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Co-Counsel to the Debtors

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:)	Case No. 07-33849
)	Jointly Administered
MOVIE GALLERY, INC., et al., ¹)	Chapter 11
)	Hon. Douglas O. Tice, Jr.
Debtors.)	

**NOTICE OF PLAN SUPPLEMENT: FORM OF THE
PLAN ADMINISTRATOR AGREEMENT**

PLEASE TAKE NOTICE THAT the above-captioned debtors (collectively, the “Debtors”) have filed with the Court the form of the Plan Administrator Agreement,² which is attached hereto as Exhibit A.³

¹ The Debtors in these proceedings are: Movie Gallery, Inc.; Hollywood Entertainment Corporation; M.G. Digital, LLC; M.G.A. Realty I, LLC; MG Automation LLC; and Movie Gallery US, LLC.

² Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Second Amended Joint Plan of Reorganization of Movie Gallery, Inc. and Its Debtor Subsidiaries under Chapter 11 of the Bankruptcy Code.

³ Exhibit A attached hereto, the form of the Amended and Restated First Amended Lien Credit Agreement, the form of the Amended and Restated Second Lien Credit Agreement and each of the other documents filed as part of the Plan Supplement are subject to continuing review and revision by the Debtors, the First Lien Agents, the First Lien Lenders, the Second Lien Agents, the Second Lien Lenders, Sopris and the Committee.



Richmond, Virginia
Dated: April 9, 2008

/s/ Marc J. Carmel

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Co-Counsel to the Debtors

EXHIBIT A

PLAN ADMINISTRATOR AGREEMENT

by and among

Movie Gallery, Inc.; Hollywood Entertainment Corporation; M.G. Digital, LLC; M.G.A. Realty I, LLC; MG Automation LLC; and Movie Gallery US, LLC

and

William Kaye, as Plan Administrator

Dated as of April __, 2008

PLAN ADMINISTRATOR AGREEMENT

PREAMBLE

This Plan Administrator Agreement (the "Agreement") is made this __ day of April 2008, by and among Movie Gallery, Inc. ("MGI"), on behalf of itself and each of those of its subsidiaries that are Debtors under the Plan (collectively with MGI, the "Debtors"), as debtors and debtors-in-possession, and William Kaye ("Kaye"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Debtors' Second Amended Joint Chapter 11 Plan for Movie Gallery Inc. and Its Debtor Subsidiaries, dated as of February 15, 2008, as the same may from time to time be amended or modified (the "Plan").

RECITALS

WHEREAS, on the Commencement Date, voluntary petitions for reorganization under chapter 11 of the Bankruptcy Code were filed by the Debtors in the Bankruptcy Court; and

WHEREAS, on April __, 2008, the Bankruptcy Court entered the Confirmation Order; and

WHEREAS, the Plan and Confirmation Order contemplate that a plan administrator will be appointed to perform its duties in accordance with the Plan, the Confirmation Order and this Agreement (the "Plan Administrator") and that the same person shall serve as the trustee ("Litigation Trustee") under the agreement establishing the Litigation Trust provided for by the Plan; and

WHEREAS, pursuant to the Plan, the Committee has designated Kaye as the Plan Administrator, which designation was approved by entry of the Confirmation Order, and, effective upon the date hereof, Kaye is willing to serve as Plan Administrator, in each case upon the terms set forth herein and pursuant to the Plan, the Confirmation Order and this Agreement;

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

ACCEPTANCE OF POSITION **OBLIGATION TO PAY CLAIMS, FIDUCIARY OF THE ESTATES**

Section 1.1 Acceptance. (a) Kaye hereby accepts appointment as the Plan Administrator; and (b) Kaye agrees to observe and perform all duties and obligations imposed upon the Plan Administrator under the Plan, the Confirmation Order, this Agreement, other orders of the Bankruptcy Court, and applicable law. Kaye also shall serve in the capacity of Litigation Trustee.

Section 1.2 Fiduciary. The Plan Administrator shall be a fiduciary of each of the Estates and shall perform his obligations consistent with the Plan, this Agreement, the Confirmation Order and other applicable orders of the Bankruptcy Court.

Section 1.3 Independent Contractor. The parties intend that an independent contractor relationship will be created by this agreement and neither Kaye nor Debtors shall be considered an employee, agent or representative of the other. Employees or agents of Kaye are not to be entitled to any benefits that the Debtors provide for the Debtors' employees.

ARTICLE II

OBLIGATIONS OF THE PLAN ADMINISTRATOR

Section 2.1 Prosecution of Objections to Claims. From the later of the date hereof or the Effective Date, the Plan Administrator shall perform the duties as set forth in Section VIII.A.2. of the Plan.

Section 2.2 Claims Estimation. From the later of the date hereof or the Effective Date, the Plan Administrator shall perform the duties as set forth in Section VIII.A.3. of the Plan.

Section 2.3 No Other Duties. Other than the duties and obligations of the Plan Administrator specifically set forth in this Agreement, the Plan, or the Confirmation Order, the Plan Administrator shall have no duties or obligations of any kind or nature with respect to his employment or position as such and may serve without a bond or similar undertaking.

POWERS AND RIGHTS OF THE PLAN ADMINISTRATOR

Section 3.1 Powers of the Plan Administrator. The Plan Administrator shall have the following specific powers in addition to any powers conferred upon the Plan Administrator by any other section or provision of this Agreement, the Plan or the Confirmation Order; provided, however, that the enumeration of the following powers shall not be considered in any way to limit or control the power or obligation of the Plan Administrator to act as specifically authorized by any other section or provision of this Agreement or by order of the Bankruptcy Court:

- (a) comply with the Plan and the obligations thereunder;
- (b) as to General Unsecured Claims, manage and supervise the exercise of his exclusive authority to File objections to such Claims, settle, compromise, withdraw or litigate to judgment objections to any such Claims, regardless of whether such Claims are in a Class or otherwise;
- (c) as to General Unsecured Claims, manage and supervise the exercise of his permissive authority to settle or compromise any Disputed Claim and the exercise of his sole authority to administer and adjust the Claims Register to reflect any such settlements or compromises;
- (d) as to General Unsecured Claims, manage and supervise the exercise of his permissive authority to request that the Bankruptcy Court estimate (a) any Disputed Claim

pursuant to applicable law and (b) any Contingent or unliquidated Claim pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, regardless of whether the Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection;

(e) in order to minimize expenses, obtain the assistance of personnel of the Debtors who the Plan Administrator, in his sole authority, deems necessary to perform his functions hereunder and under the Plan, provided that his request for their assistance is reasonable;

(f) require appropriate personnel from the Debtors' real estate department to meet in person from time to time with the Plan Administrator and/or his professionals, employees or agents at a mutually convenient venue, provided that such requests for meetings are reasonable;

(g) select and pay (in a manner not inconsistent with the budget or budgets that are subject to approval by Sopris pursuant to section 3.1(h)) legal counsel and other professionals, employees or agents of the Plan Administrator with respect to the review of, objections to, other litigation with respect to, withdrawal of litigation of, the settlement or compromise of and the estimation of Disputed General Unsecured Claims or the estimation of contingent or unliquidated Claims;

(h) establish a budget for outside expenditures, including professionals, employees or agents of the Plan Administrator, as set forth above, with respect to the matters he supervises for the first four (4) months following the Effective Date and for each succeeding three (3) month period, in each case subject to the approval of Sopris; and

(i) establish contingent fee arrangements for outside professionals, if applicable and appropriate (in a manner not inconsistent with the budget or budgets that are subject to approval by Sopris pursuant to section 3.1(h)).

Section 3.2 Employees and Agents. The Plan Administrator is empowered (to the extent that there are sufficient funds therefor in the applicable budget): (a) to elect, appoint, engage, retain and employ any Persons as agents, representatives, employees, professionals or independent contractors (including, in each case, through the delegation of such functions to members and employees of the Plan Administrator) in one or more capacities as is reasonably necessary to enable the Plan Administrator to implement this Agreement and his duties under the Plan; (b) subject to the Plan, to pay from the budget fees to and to reimburse the expenses of those employees, agents, professionals or independent contractors elected, appointed, engaged, retained or employed by the Plan Administrator; (c) to prescribe the titles, powers and duties, terms of service and other terms and conditions of the election, appointment, engagement, retention, or employment of such Persons as are reasonable and appropriate.

THE PLAN ADMINISTRATOR

Section 4.1 Staffing. As and to the extent set forth above, the Plan Administrator may employ professionals, employees or agents.

Section 4.2 Departure of Personnel. The Plan Administrator shall have the right to replace any of his own professionals, employees or agents, providing services under his supervision pursuant to the Plan or this Agreement.

Section 4.3 Transactions with Related Persons. Notwithstanding any other provisions of this Agreement, the Plan Administrator shall not knowingly, directly or indirectly, supervise the settlement, compromise, withdrawal or litigation of objections or the request that the Bankruptcy Court estimate any or all Claims of (a) any relative, employee, or agent (acting in their individual capacities) of the Plan Administrator or (b) any person of which the Plan Administrator or any employee or agent of the Plan Administrator is an affiliate by reason of being a trustee, director, officer, partner, or direct or indirect beneficial owner of five percent (5%) or more of the outstanding capital stock, shares, or other equity interest of such persons unless, in each such case, after full disclosure of such interest or affiliation, such supervision is approved by the member of the Litigation Trust Committee appointed by the Committee or his or her successor or, if none, appointed by the Bankruptcy Court (the "Designated LT Committee Member") and the Debtors.

Section 4.4 Resignation. The Plan Administrator may resign as Plan Administrator by giving not less than sixty (60) days' prior notice thereof to the Designated LT Committee Member and shall so resign if he or she resigns from his or her role as Litigation Trustee, *provided that* thirty (30) days' prior notice shall be sufficient in the case of a resignation in connection with the denial by Sopris of a request for (a) approval of a budget or expenditure for insurance hereunder by the Plan Administrator or (b) for additional funding under the Litigation Trust Agreement for the Debtors.

Section 4.5 Removal. The Bankruptcy Court may remove the Plan Administrator on motion of the Debtors, the Reorganized Debtors or a party-in-interest not holding a Disputed Claim and such person shall be automatically removed if the person serving as Plan Administrator is removed from his or her role as Litigation Trustee under the Litigation Trust Agreement for reasons other than the termination of the Litigation Trust, as of the effective date of his or her removal as Litigation Trustee.

Section 4.6 Certain Effects of Termination. Contemporaneously with the removal or resignation of Kaye as the Plan Administrator, the Plan Administrator shall (a) execute and deliver such documents, instruments, and other writings as may be reasonably requested by the Debtors or the Bankruptcy Court to effect the termination of the Plan Administrator's capacity under this Agreement, and related agreements, including, but not limited to, appropriate confidentiality agreements, and (b) assist and cooperate in effecting the assumption of Kaye's obligations and functions by the successor Plan Administrator. If for any reason the Plan Administrator fails to execute the documents described in section (a) of the preceding sentence, the Debtors shall be authorized to obtain an order of the Bankruptcy Court effecting such termination of Kaye's capacity under this Agreement.

Section 4.7 Standard of Care. The Plan Administrator, his affiliates, professionals, employees and agents or any of their respective officers, directors and employees (each a "Kaye Person"), to the fullest extent permitted by applicable law, shall not be personally liable to any person (including, but not limited to, the Debtors, the Litigation Trust or any holders of Allowed

Claims) for actions taken under or pursuant to this Agreement or otherwise as Plan Administrator, except to the extent that its, his or her own acts constitute willful misconduct, gross negligence, bad faith or fraud.

Section 4.8 Indemnification.

(a) As a material part of the consideration for the Plan Administrator to furnish his services under this Agreement, in the event that any Kaye Person becomes involved in any capacity in any claim, suit, action, proceeding, or investigation (including, without limitation, any shareholder or derivative action or arbitration proceeding) (collectively, a “Proceeding”) in connection with any matter in any way relating to this Agreement or arising out of the matters contemplated by this Agreement, the Debtors agree to indemnify, defend and hold each such Kaye Person harmless to the fullest extent permitted by law, from and against any losses, claims, damages, liabilities and expenses in connection with any matter in any way relating to this Agreement or arising out of the matters contemplated by this Agreement, except to the extent that it shall be determined by a court of competent jurisdiction in a judgment that has become final in that it is no longer subject to appeal or other review that such losses, claims, damages, liabilities and/or expenses resulted primarily from the willful misconduct, gross negligence, bad faith, or fraud of that Kaye Person. In addition, in the event that any Kaye Person becomes involved in any capacity in any Proceeding in connection with any matter in any way relating to this Agreement or arising out of the matters contemplated by this Agreement (except to the extent such Proceeding is a result of, or related to, a Kaye Person’s violation or breach of any of the terms of the Plan, the Agreement, the Confirmation Order or other applicable order as determined by a court of competent jurisdiction in a judgment or finding, as applicable, that has become final in that it is no longer subject to appeal or other review), the Debtors agree to reimburse such Kaye Person for its reasonable legal and other expenses (including the cost of any investigation and preparation) as such expenses are incurred by such Kaye Person in connection therewith, subject to the obligation of such Kaye Person to repay such reimbursement if it is ultimately determined that such Kaye Person is not entitled to such reimbursement.

(b) To the extent the Debtors are obligated to indemnify and hold harmless any Kaye Person in accordance with Section 4.8(a) above, the Plan Administrator shall use his reasonable commercial efforts to cause any out-of-pocket costs or expenses incurred by such Kaye Person in connection with any Proceeding to be paid from any available insurance.

Section 4.9 Insurance. The Plan Administrator, after consulting with Sopris, shall be authorized to have the Debtors renew and/or obtain, and fund from the budget, all reasonably necessary insurance coverage for itself, its agents, representatives, employees, professionals or independent contractors, including, but not limited to, coverage with respect to the liabilities, duties and obligations of the Plan Administrator and its agents, representatives, employees, professionals or independent contractors under this Agreement (in the form of an errors and omissions policy or otherwise), which insurance coverage may remain in effect for a reasonable period (not to exceed seven years) after the termination of this Agreement.

Section 4.10 Reliance by Plan Administrator. To the fullest extent permitted by applicable law, the Plan Administrator may rely, and shall be fully protected in acting or

refraining from acting if it relies, upon any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, or other instrument or document that the Plan Administrator reasonably believes to be genuine and to have been signed or presented by the proper party or parties or, in the case of e-mails or facsimiles, have been sent by the proper party or parties, and the Plan Administrator may conclusively rely as to the truth of the statements and correctness of the opinions expressed therein. To the fullest extent permitted by applicable law, the Plan Administrator may consult with counsel and other professionals with respect to matters in their area of expertise, and any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or not taken by the Plan Administrator. To the fullest extent permitted by applicable law, the Plan Administrator shall be entitled to rely upon the advice of such professionals in acting or failing to act, and shall not be liable for any act taken or not taken in reliance thereon, except as set forth above in Section 4.7. To the fullest extent permitted by applicable law, the Plan Administrator shall have the right at any time to seek and rely upon instructions from the Bankruptcy Court concerning this Agreement, the Plan, or any other document executed in connection therewith, and the Plan Administrator shall be entitled to rely upon such instructions in acting or failing to act and shall not be liable for any act taken or not taken in reliance thereon.

Section 4.11 Reliance by Persons Dealing with the Plan Administrator. In the absence of actual knowledge to the contrary, any person dealing with the Debtors and the Estate(s) shall be entitled to rely on the authority of the Plan Administrator to act on behalf of the Debtors and the Estates, and shall have no obligation to inquire into the existence of such authority.

Section 4.12 Confidentiality; Acknowledgment; Non-Solicitation. Kaye agrees that for 3 years from his termination, removal or resignation no Kaye Person will disclose to any other person or entity, or use for any purpose other than specified herein, any information pertaining to the Debtors which either is non-public, confidential or proprietary in nature (“Information”) which a Kaye Person obtains, or is given access to, in connection with the performance of the services to be provided hereunder. Information includes but is not limited to data, plans, reports, schedules, drawings, accounts, records, calculations, specifications, flow sheets, computer programs, source or object codes, results, models, or any work product relating to the business of the Debtors, Debtors’ affiliates, vendors, customers, employees, contractors and consultants. The Debtors acknowledge that all advice (written or oral) given by Kaye to Debtors in connection with Kaye’s engagement is intended solely for the benefit and use of the Debtors’ senior management in considering the matters to which that information relates. The Debtors agree that no such advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time in any manner or for any purpose other than accomplishing the tasks and programs referred to herein without Kaye’s prior approval (which shall not be unreasonably withheld) except as required by law. The Debtors further agree not to solicit, recruit or hire any employees or agents of Kaye for a period of two years subsequent to Kaye’s termination, removal or resignation. This section shall survive the termination of the Agreement.

ARTICLE V

COMPENSATION

Section 5.1 The Plan Administrator shall be entitled receive the compensation and reimbursement for expenses set forth in Schedule A hereto.

ARTICLE VI

TERMINATION

Section 6.1 Term. The term (the “Term”) of this Agreement shall commence on the Effective Date and end on the first to occur of (i) the effective date of the removal of the Plan Administrator in accordance with Section 4.4 hereof, (ii) the date as of which the Plan Administrator resigns and (iii) the date on which the order granting the final decree closing the last Debtor’s Case that has not yet been closed becomes a Final Order.

Section 6.2 Effect of Termination. In the event the Plan Administrator is terminated in accordance with this Agreement and the Plan, the Plan Administrator shall be compensated and reimbursed for expenses subject to, and in the manner set forth in Schedule A hereto through and including the date of such termination.

Section 6.3 No Other Obligations upon Termination. After the termination of this Agreement, the Plan Administrator shall have no further duties or obligations hereunder, except as specifically provided herein.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.1 Descriptive Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 7.2 Amendment and Waiver. This Agreement may not be amended except by an instrument executed (a) by the Debtors, the Committee and the Plan Administrator on or before the Effective Date and (b) by the Debtors, Designated LT Committee Member and the Plan Administrator following the Effective Date.

Section 7.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the rules of conflict of laws of the State of New York or any other jurisdiction.

Section 7.4 Counterparts; Effectiveness. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement. This Agreement shall become effective when each party hereto shall have received counterparts thereof signed by all the other parties hereto.

Section 7.5 Severability; Validity. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but to the extent that any provision of this Agreement or the application thereof to any person or circumstance is held invalid or unenforceable, the remainder of this Agreement, and the application of such provision to other persons or circumstances, shall not be affected thereby, and to such end, the provisions of this Agreement are agreed to be severable.

Section 7.6 Notices. Any notice or other communication hereunder shall be in writing and shall be deemed given upon (a) confirmation of receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand, or (c) the expiration of five (5) Business Days after the day when mailed by registered or certified mail (postage prepaid, return receipt requested), addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by like notice):*If to the Plan*

Administrator:

William Kaye
31 Rose Lane
East Rockaway, NY 11518
Telephone: (516) 374-3705; Fax: (516) 569-6531
Email: billkaye@jllconsultants.com

If to the Committee:

Movie Gallery Committee
c/o Pachulski Stang Ziehl & Jones LLP
Att: Robert J. Feinstein, Esq.
780 Third Avenue, 36th Floor
New York, NY 10017
Telephone: (212) 561-7700; Fax (212) 561-7777
Email: Rfeinstein@pszjlaw.com

If to the Designated LT Committee Member:

If to the Debtors:

Movie Gallery, Inc.
Movie Gallery US, LLC
Hollywood Entertainment Corporation
Att: J.T. Malugen
900 West Main Street
Dothan, Alabama 36301

With a copy to:

Kirkland & Ellis LLP
Att: Anup Sathy, Esq.
200 E. Randolph
Chicago, IL 60601-6636

And

Sopris Capital Advisors LLC
c/o John A. Bicks
Sonnenschein Nath & Rosenthal LLP
1221 Avenue of the Americas
New York, NY 10020-1089
Telephone: 212.768.6700; Fax: 212.768.6800

Section 7.7 Change of Address. Any entity may change the address at which it is to receive notices under this Agreement by furnishing written notice to the parties listed in section 6.1. Such change of address shall be effective ten (10) Business Days after service of such notice.

Section 7.8 Relationship to Plan. The principal purpose of this Agreement is to aid in the implementation of the Plan and, therefore, this Agreement incorporates and is subject to the provisions of the Plan. To that end, the Plan Administrator shall have full power and authority to take any action consistent with the purposes and provisions of the Plan. In the event that the provisions of this Agreement are found to be inconsistent with the provisions of the Plan or the Confirmation Order, the provisions of the Plan or Confirmation Order, as the case may be, shall control.

Section 7.9 Meaning of Terms. Except where the context otherwise requires, words importing the masculine gender include the feminine and the neuter, if appropriate, and words importing the singular number include the plural number and vice versa.

Section 7.10 Retention of Jurisdiction. As provided in Article XII of the Plan, the Bankruptcy Court shall retain jurisdiction over the Estates and Chapter 11 Cases to the fullest extent permitted by law, including, but not limited to, for the purposes of interpreting and implementing the provisions of this Agreement.

Section 7.11 Representation and Warranty of Plan Administrator. Kaye represents and warrants to the Debtors and the Committee that the execution, delivery and performance of this Agreement by Kaye will not, with or without the giving of notice and the lapse of time, or both: (a) violate any provision of law, statute, rule, regulation or executive order to which Kaye is subject; (b) violate any judgment, order, writ or decree of any court to which Kaye is subject; or (c) result in the breach of or conflict with any term, covenant, condition or provision of any agreement or instrument (including, but not limited to, any non-competition or confidentiality agreement) to which Kaye is a party.

IN WITNESS WHEREOF, the parties have either executed and acknowledged this Agreement or caused it to be executed and acknowledged on their behalf by their duly authorized officers at of the date first above written.

MOVIE GALLERY, INC. (on behalf of itself and each of its Debtor Subsidiaries) PLAN ADMINISTRATOR

By: _____
Name:
Title:

By: _____
Name: William Kaye

The undersigned hereby consent to the foregoing Agreement:

OFFICIAL COMMITTEE OF
UNSECURED CREDITORS
OF MOVIE GALLERY, INC. AND EACH
OF ITS DEBTOR SUBSIDIARIES

SOPRIS CAPITAL ADVISORS LLC

By: _____
Name:
Title:

By: _____
Name:
Title: Authorized Member

SCHEDULE A

COMPENSATION

- I **No Base Fee.** In consideration for the services to be provided by Kaye under the Agreement, the Plan, the Confirmation Order or other applicable order, during the Term, the Debtors shall have no obligation to pay to Kaye any base fee (the “Base Fee”).
- II **Contingent Fee.** The Plan Administrator shall receive the following compensation, all of which shall be paid in shares of New Common Stock of Reorganized Movie Gallery calculated at a presumed \$10 per share:
- A. For the reduction of a Claim(s) without litigation:
1. For duplicative or mis-categorized Claims, nothing.
 2. For non-landlord Claims: 33 1/3% percent of the Share Savings¹ from the successful objection or less according to a scale (the “Scale”).²
 3. For lease rejection Claims,
 - a) The Debtors’ real estate department (the “Real Estate Department”) shall determine the maximum damages amount of damages for termination of the subject lease under Bankruptcy Code section 502(b)(6), which

¹ For purposes hereof, “Share Savings” means the number of shares determined by (a) beginning with the dollar amount by which the Claim was reduced, (b) dividing such reduction amount by the dollar amount of the Claim before such reduction, and (c) multiplying such resulting fraction by the number of shares that would have been distributed in respect of such Claim if the Claim had not been reduced; provided that, as to Claim #2646, filed by William Nixon, in the amount of \$90 million (as may be amended from time to time) to which the Debtors already have objected, this calculation shall be undertaken assuming the beginning Claim amount is \$1.5 million, instead of \$90 million. To enable contemporaneous payment to the Plan Administrator upon successful objection, payment to the Plan Administrator may be made, initially, using the Claims amount (Allowed or Disputed) for other Claims as exist at such time and, thereafter, additional payments shall be made as other Claims or portions thereof are disallowed, increasing the value of the subject Claims reduction.

² As to any particular non-landlord Claim or identified Unpaid Rent Claim, if the Share Savings at \$10 per share would result in savings in excess of \$250,000, the fee for the additional portions of the savings in excess of \$250,000 shall be reduced as follows:

Portion of Savings >\$250,000	>\$250K ≤\$500K	>\$500K ≤\$1MM	>\$1MM ≤\$5MM	>\$5MM
Non-Lit Fee %	20%	15%	7.5%	2%
Lit Fee %	7%	5%	2.5%	1%

determination shall be subject to review by and the reasonable approval of the Plan Administrator (the “Damages Cap”);³

- b) With respect to a reduction in such a Claim, the Plan Administrator then shall receive the greater of:
 - i) 33 1/3% of the Share Savings for the reduction in the dollar amount of the Claim below the Damages Cap; and
 - ii) \$500 in Stock (50 shares) if the Claim was in an amount higher than the Damages Cap and its amount is reduced to at least the Damages Cap; provided that
- c) if the Plan Administrator can provide the Debtors reasonable documentation establishing the portions of the Claim made with respect to Unpaid Rent Claims⁴, then the calculations set forth in section II.A.3.b. hereof shall be undertaken without respect to Unpaid Rent Claims and, in addition thereto, with respect to a reduction in Unpaid Rent Claims, the Plan Administrator shall receive 33 1/3% of the Share Savings (or less according to the Scale).

B. For the reduction of Claim(s) with litigation:

- 1. For duplicative or mis-categorized Claims, nothing.
- 2. For non-landlord Claims: 10% of the Share Savings from the successful objection (or less according to the Scale).
- 3. For lease rejection Claims:
 - a) With respect to a reduction in such a Claim, after determination of the Damages Cap as set forth above in section II.A.3.a. above, the Plan Administrator then shall receive the greater of:
 - i) 10% of the Share Savings for the reduction in the dollar amount of the Claim below the Damages Cap; and
 - ii) \$500 in Stock (50 shares) if the Claim was in an amount higher than the Damages Cap and its amount is reduced to at least the Damages Cap; provided that

³ If the amount of the Damages Cap for a claim cannot be resolved by the Debtors and Plan Administrator or by a process or in a manner to which they agree, the matter may be resolved by the Bankruptcy Court or, if unavailable, another court of competent jurisdiction.

⁴ For purposes hereof, “Unpaid Rent Claims” means the portion of a claim of a lessor for damages relating to the termination of a lease of real property arising under Bankruptcy Code section 502(b)(6)(B).

- b) if the Plan Administrator can provide the Debtors reasonable documentation establishing the portions of the Claim made with respect to Unpaid Rent Claims, then the calculations set forth in section II.B.3.a. hereof shall be undertaken without respect to Unpaid Rent Claims and, in addition thereto, with respect to a reduction in Unpaid Rent Claims, the Plan Administrator shall receive 10% of the Share Savings (or less according to the Scale).
- C. Additional limitations on the Contingent Fee are as follows:
- 1. In no event may the contingent fee payable with respect to any single Claim exceed \$75,000 in value, calculated at \$10 per share; and
 - 2. In all events the shares payable hereunder to a Plan Administrator shall be less than ten percent (10%) of the total shares distributable to holders of claims in Classes 7A, 7B and 7E under the Plan.
- D. The issuance of the New Common Stock, including any shares to which the Plan Administrator may become entitled hereunder ("Plan Administrator Shares"), is expected to be exempt from federal and state securities registration by reason of section 1145 of the Bankruptcy Code. If, however, the applicability of the section 1145 exemption is not affirmed in the Confirmation Order, then Plan Administrator Shares may be issued to the Plan Administrator in reliance upon the "private offering" exemption(s) provided by Section 4(2) of the Securities Act of 1933, as amended (the "Act"), and/or Regulation D of the U.S. Securities and Exchange Commission, in which case such shares shall have the status of "restricted securities." In such event, the Plan Administrator shall: (1) make any customary investor representations reasonably necessary in support of such private offering exemptions; (2) be entitled to sell or dispose of Plan Administrator Shares in any manner that complies with applicable securities laws; and (3) be entitled to commercially reasonable "piggy-back" registration rights in connection with the registration by Reorganized Movie Gallery of any other shares of New Common Stock under the Act if any such Plan Administrator Shares are not reasonably anticipated (as of any time after their delivery) to be otherwise freely transferable securities, subject to any sales volume limitations imposed by law, within six (6) months from their delivery to the Plan Administrator.

III Expenses.

During the Term, Kaye shall be reimbursed for reasonable out-of-pocket expenses incurred by him or any Kaye Person in connection with performing the duties provided hereunder. The expenses for which Kaye is entitled to be reimbursed include, without limitation, travel, lodging, duplicating, expert and witness fees and expenses, postage, computer research, messenger service and telephone service. Kaye shall periodically provide an itemized expense report with supporting documents as reasonably requested by the Debtors. If the Debtors reasonably object to any portion of such requests for expense reimbursement within twenty (20)

days of the receipt of such report because the incurrence of such expense was not reasonable, Kaye shall not be entitled to reimbursement for the portion of the expenses objected to until resolved. In the event the Debtors are unable to resolve a dispute with Kaye as to an expense reimbursement, the Debtors or Kaye, as the case may be, may elect to submit any such dispute to the Bankruptcy Court.