



Martin O'Malley Governor

Anthony G. Brown Lt. Governor

Christian S. Johansson Secretary

Dominick E. Murray Deputy Secretary

September 28, 2009

Mr. Charlie Young
Chief Human Resource Officer
hhgregg, Inc.
4151 East 96th Street
Indianapolis, IN 46420

SUBJECT: hhgregg, Inc., Central Distribution Center Operations Project in Prince George's County, Maryland.

Dear Mr. Young:

On behalf of the Maryland Department of Business and Economic Development (the "Department") and Prince George's County (the "County"), we are pleased to provide you with information in this letter, which identifies resources and incentives that could be available to hhgregg, Inc. (the "Company") if you decide to establish a Central Distribution Center ("CDC") in Prince George's County, Maryland, (the "Project"). **This letter supersedes the Proposal Letter issued on September 8, 2009.**

1. **THE SUBDIVISION.** The terms of this letter are based on the Department's understanding that the Project will be located in Prince George's County, Maryland. These terms are not transferable to any other subdivision.

2. **PROJECT DESCRIPTION.** As we understand the Project, the Company will lease approximately 275,000 to 350,000 square feet of space at 14310 Mattawoman Drive, in Prince George's County, Maryland (the "Project Site") for a term of not less than five (5) years. The Company is projecting costs associated with the Project of at least \$3,000,000, comprised of tenant improvements, furniture, fixtures, and equipment (the "Project Costs").

We further understand that the Company will hire ^{100 up to} ~~140~~ full-time permanent employees at the Project Site over a year period, and maintain its CDC through December 31, 2015. 2,000,000 agy

"Full-time" means that an employee works at least 1,800 hours in a 12-month period, is paid an hourly wage of at least 150% of the federal minimum wage, and is eligible for an employer-subsidized health care benefits package. A new permanent full-time position does not include an employee of the Company who is transferred to the Prince George's County Facility from another Company employment facility elsewhere in the State, or an employee of a company acquired by hhgregg Inc. after this date, if the employee's place of employment immediately before the acquisition was elsewhere in the State.

Mr. Charlie Young
September 28, 2009
Page 2 of 8

We also understand the Company will use its best efforts to use Baltimore/Washington International Thurgood Marshall Airport for its shipping and transportation and Maryland contractors and construction workers for construction of the Project.

Of course, any material changes to the Project as outlined in this letter should be immediately brought to the Department's attention since they could affect the Department's proposed assistance for the Project.

3. **DEPARTMENT PARTICIPATION.** The Department is willing to consider providing the following assistance to enable the Company to complete the Project at the Project Site in Prince George's County, Maryland:

(a) **Conditional Loan** under the Maryland Economic Development Assistance Fund (the "Loan"):

Borrower:	hhgregg, Inc. or an entity acceptable to the Department.
Amount:	\$80,000
Approval:	The Loan is subject to approval by the Secretary of the Department.
Purpose:	The proceeds of the Loan would be used to reimburse Eligible Project Costs at the Project Site.
Eligible Project Costs:	Those costs associated with the Project that are eligible for reimbursement under the Maryland Economic Development Assistance Fund program.
Term:	The term of the Loan would be from disbursement through March 31, 2016.
Interest Rate:	Three percent (3%) fixed per annum.
Disbursement:	The Loan would be disbursed for up to 70% of incurred Eligible Project Costs.
Conditions Precedent To Funding:	(1) The Borrower will have executed a lease for at least 275,000 square feet of space at the Project Site for a term of not less than five (5) years. (2) The Borrower will expend at least ^{2,000,000} 3,000,000 of Project Costs at the Project Site, of which \$115,000

must be Eligible Project Costs against which the Loan may be disbursed.

(3) The County will have approved and funded its \$50,000 incentive match prior to or simultaneously with the Department's Loan, as required under the MEDAF program.

Repayment:

All principal and accrued interest would be deferred over the term of the Loan. In the event that all of the Performance Criteria of the Loan are met over the term, all outstanding deferred principal and accrued interest would be forgiven at the end of the Loan term. In the event that any of the Performance Criteria are not met, the Loan would be repayable as described in the Conditions section.

Performance Criteria:

(1) The Borrower will employ at least ~~140~~ ¹⁴⁰ *140 us agy* permanent, full-time employees at the Project Site by December 31, 2010.

(2) The Borrower will maintain its lease at the Project Site for the term of the Loan.

(3) The Borrower will retain at least ~~140~~ ¹⁴⁰ *140 us agy* Full-time employees at the Project Site from January 1, 2011 through December 31, 2015.

Full-time employment will be measured as of disbursement, and annually thereafter as of December 31st of each required year, with annual employment reports due to the Department no later than January 31st of the following year with the first annual reporting beginning December 31, 2010.

Conditions:

(A) If the Borrower does not meet Performance Criteria (1), (2) or (3) as described above, the Borrower would repay the Loan and all accrued interest.

(B) The Loan must close and be fully funded within six (6) months of the acceptance date of this letter.

4. **PRINCE GEORGE'S COUNTY INCENTIVES.** The County is willing to consider providing the following assistance to enable the Company to complete the Project in Prince George's County, Maryland:

(a) **Forgivable Loan:** Prince George's County has created an Incentive Leverage Fund (ILF) that is used to match State of Maryland incentive funds. The President and CEO of the Prince George's County Economic Development Corporation, Mr. Kwasi Holman, has approved the offer of a \$50,000 conditional loan for hhgregg, Inc. that will mirror the terms and conditions of the State of Maryland's MEDAF conditional loan of \$80,000 in all material aspects. The conditional loan from the Prince George's County Incentive Leverage fund requires approval from the County Executive and a resolution and vote from the County Council endorsing the project and authorizing its financing.

(b) **Workforce Services:** The Workforce Services Division (WSD) of the EDC has the responsibility of developing integrated and comprehensive solutions to the workforce needs of County employers. WSD will offer the following services for this project at no cost to the company:

- Customized Recruitment, Pre-screening, and Assessment of job candidates
- Customized Training (administrative and soft skills, up to 50 percent of shared costs)
- Screening for various tax credit opportunities due to creating new employment
- Dedicated WSD staff to provide these services

The WSD cannot use some of its program resources for recruitment of new companies. However, once hhgregg, Inc. is established in the County, WSD can partner with hhgregg Inc. to create customized, on-the-job training for a wide range of skills and provide reimbursement of up to 50% of the participant's wage rate. For example, the On-the Job-Training/Customized Training can reimburse 50% of the employer's training costs, up to \$50,000, and the Maryland Business Works program can reimburse 50% of the employer's training costs of incumbent workers, up to \$25,000. Should hhgregg, Inc. decide to locate in the County, the above mentioned training strategies are available. As this would be an expansion into our region with no displacement of workers, the programs can be implemented without the 120-day wait period.

(c) **Permit Assistance:** The Prince George's County Economic Development Corporation (EDC) will offer assistance to hhgregg, Inc. so that it will obtain building permits and a Use and Occupancy certificate in a timely manner. This service is offered as a supplement to the company's submission of permit applications. The EDC will assign a member of its staff to provide liaison activities between hhgregg, Inc. and permit review personnel in order to facilitate expedited permit review and approvals for this project.

5. **OTHER INCENTIVES.** In addition to the incentives described above, the State will provide, through the appropriate state and local governmental instrumentalities, certain incentives to induce the Company to locate in the State, including:

(a) **Job Creation Tax Credit.** The Company could be eligible for a Job Creation Tax Credit if it establishes or expands a Maryland business facility that is primarily engaged in warehousing.

To qualify for the job creation tax credit, most business entities must create at least 60 "qualified positions" (permanent newly created Maryland positions of at least 1,680 hours per year resulting from the establishment or expansion of a business facility in a single location in the state and paying at least 150% of the federal minimum wage) within a 2-year period. The 60 new job minimum is reduced to a 30 new job minimum if the aggregate annual payroll for the qualified positions exceeds the statutory threshold, which is currently \$2.89 million (for 2008).

The 60 new job minimum is reduced to 25 new jobs if the facility is located in one of the following "priority funding areas": an incorporated municipality, within the Baltimore Beltway, within the Maryland portion of the Washington, D.C. Beltway, in a federal empowerment zone, in a Maryland Enterprise Zone, in a Department of Housing and Community Development ("DHCD") designated neighborhood, in one area in a county designated by the county as a priority funding area, or in that portion of the port land use development zone that has been designated as an area appropriate for growth in the county comprehensive master plan.

Credit granted will be the lesser of \$1,000 or 2.5% of a year's wages for each new employee in a qualified position.

Based on the employees in qualified positions at the project on the schedule proposed, we estimate that the job creation tax credit would be approximately **\$133,120**. The maximum credit allowed during any credit year for a single facility is \$1 million. The credit is allowed ratably, with 1/2 to be taken in the credit year and 1/2 taken in the following year (or carried forward, if necessary). If, during the three (3) years succeeding the credit year, the average number of qualified positions falls below the applicable minimum number of qualified positions, all credits shall be recaptured. If the number of qualified positions falls more than 5%, but not below the applicable minimum number of qualified positions, then the credit is recaptured in proportion to the decline in qualified employees.

Please contact Mr. Mark Vulcan, Manager, Tax Incentives, Office of Finance Programs, DBED, at 410-767-6438, or email at mvulcan@choosemaryland.org, for additional information and to make application for the Job Creation Tax Credit.

(b) **Inventory Tax Exemptions.** Prince George's County exempts 100% of commercial inventory from county business personal property tax.

(c) **Workforce Recruitment.** The Maryland Job Service provides recruitment and screening services based on the specifications of the company at no cost. It maintains a state/nationwide data bank of job seekers. Both the Job Service and local job training agencies perform client screening for all job creation.

(d) **Maryland Commuter Tax Credit.** Maryland employers that pay for part or all of eligible monthly commuting expenses for their employees can qualify for a tax credit equal to 50% of the cost of those expenses with a cap of \$50 per employee per month. This includes expenses incurred for monthly usage of bus or rail service provided by the Washington Metropolitan Area Transit Authority or the Maryland Mass Transit Administration, MARC trains and vanpools. The credit can be claimed against State income taxes, financial institution franchise taxes, or insurance premium taxes. When combined with federal tax incentives, this State tax credit allows employers to offer a new employee benefit for a fraction of the total cost. Please call the Maryland Mass Transit Administration at 410-767-8755 for more details.

6. **CONDITIONS.** The extension of any financial assistance will be subject to the Department's and County's due diligence review of the Company's business and financial affairs and documentation satisfactory to the Department's and County's counsel. The Loan is subject to all appropriate approval authorities. A later commitment for any financial assistance will be subject to the availability of funding and adequate appropriations, the payment of applicable fees, and compliance with all applicable state and federal laws.

Any public communication (i.e., letters to legislators, press releases, discussion with local media, tombstone ads, staged events with public officials) about the proposed project must first be agreed to by the Department's Communications Office, at 410-767-6317, since erroneous or premature publicity could affect the composition of the incentives under discussion.

Recipients of the Department's financial assistance are prohibited from discriminating on the basis of race, color, sex, religion, or national or ethnic origin in the hiring of contractors (or permitting contractors to discriminate in hiring of subcontractors) for projects funded by that financial assistance. Recipients of the Department's financial assistance are encouraged to contact the Department's Equal Opportunity Office, at 410-767-6469, 401 East Pratt Street, 5th Floor, Baltimore, Maryland 21202, for assistance in identifying certified minority business enterprises as contractors and subcontractors for their project.

7. **EXPIRATION.** If this letter represents your understanding of the arrangements we have discussed, please sign and return this letter to the Department as soon as possible, but no later than **October 30, 2009**, to expedite negotiations and preserve the Project's high priority status. While this letter is intended as a non-binding expression of intent rather than an enforceable commitment, and while material provisions that will be critical to an acceptable agreement are absent from this summary, we hope that it will serve as a useful framework for the prompt completion of negotiations.

Mr. Charlie Young
September 28, 2009
Page 7 of 8

The Department invites you to contact Mr. Timothy P. Doyle, Manager, Office of Finance Programs, DBED, at 410-767-2369, toll-free at 877-821-0099, or email at tdoyle@choosemaryland.org, for details and further steps. We look forward to working with you.

Sincerely,




Christian S. Johansson
Secretary
Department of Business and Economic
Development



Kwasi G. Holman
President and CEO
Prince George's County Economic
Development Corporation

Accepted this ____ day of _____, 2009

hhgregg, Inc.

By: 
Name: Charles Young
Title: Chief In Officer

Upon signing, please return this letter directly to Ms. Kimberly Mullaney, Finance Specialist, Office of Finance Programs, DBED, 401 E. Pratt Street, Suite 1760, Baltimore, MD 21202.

cc: Mr. Timothy P. Doyle, Manager, Office of Finance Programs, DBED
Mr. Mark Vulcan, Manager, Tax Incentives, Office of Finance Programs, DBED

Mr. Charlie Young
September 28, 2009
Page 8 of 8

bcc: Mr. Bill Gardiner, Director, Business Resource & Project Analysis, Prince
George's County Economic Development
Ms. Laila Atallah, Counsel, DBED
Mr. James L. Henry, Program Director, Office of Finance Programs, DBED
Ms. Karen Glenn Hood, Deputy Director/PIO, Public Affairs & Media Relations,
Marketing and Communication, DBED
Mr. Jayson Knott, Acting Program Director, Office of Business Development, DBED
Mr. David Lewis, Acting Senior Business Development Representative, Office of
Development, DBED
Ms. Kimberly Mullaney, Finance Specialist, Office of Finance Programs, DBED
Mr. Dominick Murray, Deputy Secretary, DBED
Mr. Everett Ross, Director, EEO & Fair Practices, DBED
Mr. Jerry Sanford, Acting Manager, Business Recruitment, Office of Business
Development, DBED
Ms. Jane Silver, Work Flow Coordinator, Finance Programs Accounting and
Administration, DBED
Mr. Gary Ventry, Acting Senior Business Development Representative, Office of
Business Development, DBED
Ms. Andréa Vernot, Assistant Secretary, Marketing & Communications, DBED
Mr. Robert Walker, Assistant Secretary, Division of Business & Enterprise Development,
DBED



Charlie Young
Chief Human Resources Officer

hhgregg
4151 East 96 Street
Indianapolis, Indiana 46240
Phone: 317-569-7574

November 10, 2009

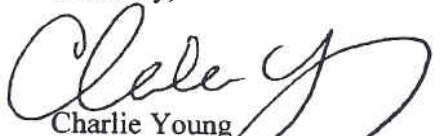
Ms. Kimberly Mullaney
Finance Specialist
Office of Finance Programs
401 E. Pratt Street, Suite 1760
Baltimore, MD 21202

Dear Kimberly:

Attached is a signed copy of Maryland's Business and Economic Development Letter. Jerry Sanford had me adjust the investment number from \$3 million to \$2 million and the jobs number from 140 to 100. I have initialed all changes.

Please call with any comments or concerns.

Sincerely,


Charlie Young
Chief Human Resources Officer