrying amount of the Term B Facility is carried at fair value as the interest rate is market based. The Company's senior notes, based on quoted market values, have aggregate fair values of \$3.4 million at September 30, 2009 and March 31, 2009.

(4) Derivative Instruments

The Company only enters into derivative contracts that it intends to designate as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

Cash Flow Hedges

The Company uses variable-rate debt to finance its operations. The debt obligations expose the Company to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management enters into interest rate swap agreements to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR. These swaps change the variable-rate cash flow exposure on the debt obligations to fixed cash flows. Under the terms of the interest rate swaps, the Company receives LIBOR based variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt for the notional amount of its debt that is hedged. The Company entered into an interest-rate related derivative instrument to manage its exposure on \$50 million of its senior credit agreement (the "Term B Facility") during fiscal 2008. This derivative instrument expired in October 2009. During the six months ended September 30, 2009, the Company entered into another derivative instrument to manage its exposure on \$75 million of its Term B Facility. This derivative instrument became effective in October 2009 and expires in October 2011.

Changes in the fair value of interest rate swaps designated as hedging instruments that effectively offset the variability of cash flows associated with variable-rate, long-term debt obligations are reported in accumulated other comprehensive loss. These amounts subsequently are reclassified into interest expense as a yield adjustment of the hedged interest payments in the same period in which the related interest affects earnings. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash-flow hedge is reported currently into earnings.

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Summary of Derivative Balances

The following table presents the gross fair values of derivative instruments and the corresponding classification in the Company's unaudited condensed consolidated balance sheet as of September 30, 2009 (in thousands):

<u>Contract Type</u>	<u>Liabilities</u>	
	<u>Balance Sheet Classification</u>	<u>Fair Value</u>
Cash flow hedges	Accrued Liabilities	\$ (192)
	Other Long-term Liabilities	(1,336)

For the three and six months ended September 30, 2009, \$0.2 million and \$0.3 million, respectively, was recorded into interest expense for recognized losses on the cash flow hedge. There were no cash flow hedges discontinued in the six months ended September 30, 2009 and 2008.

As a result of the use of derivative instruments, the Company is exposed to risk that the counterparties will fail to meet their contractual obligations. Recent adverse developments in the global financial and credit markets could negatively impact the creditworthiness of the Company's counterparties and cause one or more of the Company's counterparties to fail to perform as expected. To mitigate the counterparty credit risk, the Company only enters into contracts with carefully selected major financial institutions based upon their credit ratings and other factors, and continually assess the creditworthiness of counterparties. To date, all counterparties have performed in accordance with their contractual obligations.

(5) Properties and Equipment

Property and equipment consisted of the following at September 30, 2009 and March 31, 2009 (in thousands):

	<u>September 30, 2009</u>	<u>March 31, 2009</u>
Buildings	\$ 2,462	\$ 2,635
Machinery and equipment	13,003	12,357
Office furniture and equipment	73,656	68,798
Vehicles	5,292	5,826
Signs	8,181	7,525
Leasehold improvements	49,572	48,135
Construction in progress	26,784	14,273
	<u>178,950</u>	<u>159,549</u>
Less accumulated depreciation and amortization	(82,213)	(75,994)
Net property and equipment	<u>\$ 96,737</u>	<u>\$ 83,555</u>

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(6) Net Income per Share

Net income per basic share is calculated based on the weighted-average number of outstanding common shares in accordance with ASC 260-10 *Earnings per Share*. Net income per diluted share is calculated based on the weighted-average number of outstanding common shares plus the effect of potential dilutive common shares. When the Company reports net income, the calculation of net income per diluted share excludes shares underlying outstanding stock options with exercise prices that exceed the average market price of the Company's common stock for the period and certain options with unrecognized compensation cost, as the effect would be antidilutive. Potential common shares are composed of shares of common stock issuable upon the exercise of stock options. The following table presents net income per basic and diluted share for the three and six months ended September 30, 2009 and 2008 (in thousands, except share and per share amounts):

	Three Months Ended		Six Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Net income (A)	\$ 4,947	\$ 3,398	\$ 6,416	\$ 5,502
Weighted average outstanding shares of common stock (B)	36,922,496	32,358,081	34,881,955	32,329,706
Dilutive effect of employee stock options	1,225,975	729,971	1,252,714	845,129
Common stock and common stock equivalents (C)	38,148,471	33,088,052	36,134,669	33,174,835
Net income per share:				
Basic (A/B)	\$ 0.13	\$ 0.11	\$ 0.18	\$ 0.17
Diluted (A/C)	\$ 0.13	\$ 0.10	\$ 0.18	\$ 0.17

Antidilutive shares not included in the net income per diluted share calculation for the three and six months ended September 30, 2009 were 660,000 for both periods. Antidilutive shares not included in the net income per diluted share calculation for the three and six months ended September 30, 2008 were 2,154,166 and 1,291,000, respectively.

(7) Inventories

Net inventories consisted of the following at September 30, 2009 and March 31, 2009 (in thousands):

	September 30, 2009	March 31, 2009
Video	\$ 85,196	\$ 58,111
Appliances	46,709	48,037
Other	41,033	35,462
	<u>\$ 172,938</u>	<u>\$ 141,610</u>

(8) Debt

A summary of debt at September 30, 2009 and March 31, 2009 is as follows (in thousands):

	September 30, 2009	March 31, 2009
Senior secured Term B Facility maturing on July 25, 2013, interest due quarterly	\$ 88,795	\$ 89,250
9.0% Senior notes, interest due in arrears on a semi-annual basis on February 1 and August 1 through February 3, 2013	3,358	3,358
Total debt	92,153	92,608
Less current maturities of long-term debt	908	908
Total long-term debt	<u>\$ 91,245</u>	<u>\$ 91,700</u>

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On July 25, 2007, Gregg Appliances entered into the Term B Facility with a bank group obtaining a \$100 million senior secured term loan B maturing on July 25, 2013. Interest on the borrowings fluctuate and are payable in defined periods, currently monthly, depending on Gregg Appliances' election of the bank's prime rate or LIBOR plus an applicable margin, which is currently 200 basis points. The weighted average interest rate on the term loan as of September 30, 2009 was 2.3%. The Company entered into an interest rate related derivative on \$50 million of the Term B Facility which adjusts the effective weighted average interest rate on the Term B Facility at September 30, 2009 to 4.8%. See discussion at note 4.

On September 15, 2009, Gregg Appliances entered into Amendment No. 1 and Joinder to the Amended and Restated Loan and Security Agreement ("Amendment No. 1") with a bank group, which amended the Amended and Restated Loan and Security Agreement, dated July 25, 2007 (the "ABL Facility"). Amendment No. 1 increased the maximum amount available under the ABL Facility from \$100 million to \$125 million, subject to borrowing base availability. Under the ABL Facility, as amended by Amendment No. 1, borrowings from time to time shall not exceed a defined borrowing base.

Pursuant to Amendment No. 1, the borrowing base was modified to equal the sum of (i) the lesser of (a) 90% of the net orderly liquidation value of all eligible inventories of Gregg Appliances and (b) 75% of the net book value of such eligible inventory and (ii) 90% of all commercial and credit card receivables of Gregg Appliances, in each case subject to customary reserves and eligibility criteria. Prior to the amendment, the borrowing base equaled the sum of (i) the lesser of (a) 93% (96% during a seasonal period) of the net orderly liquidation value of all eligible inventory of Gregg Appliances and (b) 75% of the net book value of such eligible inventory and (ii) 90% of all commercial and credit card receivables of Gregg Appliances, in each case subject to customary reserves and eligibility criteria. Amendment No. 1 required payment to the incremental lenders of a commitment fee equal to 5.0% of the incremental commitment, or \$1,250,000.

Under the ABL Facility, as amended by Amendment No.1, Gregg Appliances is not required to comply with any financial maintenance covenant, unless it has less than \$18.75 million of "excess availability" at any time, (compared to \$8.5 million prior to the amendment) during the continuance of which event Gregg Appliances is subject to compliance with a fixed charge coverage ratio of 1.10 to 1.0. The amendment allows up to \$5.0 million of additional availability to be included in the total of "excess availability" for the months of October and November.

The amendment also modifies the trigger point for the initiation of cash dominion control. Prior to the amendment, if Gregg Appliances had less than \$8.5 million of "excess availability", it would, in certain circumstances, become subject to cash dominion control. Pursuant to the Amendment No. 1, if Gregg Appliances has less than \$18.75 million of "excess availability," it may, in certain circumstances more specifically described in the ABL Facility, as amended by Amendment No. 1, become subject to cash dominion control.

As of September 30, 2009 and March 31, 2009, under the ABL Facility, the Company did not have any cash borrowings outstanding and had \$4.1 million of letters of credit outstanding, which expire through December 31, 2009. As of September 30, 2009 and March 31, 2009, the total borrowing availability under the revolving credit facility was \$98.9 million and \$91.6 million, respectively. The interest rate based on the bank's prime rate as of September 30, 2009 and March 31, 2009 was 3.0%.

(9) Stock-based Compensation

The following table summarizes the activity under the Company's Stock Option Plans:

	Number of Shares	Weighted Average
	Outstanding	Exercise Price per Share
Outstanding at March 31, 2009	4,549,160	\$ 8.21
Granted	664,000	14.69
Exercised	(604,776)	5.61
Canceled	(6,000)	13.86
Outstanding at September 30, 2009	<u>4,602,384</u>	<u>\$ 9.48</u>

During the six months ended September 30, 2009, the Company granted options for 664,000 shares of common stock under the 2007 Equity Incentive Plan to certain employees and directors of the Company. The options vest in equal amounts over a three-year period beginning on the first anniversary of the date of grant and expire seven years from the date of the grant. The fair value of each option grant is estimated on the date of grant and is amortized on a straight-line basis over the vesting period.

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The weighted-average estimated fair value of options granted to employees and directors under the 2007 Equity Incentive Plan was \$6.56 during the six months ended September 30, 2009, using the Black-Scholes model with the following weighted average assumptions:

Risk-free interest rate	2.14%-2.66%
Dividend yield	—
Expected volatility	51.00%
Expected life of the options (years)	4.5
Forfeitures	5.00%

(10) Comprehensive Income

ASC 220 *Comprehensive Income* establishes standards for the reporting and presentation of comprehensive income and its components. Comprehensive income is computed as net income plus certain other items that are recorded directly to stockholders' equity. In addition to net income, comprehensive income for the three and six months ended September 30, 2009 and 2008 includes the changes in fair value of the Company's interest rate swaps, net of tax. Comprehensive income for the three and six months ended September 30, 2009 and 2008, in thousands, is calculated as follows:

	Three Months Ended		Six Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Net income, as reported	\$ 4,947	\$ 3,398	\$ 6,416	\$ 5,502
Reclassification adjustment for loss reclassified into interest expense, net of tax	176	155	332	295
Unrealized (loss) gain on hedge arrangements, net of tax	(299)	(30)	(502)	348
Comprehensive income	<u>\$ 4,824</u>	<u>\$ 3,523</u>	<u>\$ 6,246</u>	<u>\$ 6,145</u>

(11) Stockholders' Equity

During the six months ended September 30, 2009, the Company consummated an underwritten public offering of 4,025,000 shares of its common stock under a \$200 million shelf-registration statement and a private placement of an aggregate of 1,000,000 shares of its common stock, which resulted in aggregate proceeds, net of underwriting and placement fees, to the Company of approximately \$78.1 million.

The Company filed a universal shelf registration statement which was declared effective on July 14, 2009, registering \$200 million principal amount of its securities which may be sold by hhgregg under such registration statement at any time. Each of Gregg Appliances and HHG Distributing were additional registrants to the shelf registration statement because each may guaranty any debt securities that are issued by hhgregg under the shelf registration statement. Gregg Appliances and HHG Distributing are exempt from reporting under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to Rule 12h-5 under the Exchange Act as: (i) hhgregg has no independent assets or operations; (ii) any guarantees of the subsidiary guarantors of debt securities issued under the shelf registration statement are full and unconditional and joint and several; and (iii) there are no subsidiaries of hhgregg other than Gregg Appliances and HHG Distributing. Gregg Appliances is party to a senior credit agreement with a bank group obtaining a \$100 million senior secured term loan B maturing on July 25, 2013. The senior credit agreement contains restrictions on the payment of dividends and other transfers of assets to hhgregg.

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In preparing the accompanying unaudited condensed consolidated financial statements, the Company evaluated the period from September 30, 2009 through November 5, 2009, the date the unaudited condensed consolidated financial statements were available to be issued, for material subsequent events requiring recognition or disclosure. No such events were identified for this period.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in five sections:

- Overview
- Critical Accounting Policies
- Results of Operations
- Liquidity and Capital Resources
- Recently Issued Accounting Standards

Our MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes contained herein and the Consolidated Financial Statements for the fiscal year ended March 31, 2009, included in our latest Annual Report on Form 10-K, as filed with the SEC on June 2, 2009 and other publicly available information.

Overview

hhgregg, Inc. is a specialty retailer of consumer electronics, home appliances, and related products and services operating under the name hhgregg™. As of September 30, 2009, we operated 118 stores in Alabama, Florida, Georgia, Indiana, Kentucky, North Carolina, Ohio, South Carolina and Tennessee. Unless otherwise indicated, "hhgregg" refers solely to hhgregg, Inc., "Gregg Appliances" refers solely to Gregg Appliances, Inc. and "we," "us" and "our" refers to hhgregg, Inc. and its subsidiaries, including Gregg Appliances.

hhgregg, Inc. was formed in Delaware on April 12, 2007. As part of a corporate reorganization effected on July 19, 2007, the stockholders of Gregg Appliances contributed all of their shares of Gregg Appliances to hhgregg in exchange for common stock of hhgregg. As a result, Gregg Appliances became a wholly-owned subsidiary of hhgregg.

Transfers or exchanges of assets or equity instruments between enterprises under common control are not business combinations. Therefore, the formation transaction of hhgregg was recorded at the carrying amount of Gregg Appliances, the transferring enterprise, and not at fair value.

This overview section is divided into four sub-sections discussing our operating strategy and performance, store development strategy, business strategy and core philosophies and seasonality.

Operating Strategy and Performance. We focus the majority of our floor space, advertising expense and distribution infrastructure on the marketing, delivery and installation of a wide selection of premium video and appliance products. We display over 100 models of flat panel televisions and 350 major appliances in our stores with an especially broad assortment of models in the middle- to upper-end of product price ranges. Video and appliance net sales comprised 84% of our net sales mix for the three and six months ended September 30, 2009 and 87% of our net sales for the three and six months ended September 30, 2008, respectively.

We strive to differentiate ourselves through our customer purchase experience starting with a highly-trained, consultative commissioned sales force which educates our customers on the features and benefits of our products, followed by rapid product delivery and installation, and ending with helpful post-sales support services. We carefully monitor our competition to ensure that our prices are competitive in the market place. Our experience has been that informed customers often choose to buy a more heavily-featured product once they understand the applicability and benefits of its features. Heavily-featured products typically carry higher average selling prices and higher margins than less-featured, entry-level price point products.

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We focus on leveraging our semi-fixed expenditures in advertising, distribution and regional management through closely managing our inventory, working capital and store development expenditures. Our inventory has averaged 7.0 turns per year over the past three fiscal years. Our working capital has averaged 2.4%, expressed as a percentage of sales, over the past three fiscal years. Our net capital expenditures have averaged 1.8%, measured as a percentage of sales, over the past three fiscal years. These factors, combined with our strong store-level profitability, have contributed to the generation of significant free cash flow over the past three fiscal years. This has enabled us to de-leverage our balance sheet and internally fund our store growth.

Store Development Strategy. Over the past several years, we have adhered closely to a development strategy of adding stores to metropolitan markets in clusters to achieve rapid market share penetration and more efficiently leverage our distribution network, advertising and regional management costs. Our expansion plans include looking for new markets where we believe there is significant underlying demand for stores, typically in areas that demonstrate above-average economic growth, strong household incomes and growth in new housing starts and/or remodeling activity. Our markets typically include most or all of our major competitors. We plan to continue to follow our approach of building store density in each major market and distribution area, which in the past has helped us to improve our market share and realize operating efficiencies.

During the past 12 months, we opened a net total of 15 new stores of which six were opened in new markets, including Jacksonville and Orlando, Florida. In July 2009, we announced our intention to open between 20 and 22 new stores during fiscal 2010 and to accelerate our growth strategy by opening between 40 to 45 new stores during fiscal 2011. These store openings will include the launch of multiple stores in the Tampa, Florida; Richmond, Virginia; and Memphis, Tennessee markets in fiscal 2010 and the opening of new stores in the Mid-Atlantic region, including the Philadelphia, Baltimore and Washington D.C. metropolitan markets in fiscal 2011. To date, we have identified 40 specific locations for our fiscal 2011 new store openings. We plan to open an additional central distribution center at the end of fiscal 2010 and a regional distribution center in fiscal 2011 to support our Mid-Atlantic store growth.

Business Strategy and Core Philosophies. Our business strategy is focused around offering our customers a superior customer purchase experience. From the time the customers walk in the door, they will experience a well-designed, customer friendly store. Our stores are brightly lit and have clearly distinguished departments that allow our customers to find what they are looking for. We greet and assist our customers with our highly trained consultative sales force, who are there to educate the customers about the different product features.

Our products are rich in features and innovations and are ever-changing. We find that customers find it helpful to have someone explain the products features and benefits. We believe this assistance allows them the opportunity to buy the product that most closely matches their needs. We follow up on the customer purchase experience by offering same-day delivery on many of our products and a high quality, in-home installation service. We offer all of this at a competitive price, under our philosophy, "Price and Advice, Guaranteed."

The consumer electronics industry depends on new products to drive sales and profitability. Innovative, heavily-featured products are typically introduced at relatively high price points. Over time, price points are gradually reduced to drive consumption. For example, as prices for large flat-panel high definition television products fall below the \$2,000 range, more of our customers purchase them.

According to the Consumer Electronics Associations, or the CEA, the consumer electronics industry will see shipment revenues fall 7.7% this calendar year, the first decline since 2001. Even with this decline, the consumer electronics industry continues to hold up favorably compared to other industries and consumer electronics spending as a percentage of durable goods is as high as it has been in 50 years. Digital displays, Blu-ray players and notebook computers are categories that are expected to have growth in sales in calendar 2009, according to the CEA.

In the past, certain product innovations in certain consumer electronic product categories such as notebook computers, camcorders and audio products, have not been sufficient to maintain average selling prices. These mature products have become commoditized and have experienced price declines and reduced margins. As certain of our products become commodities, we focus on selling the next generation of these affected products, carefully managing the depth and breadth of commoditized products that we offer and introducing all-together new product lines that are complementary to our existing product mix.

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The appliance industry has benefited greatly from increased innovation in energy efficient products. While these energy efficient products typically carry a higher average selling price than traditional products, they save the consumer significant dollars in annual energy savings. Additionally, form and aesthetics have become an increasingly important factor in major appliance purchase decisions. Accordingly, the rise in average unit selling prices of major appliances from which we have benefited for the past four fiscal years is not expected to change dramatically for the foreseeable future.

Conversely, retail appliance sales are highly correlated to the housing industry and housing turnover. As more people purchase existing homes in the market, appliance sales tend to trend upward. As the recent demand in the housing market has been relatively low, our appliance sales traffic has suffered significantly. The Association of Home Appliance Manufacturers reported that shipments of major appliances fell 18.0% for the six months ended September 30, 2009, while our comparable store sales for appliances for the same period were down 12.3%. Management does not expect this trend in appliance traffic to substantially improve until the housing market begins to turn positive.

Seasonality. Our business is seasonal, with a higher portion of net sales and operating profit realized during the quarter that ends December 31 due to the overall demand for consumer electronics during the holiday shopping season. Appliance revenue is impacted by seasonal weather patterns but is less seasonal than our electronics business and helps to offset the seasonality of our overall business.

Critical Accounting Policies

We describe our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended March 31, 2009 in our latest Annual Report on Form 10-K filed with the SEC on June 2, 2009. There have been no significant changes in our critical accounting policies and estimates since the end of fiscal 2009.

Results of Operations

Operating Performance. The following table presents selected unaudited condensed consolidated financial data (dollars in thousands, except per share amounts and number of stores):

	Three Months Ended		Six Months Ended	
	September 30,	September 30,	September 30,	September 30,
(unaudited)	2009	2008	2009	2008
Net sales	\$ 332,178	\$ 320,302	\$ 616,568	\$ 615,717
Net sales % increase	3.7%	11.3%	0.1%	13.6%
Comparable store sales % decrease ⁽¹⁾	(9.4)%	(8.8)%	(11.9)%	(6.0)%
Gross profit as a % of net sales	30.8%	30.8%	30.3%	30.7%
SG&A as a % of net sales	22.7%	21.7%	22.8%	22.1%
Net advertising expense as a % of net sales	4.1%	5.3%	4.1%	5.1%
Depreciation and amortization expense as a % of net sales	1.2%	1.3%	1.3%	1.3%
Income from operations as a % of net sales	2.8%	2.4%	2.1%	2.1%
Net interest expense as a % of net sales	0.4%	0.6%	0.4%	0.6%
Net income	\$ 4,947	\$ 3,398	\$ 6,416	\$ 5,502
Net income per diluted share	\$ 0.13	\$ 0.10	\$ 0.18	\$ 0.17
Number of stores open at the end of period	118	103		

(1) Comprised of net sales at stores in operation for at least 14 full months, including remodeled and relocated stores, as well as net sales for our e-commerce site.

Net income was \$4.9 million for the three months ended September 30, 2009, or \$0.13 of net income per diluted share, compared with net income of \$3.4 million, or \$0.10 of net income per diluted share, for the three months ended September 30, 2008. For the six month period ended September 30, 2009, net income was \$6.4 million, or net income per diluted share of \$0.18, compared with net income of \$5.5 million, or \$0.17 of net income per diluted share, for the comparable prior year period. The 46% increase in earnings for the three month period ended September 30, 2009, compared to the prior year period, was the result of a modest increase in sales, a flat gross margin, and a modest decrease in operating expenses. The 16.6% increase in earnings for the six month period ended September 30, 2009, compared to the prior year period, was the result of a modest decrease in operating expenses and modest increase in sales, partially offset by a decrease in gross margin.

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Net sales for the three and six months ended September 30, 2009 increased 3.7% and 0.1%, respectively, compared to the comparable prior year period to \$332.2 million and \$616.6 million, respectively. The increase in sales for the three and six months ended September 30, 2009 was primarily attributable to the net addition of 15 stores during the past 12 months, partially offset by a 9.4% and an 11.9% decrease in comparable store sales, respectively.

Net sales mix and comparable store sales percentage changes by product category for the three and six months ended September 30, 2009 and 2008 were as follows:

	Net Sales Mix Summary				Comparable Store Sales Summary			
	Three Months Ended September 30,		Six Months Ended September 30,		Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008	2009	2008	2009	2008
Video	42%	45%	42%	44%	(15.9)%	(0.6)%	(16.4)%	2.2%
Appliances	42%	42%	42%	43%	(7.5)%	(15.2)%	(12.3)%	(12.5)%
Other ⁽¹⁾	16%	13%	16%	13%	5.9%	(11.9)%	3.8%	(6.7)%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>(9.4)%</u>	<u>(8.8)%</u>	<u>(11.9)%</u>	<u>(6.0)%</u>

(1) Primarily consists of audio, furniture and accessories, mattresses, notebook computers and personal electronics.

Our 9.4% and 11.9% comparable store sales decreases for the three and six months ended September 30, 2009, respectively, primarily reflect continued weakness in consumer demand in the both the video and appliance categories. For the three and six month periods, the decrease in comparable store sales for the video category was due primarily to a decline in average selling prices primarily from consumers trading down in screen sizes partially offset by increases in sales of LED televisions. Sales in the appliance category continued to decrease for both the three and six months ended September 30, 2009, however, the trend for the three months ended September 30, 2009, significantly improved from the previous three month period. For the three and six months ended September 30, 2009, the comparable store sales increase in the other category was due to triple digit comparable store sales increases in the computer category offset by double digit comparable store sales decreases in the mattress category.

Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

Gross profit, as a percentage of net sales, remained consistent year over year for the three months ended September 30, 2009 at 30.8%. The appliance and video gross profit margins exceeded our Company average, as a percentage of sales, during the three month period ended September 30, 2009. The other category profit margin was less than that of our Company average as a result of a higher mix of notebook computers which carry a gross margin percentage significantly less than the Company average.

SG&A, as a percentage of net sales, increased approximately 100 basis points for the three months ended September 30, 2009, compared with the prior year period. SG&A was \$75.5 million for the three months ended September 30, 2009 compared to \$69.6 million for the comparable prior year period. Occupancy costs, which include rent, property taxes and utilities, increased approximately 85 basis points in the current year period, as a result of the decline in comparable store sales and the additional rent expense of the new stores scheduled to open in the first part of the fiscal 2010 third quarter. Occupancy costs increased \$3.3 million compared to the prior year period, due to the net addition of 15 stores in the last 12 months as well as the impact of rent expense for stores that are opening in the first part of the fiscal third quarter of 2010. Expense and payroll control from various cost initiatives and our commissioned sales structure allowed our other SG&A categories as a percentage of sales to remain relatively consistent compared to the comparable prior year period.

Net advertising expense, as a percentage of sales, decreased approximately 125 basis points during the three month period ended September 30, 2009, compared with the comparable prior year period. Despite the comparable store sales declines during the three month period, decreases in net advertising expense as a percentage of sales were driven by reduced advertising rates coupled with higher advertising expenses in the prior year period from the launch of new markets in Florida.

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Our effective income tax rate for the three months ended September 30, 2009 decreased to 38.3% compared to 40.3% for the comparable prior year period. The decrease in our effective income tax rate for the three months ended September 30, 2009 compared to the comparable prior year period is primarily the result of changes in the expected annual effective state income tax rate.

Six Months Ended September 30, 2009 Compared to Six Months Ended September 30, 2008

Gross profit, as a percentage of net sales, declined 36 basis points for the six months ended September 30, 2009 versus the comparable prior year period. The appliance and video gross profit margins exceeded our Company average as a percentage of sales during the six month period ended September 30, 2009. The other category gross profit margin was below our Company average as a result of a higher mix of notebook computers, which carry a gross margin percentage significantly less than our Company average.

SG&A expense, as a percentage of net sales, increased approximately 70 basis points, or \$4.4 million, for the six months ended September 30, 2009 compared to the comparable prior year period. Occupancy costs increased approximately 100 basis points, as a result of the decline in comparable store sales and the rent expense of the new stores scheduled to open in the first part of the fiscal third quarter of 2010. Occupancy costs increased \$6.2 million for the six months ended September 30, 2009 compared to the prior year period, due to the net increase of 15 stores in the last 12 months as well as the impact of rent expense for stores that are opening the first part of the fiscal third quarter of 2010. Strong expense and payroll control from various cost initiatives and our commissioned sales structure allowed our other SG&A categories, as a percentage of sales, to remain relatively consistent compared to the comparable prior year period.

Net advertising expense as a percentage of net sales decreased approximately 105 basis points, or \$6.3 million, for the six months ended September 30, 2009 to \$25.3 million compared to \$31.6 million for the six months ended September 30, 2008. Despite the comparable store sales declines for the six month period, decreases in net advertising expense as a percentage of sales were driven by reduced advertising rates coupled with higher advertising expenses in the prior year period from the launch of new markets in Florida.

Income tax expense increased to \$4.1 million for the six months ended September 30, 2009 compared to \$3.7 million for the comparable prior year period. This increase was the result of an increase in income before income taxes in the current year compared to the comparable prior year period. Our effective income tax rate for the six months ended September 30, 2009 decreased to 38.8% from 40.3% for the comparable prior year period. The decrease in our effective income tax rate for the six months ended September 30, 2009 is primarily the result of changes in the expected annual effective state income tax rate.

Liquidity and Capital Resources

The following table presents a summary on a consolidated basis of our net cash (used in) provided by operating, investing and financing activities (dollars are in thousands):

	Six Months Ended	
	September 30, 2009	September 30, 2008
Net cash provided by (used in) operating activities	\$ 3,082	\$ (19,831)
Net cash (used in) investing activities	(17,918)	(12,960)
Net cash provided by financing activities	85,114	31,657

Our liquidity requirements arise primarily from our need to fund working capital requirements and capital expenditures.

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Capital Expenditures. We make capital expenditures principally to fund our expansion strategy, which includes, among other things, investments in new stores and new distribution facilities, remodeling and relocation of existing stores, as well as information technology and other infrastructure-related projects that support our expansion. Capital expenditures were \$20.8 million and \$19.7 million for the six months ended September 30, 2009 and 2008, respectively. For the six months ended September 30, 2009, we opened eight stores compared to 12 stores during the prior year comparable period. In addition, we opened eight stores in October 2009 for which capital expenditures were made during the six month period ended September 30, compared to the prior year for which three stores were opened in October 2008. We plan on opening between 20 and 22 new stores during fiscal 2010, of which 16 stores have already been opened. In addition, we plan to continue to invest in our infrastructure, including management information systems and distribution capabilities, as well as incur capital remodeling and improvement costs. We expect capital expenditures, before sale and leaseback proceeds for fiscal 2010 store openings and relocations as well as a portion of fiscal 2011 store openings, to range between \$45 million and \$50 million for fiscal 2010. Capital expenditures for fiscal 2010 and 2011 will be funded through cash and cash equivalents, borrowings on our revolving credit facility and sale and leaseback proceeds. In addition, to help fund our growth, we completed an underwritten public offering, consummated on July 24, 2009, and a private placement transaction of our common stock consummated on August 4, 2009. Proceeds from these transactions, net of underwriting and placement fees, totaled approximately \$78.1 million.

Cash Provided by (Used in) Operating Activities. Cash provided by (used in) operating activities primarily consists of net income as adjusted for increases or decreases in working capital and non-cash depreciation and amortization. Cash provided by (used in) operating activities was \$3.1 million and \$(19.8) million for the six months ended September 30, 2009 and 2008, respectively. During the six months ended September 30, 2008 inventory productivity increased which in turn decreased our accounts payable leverage, expressed as accounts payable divided by inventories. We have been able to maintain the consistency of the accounts payable leverage for the six month period ended September 30, 2009. Therefore we had an increase in cash provided by operating activities.

Cash Used in Investing Activities. Cash used in investing activities was \$17.9 million and \$13.0 million for the six months ended September 30, 2009 and 2008, respectively. The increase for the six months ended September 30, 2009 as compared to the six months ended September 30, 2008 was due to increased purchases of property and equipment, partially offset by a decrease in deposits and proceeds for sale-leaseback transactions.

Cash Provided by Financing Activities. Financing activities provided \$85.1 million and \$31.7 million in cash for the six months ended September 30, 2009 and 2008, respectively. The change between the six months ended September 30, 2009 and 2008 is due to the fact that we completed a stock offering during the six months ended September 30, 2009 which provided proceeds of approximately \$78.1 million, net of transaction costs, offset by the fact that we have no borrowings on our line of credit for the six months ended September 30, 2009.

Senior Secured Term Loan . On July 25, 2007, Gregg Appliances entered into a senior credit agreement (the Term B Facility) with a bank group obtaining \$100 million senior secured term loan B maturing on July 25, 2013. Interest on borrowings is payable in defined periods, currently monthly, depending on our election of the bank's prime rate or LIBOR plus an applicable margin, currently 200 basis points.

The loans under the Term B Facility were originally scheduled to be repaid in consecutive quarterly installments of \$250,000 each with a balloon payment at maturity, but as Gregg Appliances made an optional \$10 million prepayment during fiscal 2008, the remaining scheduled quarterly principal installments are reduced to \$227,099 with a balloon payment at maturity. As provided in the senior credit agreement, the prepayment was first applied to the next four scheduled principal installments of the loan occurring in fiscal 2009 and secondly applied on a pro rata basis to reduce the remaining scheduled principal installments of the loans. In accordance with the Term B Facility, we made principal payments on June 30, 2009 and September 30, 2009. In addition, Gregg Appliances is also required to prepay the outstanding loans, subject to certain exceptions, with annual excess cash flow and certain other proceeds (as defined in the Term B Facility). As of September 30, 2009, \$88.8 million was outstanding on the Term B Facility.

The Term B Facility contains customary representations and warranties and customary affirmative and negative covenants, including, among other things, restrictions on incurrence of additional debt, liens, dividends and other restricted payments, asset sales, investments, mergers and acquisitions and affiliate transactions. The only financial covenant included in the Term B Facility is a maximum leverage ratio. Events of default under the Term B Facility include, among others, nonpayment of principal or interest, covenant defaults, material breaches of representations and warranties, bankruptcy and insolvency events, cross defaults and a change of control. Gregg Appliances was in compliance with the restrictions and covenants in the debt agreements at September 30, 2009.

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Senior Notes . In connection with our recapitalization on February 3, 2005, we issued \$165 million in unsecured 9% senior notes (senior notes). Interest on the senior notes is payable in arrears twice a year on February 1 and August 1. The senior notes will mature on February 3, 2013. As of September 30, 2009 we had \$3.4 million of senior notes outstanding.

Revolving Credit Facility. On July 25, 2007, Gregg Appliances entered into an Amended and Restated Loan and Security Agreement with a bank group for up to \$100 million (“ABL Facility”) which expires on July 25, 2012. On September 15, 2009, Gregg Appliances entered into Amendment No. 1 and Joinder to the Amended and Restated Loan and Security Agreement (“Amendment No. 1”), which increased the maximum amount available under the ABL Facility from \$100 million to \$125 million, subject to borrowing base availability. Under the ABL Facility, as amended by Amendment No. 1, borrowings from time to time shall not exceed a defined borrowing base.

Borrowings under the credit agreement are subject to a borrowing base calculation based on specified percentages of eligible accounts receivable and inventories. Pursuant to Amendment No. 1, the borrowing base was modified to equal the sum of (i) the lesser of (a) 90% of the net orderly liquidation value of all eligible inventories of Gregg Appliances and (b) 75% of the net book value of such eligible inventory and (ii) 90% of all commercial and credit card receivables of Gregg Appliances, in each case subject to customary reserves and eligibility criteria. Prior to the amendment, the borrowing base equaled the sum of (i) the lesser of (a) 93% (96% during a seasonal period) of the net orderly liquidation value of all eligible inventory of Gregg Appliances and (b) 75% of the net book value of such eligible inventory and (ii) 90% of all commercial and credit card receivables of Gregg Appliances, in each case subject to customary reserves and eligibility criteria. Amendment No. 1 required payment to the incremental lenders of a commitment fee equal to 5.0% of the incremental commitment, or \$1,250,000.

Under the ABL Facility, as amended by Amendment No.1, Gregg Appliances is not required to comply with any financial maintenance covenant, unless it has less than \$18.75 million of “excess availability” at any time, during the continuance of which event Gregg Appliances is subject to compliance with a fixed charge coverage ratio of 1.10 to 1.0. The amendment allows up to \$5.0 million of additional availability to be included in the total of “excess availability” for the months of October and November. Under the ABL Facility, as amended by Amendment No. 1, if Gregg Appliances has less than \$18.75 million of “excess availability,” it may, in certain circumstances more specifically described in the ABL Facility, as amended by Amendment No. 1, become subject to cash dominion control.

The ABL Facility is guaranteed by Gregg Appliances’ wholly-owned subsidiary, HHG Distributing LLC (“HHG Distributing”), which has no assets or operations. The guarantee is full and unconditional and Gregg Appliances has no other subsidiaries. In addition, there are no restrictions on the ability of HHG Distributing to pay dividends under the arrangement. Gregg Appliances was in compliance with the restrictions and covenants in the debt agreements at September 30, 2009.

As of September 30, 2009 and March 31, 2009, under the ABL Facility, Gregg Appliances did not have any cash borrowings outstanding and had \$4.1 million of letters of credit outstanding, which expire through December 31, 2009. As of September 30, 2009 and March 31, 2009, the total borrowing availability under the revolving credit facility was \$98.9 million and \$91.6 million, respectively. The interest rate based on the bank’s prime rate as of September 30, 2009 and March 31, 2009 was 3.0%.

Long Term Liquidity . Anticipated cash flows from operations and funds available from our credit facilities, together with cash on hand, including proceeds received from our public offering of 4,025,000 shares of our common stock consummated on July 24, 2009, and the private placement of 1,000,000 shares of our common stock consummated on August 4, 2009, should provide sufficient funds to finance our accelerated operations and our growth strategy for at least the next 12 months. As a normal part of our business, we consider opportunities to refinance our existing indebtedness, based on market conditions. Although we may refinance all or part of our existing indebtedness in the future, there can be no assurances that we will do so. Changes in our operating plans, lower than anticipated sales, increased expenses, acquisitions or other events may require us to seek additional debt or equity financing. There can be no guarantee that financing will be available on acceptable terms or at all. Additional debt financing, if available, could impose additional cash payment obligations and additional covenants and operating restrictions. Pursuant to the terms of our Term B Facility, we also have the capacity to repurchase our outstanding Senior Notes at our discretion so long as we have excess availability of \$10,000,000 after the repurchase.

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Our credit ratings and outlooks as of the end of September 2009 are summarized below:

<u>Rating Agency</u>	<u>Rating</u>	<u>Outlook</u>
Standard & Poor	B+	Stable
Moody's	Ba3	Stable

Factors that can affect our credit ratings include changes in our operating performance, the general economic environment, conditions in the retail and consumer electronics industries, our financial position, and changes in our business strategy.

Cash Flow Hedge. During fiscal 2008, we entered into an interest-rate related derivative instrument to manage our exposure on our debt instruments. This derivative instrument expired in October 2009. During the six months ended September 30, 2009 we entered into another derivative instrument that became effective October 2009 and expires in October 2011.

We assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. We maintain risk management control systems to monitor interest rate cash flow risk attributable to both our outstanding or forecasted debt obligations as well as our offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on our future cash flows.

We use variable-rate debt to finance our operations. The debt obligations expose us to variability in interest payments due to changes in interest rates. We believe that it is prudent to limit the variability of a portion of our interest payments. To meet this objective, we entered into an interest rate swap agreement to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR on \$50 million of our Term B Facility in fiscal 2008. This interest rate swap agreement expired in October 2009. Therefore during the six months ended September 30, 2009 we entered into another interest rate swap agreement for \$75 million effective October 2009 and expiring October 2011. These swaps change the variable-rate cash flow exposure on the debt obligations to fixed cash flows. Under the terms of the interest rate swaps, we receive LIBOR based variable interest rate payments and make fixed interest rate payments, thereby creating the equivalent of fixed-rate debt for the notional amount of the debt that is hedged.

Changes in the fair value of interest rate swaps designated as hedging instruments that effectively offset the variability of cash flows associated with variable-rate, long-term debt obligations are reported in accumulated other comprehensive loss. These amounts subsequently are reclassified into interest expense as a yield adjustment of the hedged interest payments in the same period in which the related interest affects earnings.

For the six months ended September 30, 2009, the hedges were considered effective and \$0.3 million was recorded into interest expense for recognized losses on the cash flow hedge.

Recently Issued Accounting Standards

See Note 2 to the unaudited condensed consolidated financial statements of this report for further details of recently issued accounting standards.

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Forward-Looking Statements

Some of the statements in this document and any documents incorporated by reference constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our businesses or our industries’ actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. Such statements include, in particular, statements about our plans, strategies, prospects, changes, outlook and trends in our business and the markets in which we operate under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “tends,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of those terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industries or other factors. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” herein, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our latest Annual Report on Form 10-K filed with the SEC on June 2, 2009, the risk factors set forth in our Final Prospectus Supplement filed with the SEC on July 21, 2009, and any documents incorporated by reference that describe risks and factors that could cause results to differ materially from those projected in these forward-looking statements. The forward-looking statements are made as of the date of this document or the date of the documents incorporated by reference in this document, as the case may be, and we assume no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk.

In addition to the risks inherent in our operations, we are exposed to certain market risks, including interest rate risk.

Interest Rate Risk

Our short-term and long-term debt consists of a revolving credit facility, our Term B Facility and our senior notes.

Interest on borrowings under our revolving credit facility is payable monthly at a fluctuating rate based on the bank’s prime rate or LIBOR plus an applicable margin. As of September 30, 2009, we had no cash borrowings under our revolving credit facility.

As of September 30, 2009, we had \$88.8 million outstanding on our Term B Facility. Interest on our Term B Facility is payable in defined periods, currently monthly, depending on our election of the bank’s prime rate or LIBOR plus an applicable margin. We are not subject to material interest rate risk as \$50.0 million of the outstanding amount of Term B Facility is subject to an interest rate hedge. A hypothetical 100 basis point increase in the bank’s prime rate would decrease our annual pre-tax income by approximately \$0.4 million. Effective October 2009, we have an interest rate hedge for \$75.0 million.

There is no interest rate risk associated with our senior notes as the interest rate is fixed at 9.0%.

ITEM 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), to allow timely decisions regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. Our Disclosure Committee meets on a quarterly basis and more often if necessary.

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Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), as of September 30, 2009. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2009, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended September 30, 2009, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II—Other Information

ITEM 1. Legal Proceedings

We are engaged in various legal proceedings in the ordinary course of business and have certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management believes, based on the examination of these matters and experiences to date, that the ultimate liability, if any, in excess of amounts already provided for in the unaudited condensed consolidated financial statements is not likely to have a material effect on our unaudited consolidated financial position, results of operations or cash flows.

ITEM 1A. Risk Factors

There have no material changes to the risk factors set forth in the section entitled “Risk Factors” in our Final Prospectus Supplement filed with the SEC on July 21, 2009.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

On July 15, 2009, we entered into a Stock Subscription Agreement with FS Equity Partners V, L.P. and FS Affiliates V, L.P. (the “FS Funds”) pursuant to which the FS Funds agreed to purchase from us in a private placement an aggregate of 1,000,000 shares of common stock at a purchase price per share equal to \$16.50 (the same price per share paid by the public in our underwritten public offering consummated on July 24, 2009), or an aggregate purchase price of \$16,025,625 net of placement fees of \$474,375 paid to Credit Suisse Securities (USA) LLC, Barclays Capital Inc. and Wells Fargo Securities LLC as placement agents. The private placement was consummated on August 4, 2009. The private placement was made pursuant to a transaction exempt from registration under Rule 506 of the Securities Act of 1933, as amended.

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ITEM 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on August 5, 2009.

(1) The stockholders of the Company elected the following individuals to the Board of Directors based on the following election results:

Nominee	Number of Votes	Number of Votes	Number of Votes
	Cast For	Withheld	Opposed
Lawrence P. Castellani	30,226,456	1,271,567	—
Benjamin D. Geiger	30,193,300	1,304,723	—
Dennis L. May	30,221,777	1,276,246	—
John M. Roth	29,442,928	2,055,095	—
Charles P. Rullman	28,931,214	2,566,809	—
Michael L. Smith	30,092,825	1,405,198	—
Peter M. Starrett	30,224,158	1,273,865	—
Jerry W. Throgmartin	30,212,825	1,285,198	—
Darell E. Zink	30,226,456	1,271,567	—

(2) The stockholders of the Company also voted to ratify the selection of KPMG LLP to serve as our independent registered public accounting firm for the fiscal year ending March 31, 2010. There were 31,464,713 votes in favor, 21,405 votes opposed and 11,904 votes abstaining.

ITEM 5. Other Information

Entry into a Material Definitive Agreement

On November 3, 2009, our Board of Directors approved a form indemnification agreement to be entered into by the Company with each of our directors. These agreements, among other things, require us to indemnify, and to advance expenses on behalf of, each such person to the fullest extent permitted by Delaware law for all judgments, fines and amounts paid in settlement, whether brought in our right or otherwise, arising out of such person's service as a director. In addition, we have agreed to advance and indemnify each independent director for expenses such as attorneys' fees, court costs, travel expenses and all other disbursements or expenses of the types customarily incurred in connection with prosecuting or defending any threatened, pending or completed action that is indemnifiable under the indemnification agreement.

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ITEM 6. Exhibits

- 10.26 Form of Indemnity Agreement.
- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HHGREGG, INC.

By: /s/ Jeremy J. Aguilar
Jeremy J. Aguilar
Principal Financial Officer

Dated: November 5, 2009

AMENDED AND RESTATED INDEMNITY AGREEMENT

This Amended and Restated Indemnification Agreement (“Agreement”) is made as of _____, 2009 by and between hgregg, Inc., a Delaware corporation (the “Company”), and _____ (“Indemnitee”).

RECITALS

WHEREAS, the Company and Indemnitee entered into that certain Indemnity Agreement, dated [_____] (the “Original Agreement”), and the Company and Indemnitee wish to amend and restate the Original Agreement;

WHEREAS, highly competent persons have become more reluctant to serve corporations as directors unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, directors and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself;

WHEREAS, the Board of Directors of the Company (the “Board”) has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities;

WHEREAS, the Certificate of Incorporation of the Company (the “Certificate”) and the By-Laws of the Company (the “By-Laws”) require indemnification of the directors of the Company, and Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law, as amended (the “DGCL”);

WHEREAS, the Certificate, the By-Laws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company’s stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Certificate, the By-Laws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder;

WHEREAS, Indemnitee does not regard the protection available under the Company's Certificate, the By-Laws, insurance or the Original Agreement as adequate in the present circumstances, and may not be willing to serve as a director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he be so indemnified; and

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a director of the Company. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise (as defined below)) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board, or, with respect to service as a director of the Company, by the Certificate, the Company's By-laws, and the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as a director of the Company, its subsidiaries or any other Enterprise (as defined below) for which Indemnitee may agree to serve as a director at the request of the Company.

Section 2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. Acquisition of Stock by Third Party. Any Person (as defined below), other than FS Capital Partners V, LLC ("Investor") or its Affiliates (as defined below), is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities;

ii. Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

iv. Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; and

v. Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(a), the following terms shall have the following meanings:

(A) "Affiliate" shall have the meaning given to such term pursuant to Rule 12b-2 promulgated under the Exchange Act (as defined below) and, with respect to Investor, shall include (i) Freeman Spogli & Co. V, L.P. and any of its direct or indirect wholly owned subsidiaries and (ii) FS Equity Partners V, L.P. or any investment fund or partnership that is organized and controlled by three or more of the principals of Freeman Spogli & Co. V, L.P.

(B) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(C) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(D) “Person” shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(b) “Corporate Status” describes the status of a person who is or was a director, officer, employee or agent of the Company or of any other corporation, limited liability company, partnership or joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Company.

(c) “Disinterested Director” means a director of the Company who is not and was not a party to, nor an officer, a director or partner of a party to, the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) “Enterprise” shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary.

(e) “Expenses” shall include all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, (ii) any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, (iii) all interest, assessments and other charges paid or payable in connection with or in respect of the Expenses, and (iv) for purposes of Section 12(d) only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement, by litigation or otherwise. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(f) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(g) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director of the Company, by reason of any action taken by him or of any action on his part while acting as director of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement; except one initiated by an Indemnitee to enforce his rights under this Agreement.

(h) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in manner "not opposed to the best interests of the Company" as referred to in this Agreement.

Section 3. Indemnity in Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, losses, liabilities, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on his behalf in

connection with such Proceeding or any claim, issue or matter therein; provided that it is determined (in accordance with Section 10(a)) in the specific case that indemnification of such person is permissible under the circumstances because such person has met the standard of conduct for indemnification specified in Section 145 of the DGCL.

Section 4. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If the Indemnitee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnitee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnitee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 5. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 6. Additional Indemnification.

(a) Notwithstanding any limitation in Section 3 or Section 4, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, losses, liabilities, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(b) For purposes of Section 6(a), the meaning of the phrase “to the fullest extent permitted by applicable law” shall include, but not be limited to:

- i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its directors.

Section 7. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; provided that the foregoing shall not affect the rights of Indemnitee or any equity holder of the Company or any Affiliate thereof set forth in Section 13(c) and 13(e) of this Agreement; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(a)), or similar provisions of state statutory law or common law, or (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act; or

(c) except as provided in Section 12(d), in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 8. Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary, upon (i) receipt of a written affirmation of Indemnitee's good faith belief that he has met the standard of conduct prescribed by the DGCL; (ii) receipt of an undertaking of Indemnitee to repay the amount paid by the Company if it is ultimately determined that Indemnitee is not entitled to indemnification by the Company; and (iii) a determination (made in accordance with Section 10(a)) that the facts then known to those making the determination would not preclude indemnification under the DGCL, the Company shall advance, to the extent not prohibited by law, the expenses incurred by Indemnitee in connection with any Proceeding, and such advancement shall be made within 30 days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing

and forwarding statements to the Company to support the advances claimed. This Section 8 shall not apply to any claim made by Indemnitee for which indemnification is excluded pursuant to Section 7.

Section 9. Procedure for Notification and Defense of Claim.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such action, suit or proceeding. The delay or omission to notify the Company will not relieve the Company from any liability which it may have to Indemnitee under this Agreement. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 10. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 9(a) or for advances pursuant to the first sentence of Section 8, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, provided that such directors constitute a quorum of the Board, (B) if a quorum of the Board cannot be obtained under the foregoing clause (A), by a committee of two or more Disinterested Directors designated by a majority vote of members of the Board (including directors other than Disinterested Directors) constituting a quorum of the Board, (C) if there are not at least two Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) if so directed by the Board, by the stockholders of the Company (excluding shares owned by or voted under the control of directors that are at the time parties to the Proceeding); provided, however, that if Independent Counsel makes the determination that Indemnitee is entitled to indemnification under the DGCL, the authorization of indemnification and the evaluation as to reasonableness of expenses shall be made by the persons set forth in the foregoing clause (ii)(A) or, if necessary, clause (ii)(B). If, upon written request made by Indemnitee pursuant to Section 9(a), it is so determined that Indemnitee is entitled to indemnification under the DGCL, payment to Indemnitee of all authorized indemnification amounts, including expenses determined to be reasonable, shall be made within ten (10) days after such determination.

(b) Indemnitee shall cooperate with the person, persons or entity making the determination with respect to Indemnitee's entitlement to indemnification,

including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

Section 11. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 9(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 12(e), if the person, persons or entity empowered or selected under Section 10(a) to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 11(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 10(a) and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board of Directors has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination,

such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 10(a).

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Enterprise. The provisions of this Section 11(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 12. Remedies of Indemnitee.

(a) Subject to Section 12(e), in the event that (i) a determination is made pursuant to Section 10 that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 8, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 10(a) within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 4 or Section 5 or the last sentence of Section 10(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3 or Section 6 is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to

be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under Section 4. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 10(a) that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 12 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 12 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 10(a) that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 12, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefore) advance, to the extent not prohibited by law, such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 13. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate, the By-laws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Certificate, the By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company or of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall, except as provided in clause (iii) of Section 13(e) below, be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights. In the event of payment by any equity holder of the Company or any Affiliate of any such equity holder (other than the Company) under any other agreement or instrument of any indemnification payments or advances to Indemnitee in respect of any Expenses, losses, liabilities, judgments, fines, penalties or amounts paid in settlement for which the Company would also be obligated pursuant to this Agreement, (i) such equity holder or Affiliate shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee under this Agreement, who shall execute such documents and do such acts as such equity holder or Affiliate may reasonably request and cooperate with

such equity holder or Affiliate, in each case to the extent necessary to secure such rights and to enable such equity holder or Affiliate to effectively bring suit to enforce such rights and (ii) the Company shall reimburse such equity holder or Affiliate in full on demand in accordance with the last sentence of Section 13(e).

(d) Except as provided in Section 13(e), the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) To the extent that Indemnitee is entitled to be indemnified by the Company under this Agreement and by any equity holder of the Company or any Affiliate of any such equity holder (other than the Company) under any other agreement or instrument, or by any insurer under a policy maintained by any such equity holder or Affiliate, (i) the obligations of the Company hereunder shall be primary, and the obligations of such equity holder, Affiliate or insurer secondary, (ii) Indemnitee shall proceed first against the Company and any insurer under any policy maintained by the Company, second, if indemnification is not provided by the Company or any such insurer on a timely basis, against any insurer under a policy maintained by any such equity holder or Affiliate, and third, if indemnification is not provided by the Company, any insurer under a policy maintained by the Company and any insurer under a policy maintained by any such equity holder or Affiliate on a timely basis, against any equity holder or Affiliate of such equity holder for whose benefit Indemnitee holds his or her Corporate Status, and (iii) the Company shall not be entitled to contribution or indemnification from or subrogation against any such equity holder, Affiliate or insurer under a policy maintained by any such equity holder or Affiliate. In the event that any such equity holder or Affiliate makes indemnification payments or advances to Indemnitee in respect of any Expenses, losses, liabilities, judgments, fines, penalties or amounts paid in settlement for which the Company would also be obligated pursuant to this Agreement, the Company shall indemnify, reimburse and hold harmless such equity holder or Affiliate in full on demand.

(f) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise.

Section 14. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) 10 years after the date that Indemnitee shall have ceased to serve as a director of the Company or (b) 1 year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 12 relating thereto. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and his heirs, executors and administrators.

Section 15. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 16. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate, the By-laws and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 17. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties thereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 18. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

Section 19. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and received for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and received for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to:

hhgregg, Inc.
4151 East 96th Street
Indianapolis, Indiana 46240
Facsimile No.: (317) 848-8768
Attention: Chief Executive Officer

or to any other address as may have been furnished to Indemnitee by the Company.

Section 20. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 21. Applicable Law. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules.

Section 22. Identical Counterparts. This Agreement may be executed in one or more counterparts, including by facsimile or pdf, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 23. Third Party Beneficiaries. The equity holders of the Company and any Affiliate of any such equity holder (other than the Company) are express third-party beneficiaries of this Agreement, are entitled to rely upon this Agreement, and may specifically enforce the Company's obligations hereunder (including but not limited to the obligations specified in Sections 13(c) and 13(e) of this Agreement).

Section 24. Limitation of Liability. To the maximum extent permitted by applicable law, if Indemnitee is, has been or in the future becomes a director or officer of the Company or any of its subsidiaries or other Enterprise at the request of the Company, Indemnitee shall not be personally liable to the Company or any such subsidiary or Enterprise or to the equity holders of the Company or any such subsidiary or Enterprise for monetary damages. If applicable law shall be amended to permit further elimination or limitation of the personal liability of directors, then the liability of Indemnitee shall, automatically, without any further action, be eliminated or limited to the fullest extent permitted by the DGCL or such other applicable law as so amended.

Section 25. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Indemnity Agreement to be signed as of the day and year first above written.

hhgregg, Inc.

By: _____

INDEMNITEE:

Name: _____

Address: _____

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dennis L. May, certify that:

1. I have reviewed this quarterly report on Form 10-Q of hhgregg, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Dennis L. May

Dennis L. May

President and Chief Executive Officer

Dated: November 5, 2009

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeremy J. Aguilar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of hhgregg, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jeremy J. Aguilar

Jeremy J. Aguilar
Chief Financial Officer

Dated: November 5, 2009

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the hhgregg, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis L. May, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Dennis L. May

Dennis L. May

President and Chief Executive Officer

Dated: November 5, 2009

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the hhgregg, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeremy J. Aguilar, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Jeremy J. Aguilar

Jeremy J. Aguilar
Chief Financial Officer

Dated: November 5, 2009