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Proposed Co-Counsel to the Debtors

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

In re:)	Case No. 07-_____
)	Jointly Administered
MOVIE GALLERY, INC., et al., ¹)	Chapter 11
)	
Debtors.)	
)	

**MOTION OF THE DEBTORS FOR AN ORDER AUTHORIZING THE DEBTORS TO
(A) CONTINUE INSURANCE COVERAGE ENTERED INTO PREPETITION,
(B) ENTER INTO NEW INSURANCE POLICIES, (C) MAINTAIN POSTPETITION
FINANCING OF INSURANCE PREMIUMS AND (D) ENTER INTO NEW
POSTPETITION FINANCING AGREEMENTS**

The above-captioned debtors (collectively, the “Debtors”) hereby move the Court, pursuant to this motion (the “Motion”), for the entry of an order substantially in the form of Exhibit A, authorizing the Debtors to (a) continue insurance coverage entered into prepetition (not including paying any self insured retention amounts), (b) enter into new insurance policies

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



through renewal of the current insurance policies or purchase of new policies, (c) maintain premium financing agreements for insurance coverage entered into prepetition and (d) enter into new postpetition premium financing agreements. In support of this Motion, the Debtors respectfully state as follows:²

Jurisdiction

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).
2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.
3. The statutory bases for the relief requested herein are sections 105(a), 363(b) and 364(c) of the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”).

Background

4. On the date hereof (the “Commencement Date”), each of the Debtors filed a petition with the Court under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases, and no committees have been appointed or designated. Concurrently with the filing of this Motion, the Debtors have sought procedural consolidation and joint administration of these chapter 11 cases.

5. The Debtors are the second largest North American home entertainment specialty retailer. They currently operate approximately 4,200 retail stores located throughout all 50

² The facts and circumstances supporting this Motion are set forth in the Affidavit of William C. Kosturos, Chief Restructuring Officer of Movie Gallery, Inc., in Support of First Day Motions (the “First Day Affidavit”), filed contemporaneously herewith.

states. They rent and sell DVDs, videocassettes and video games through three distinct brands — Movie Gallery, Hollywood Video and Game Crazy.

6. In 2006, the aggregate annual revenues of the Debtors and their non-Debtor affiliates, including rental revenue and product sales, exceeded \$2.5 billion. Of this amount, approximately 56% was attributed to DVD rentals, 15% to the sale of previously-rented DVDs, VHS cassettes and video games, 13% to the sale of new and used gaming products, 7% to game rentals, 4% to the sale of concessions and other miscellaneous products, 3% to the sale of movie-related products and merchandise and 2% to VHS cassette rentals. As of September 2, 2007, the Debtors and their non-Debtor affiliates employed approximately 38,800 employees, including approximately 7,500 full-time employees and 31,300 part-time employees.

7. Several factors have led to the filing of these chapter 11 cases. First, the video rental industry is highly competitive. The Debtors face direct competition from competitors such as Blockbuster and Netflix and indirect competition from pay-per-view, cable television and big-box retailers who sell DVDs at increasingly lower prices. Furthermore, recent box office receipts of rental releases have declined over the previous year, contributing to an industry-wide decline in demand for video rentals. Finally, as the Debtors' financial performance has deteriorated, they have experienced contracting trade terms, which have had a negative impact on the Debtors' liquidity, which, in turn, has contributed to the Debtors' inability to comply with certain financial covenants under their credit agreements.

8. In the ordinary course of business, the Debtors maintain in current effect numerous insurance policies providing coverage for, among other things, general liability, property, media liability, automotive, workers' compensation liability, commercial umbrella and

excess liability, fiduciary and criminal liability, aircraft and directors and officers' liability (collectively, the "Policies"). A detailed list of the Debtors' current Policies is attached hereto as Exhibit B. The Policies are essential to the preservation of the value of the Debtors' business, property and assets. In many cases, insurance coverage such as that provided by the Policies is required by the diverse regulations, laws and contracts that govern the Debtors' commercial activities. Further, Guidelines of the Office of the United States Trustee for the Eastern District of Virginia require debtors to maintain insurance coverage throughout the chapter 11 proceedings.

9. The Debtors do not believe that they need Court approval to maintain their existing Policies. Moreover, prior to the Commencement Date, the Debtors were not in default for any payments due under the Policies. Out of an abundance of caution, however, the Debtors, by this Motion, seek entry of an order authorizing them to pay prepetition insurance premiums, if any, necessary to maintain insurance coverage in current effect and, at their sole discretion, revise, supplement or change insurance coverage as needed.

10. For 2007, the annual premiums for the Policies total approximately \$4.1 million. While the majority of the Policies are prepaid, the Debtors have financed a portion of the insurance premiums for the general liability, workers' compensation and automotive policies with a down payment and monthly installments. In addition, the general liability policy requires the Debtors to pay a \$500,000 Self Insured Retention payment per occurrence (each, a "SIR Payment").

11. It is not always economically advantageous for the Debtors to pay the premiums on the Policies at inception. Accordingly, in the ordinary course of the Debtors' business, the

Debtors may choose to finance the premiums on some of their policies pursuant to premium financing agreements with third-party lenders (each, a “PFA”). As of the Commencement Date, the Debtors maintain a PFA financed by Siuprem, Inc. with respect to the property insurance policy issued by Zurich American Insurance Company (the “Existing PFA”). A copy of the Existing PFA is attached hereto as Exhibit C. The Existing PFA requires eight monthly installments of \$72,609.57 beginning May 27, 2007 with a final payment on December 27, 2007 for a policy that provides insurance coverage through May 1, 2008. The Existing PFA bears an interest rate of 6.9% on the total financed amount of \$566,130, resulting in a total finance charge of approximately \$15,000. The Debtors maintain other insurance policies on which they may pay the insurer periodic payments for coverage; however, that payment schedule does not include finance charges.

12. If the Debtors are unable to continue making payments on the Existing PFA, under the terms of the Existing PFA, the premium financier will be permitted to terminate the property insurance policy. The Debtors would then be required to obtain replacement insurance on an expedited basis. If the Debtors were required to obtain replacement insurance and to pay a lump sum premium for such insurance policy in advance, this payment likely would be greater than what the Debtors currently pay. Even if the premium financier was not permitted to terminate the property insurance policy, any interruption of payment would have a severe, adverse effect on the Debtors’ ability to finance premiums for future policies.

13. In view of the importance of maintaining insurance coverage with respect to their business activities and preserving the Debtors’ liquidity by financing the insurance premiums, the Debtors believe it is in the best interests of their estates to authorize the Debtors to honor

their monthly obligations under the Existing PFA, to renew the Existing PFA and enter into new PFAs as necessary. The Debtors will need to continue their insurance coverage throughout the entire duration of these chapter 11 cases. By spreading out the cost of the Policies over the applicable coverage period, PFAs often provide liquidity advantages as compared to the payment of up-front lump sums for insurance coverage.

14. The Debtors believe that the renewal or negotiation of PFAs falls squarely within the ordinary course of their business, and, but for the constraints of section 364, the Debtors would not need the Court's prior approval to enter into new premium financing agreements. To reduce the administrative burden of these chapter 11 cases, as well as the expense of operating as debtors in possession, the Debtors seek the Court's authority now to continue making payments under the Existing PFA, renew their Existing PFA and enter into new PFAs without further Court approval.

Relief Requested

15. By this Motion, the Debtors request authority to: (a) continue their Policies uninterrupted, including by paying any prepetition premiums related to their Policies (not including any SIR Payments) to the extent that the Debtors determine in their discretion that such payment is necessary or appropriate; (b) enter into new insurance policies through renewal of the Policies or purchase of new policies; (c) continue the Existing PFA; and (d) enter into new PFAs related to the existing Policies and new insurance policies in the ordinary course of their business.

Basis for Relief

16. The Court may authorize the Debtors to maintain the Policies and to pay prepetition premiums necessary to maintain insurance coverage pursuant to section 363(b)(1) of the Bankruptcy Code. Moreover, section 105(a) of the Bankruptcy Code provides the legal basis for the Court to authorize payment of prepetition claims out of necessity. Additionally, the Debtors may enter into new PFAs pursuant to section 364 of the Bankruptcy Code because they are unable to obtain unsecured credit and the borrowing is in the best interests of the estates.

17. The Court may grant the relief requested herein pursuant to section 363. Section 363 provides, in relevant part, that “[t]he [debtor], after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1). Under this section, a court may authorize a debtor to pay certain prepetition claims. See In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (affirming lower court order authorizing payment of prepetition wage claims pursuant to section 363(b)). To do so, “the debtor must articulate some business justification, other than the mere appeasement of major creditors.” Id.

18. The Court may also rely on its general equitable powers to grant the relief requested in this Motion as codified in section 105(a). Section 105 empowers the Court to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. § 105(a). A bankruptcy court’s use of its equitable powers to “authorize the payment of prepetition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept.” Ionosphere Clubs, 98 B.R. at 175-176 (citing Miltenberger v. Logansport, C. & S.W. R.Co., 106 U.S. 286 (1882)). Section 105(a) authorizes a

court to “permit pre-plan payment of a pre-petition obligation when essential to the continued operation of the debtor.” In re NVR L.P., 147 B.R. 126, 127 (Bankr. E.D. Va. 1992); see also In re Just for Feet, Inc., 242 B.R. 821, 825 (D. Del. 1999).

19. Application of section 105(a) in the context of this Motion is also appropriate because the relief requested herein is consistent with the rehabilitative policy of chapter 11 of the Bankruptcy Code. A debtor in possession is a fiduciary with a duty to protect and preserve the estates, including the value of the business as a going concern. In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002) (“There are occasions when this [fiduciary] duty can only be fulfilled by the preplan satisfaction of a prepetition claim.”). Granting the relief requested in this Motion will enhance the likelihood of the Debtors’ successful rehabilitation, maximize the value of the estates’ assets and thus benefit the estates’ creditors.

20. Paying outstanding prepetition premium amounts will benefit the estates and their creditors by allowing the Debtors’ business operations to continue without interruption. As discussed herein, the maintenance of the Policies is critical to the preservation of the value of the Debtors’ estates. In addition, payment of any unpaid prepetition amounts is necessary to keep their insurance policies in current effect and to ensure that there are not inadvertent lapses in coverage. Accordingly, the Debtors believe it is in the best interest of their creditors to authorize the Debtors to maintain the Policies.

21. The Court may also grant the relief requested herein pursuant to section 364 of the Bankruptcy Code. Section 364 provides, in relevant part, “[i]f the [debtor] is unable to obtain unsecured credit . . . , the court, after notice and a hearing, may authorize the obtaining of [secured] credit or the incurring of [secured] debt . . .” 11 U.S.C. § 364(c). In short, Section 364

authorizes a debtor, in the exercise of its business judgment, to incur secured debt if the debtor has been unable to obtain unsecured credit and the borrowing is in the best interests of the estates. See, e.g., In re Mastercraft Interiors, Ltd., Case Nos. 06-12769, 06-12770, 2006 WL 4595946, at *4 (Bankr. D. Md. Aug. 10, 2006) (authorizing the debtor's purchase of secured financing because the debtor's financing needs were "immediate and critical" to the success of the proceedings and the debtor was unable to obtain unsecured credit); In re The Rowe Cos., Case No. 06-11142 (SSM) (Bankr. E.D. Va. Sept. 20, 2006) (authorizing the debtors to enter into postpetition financing agreements for insurance premiums); In re Budget Group, Inc., Case No. 02-12152, 2002 Bankr. LEXIS 1050 (Bankr. D. Del. Aug. 1, 2002) (court authorized funding of acquisition of property on a secured basis where acquired property was necessary to maintain operations and debtor could not obtain such funding on an unsecured basis); In re Ames Dept. Stores, 115 B.R. 34, 38 (Bankr. S.D.N.Y. 1990) (with respect to postpetition credit, courts "permit debtors-in-possession to exercise their basic business judgment consistent with their fiduciary duties"); see also 3 Collier on Bankruptcy ¶ 364.03, at 364-7-18 (15th ed. Rev. 1999). Further, section 364(c) does not impose a duty on the Debtors to request unsecured credit from every potential lender before seeking secured credit. See In re Snowshoe Co., Inc., 789 F.2d 1085, 1088 (4th Cir. 1986).

22. Generally, lenders are unwilling to finance insurance premiums on an unsecured basis. Here the Existing PFA provides financing at an interest rate that is considerably less than the Debtors' other financing sources, and therefore, is justified under section 364(c).

23. Further, the Debtors may determine during the course of these chapter 11 cases that it is economically beneficial to enter into PFAs with other third party lenders as a means of

paying premiums on the Policies. Many of these PFAs will require a security interest. The Debtors believe that they could not obtain such loans without providing the premium financier a secured interest. Accordingly, the Debtors believe they have articulated a valid business justification for entering into postpetition PFAs.

24. There is ample precedent in this district and other courts for granting the relief requested herein. See, e.g., In re The Rowe Cos., Case No. 06-11142 (SSM) (Bankr. E.D. Va. Sept. 20, 2006) (authorizing the debtors to pay any necessary prepetition insurance premiums); In re Dura Auto. Sys., Inc., Case No. 06-11202 (Bankr. D. Del. Nov. 20, 2006) (authorizing the debtors to pay any unpaid prepetition insurance premiums and maintain their insurance financing agreement); In re Calpine Corp., Case No. 05-60200 (Bankr. S.D.N.Y. Jan. 4, 2006); (authorizing the debtors to maintain their insurance policies and to pay any outstanding prepetition amounts); In re The Boyds Collection, Ltd., Case No. 05-43793 (Bankr. D. Md. Nov. 1, 2005) (authorizing the debtors to pay any unpaid prepetition insurance premiums and enter into post-petition insurance financing agreements); In re Tower Auto., Inc., Case No. 05-10578 (Bankr. S.D.N.Y. February 3, 2005) (same); In re Primary Health Sys., Inc., 275 B.R. 709 (Bankr. D. Del. 2002) (clarifying that the debtors were authorized to pay insurance premium amounts in connection with prepetition disability, medical and workers' compensation insurance plans).

Waiver of Memorandum of Points and Authorities

25. The Debtors respectfully request that this Court treat this Motion as a written memorandum of points and authorities or waive any requirement that this Motion be accompanied by a written memorandum of points and authorities as described in Rule 9013-1(G) of the Local Bankruptcy Rules for the Eastern District of Virginia.

Notice

26. The Debtors have provided notice of this Motion to: (a) the Office of the United States Trustee for the Eastern District of Virginia; (b) the entities listed on the Consolidated List of Creditors Holding the 30 Largest Unsecured Claims filed pursuant to Bankruptcy Rule 1007(d); (c) counsel to the agent for the Debtors' proposed postpetition secured lenders; (d) counsel to the agent for the Debtors' prepetition first lien facilities; (e) counsel to the agent for the Debtors' prepetition second lien facility; (f) the trustee for the Debtors' 11% senior unsecured notes; (g) counsel to Sopris Capital Advisors LLC; (h) the trustee for the Debtors' 9.625% senior subordinated unsecured notes; (i) counsel for certain movie studios; (j) the Internal Revenue Service; (k) the Securities and Exchange Commission; and (l) the banks that process disbursements in the Debtors' cash management system (Bank of America, Canadian Imperial Bank of Commerce and Wachovia Bank). No later than two business days after entry of the order granting the relief requested in this Motion, the Debtors shall serve a copy of this Motion and such order on the companies providing insurance coverage to the Debtors pursuant to the Policies and the counterparty to the Existing PFA. In light of the nature of the relief requested, the Debtors respectfully submit that no further notice is necessary.

WHEREFORE, for the reasons set forth herein and in the First Day Affidavit, the Debtors respectfully request that the Court enter an order, substantially in the form attached hereto as Exhibit A, (a) authorizing the Debtors to continue their Policies uninterrupted and pay any prepetition premiums related to their Policies (not including any SIR Payments) to the extent that the Debtors determine in their discretion that such payment is necessary or appropriate, (b) authorizing the Debtors to enter into new insurance policies through renewal of the Policies or purchase of new policies, (c) authorizing the Debtors to continue the Existing PFA, (d) authorizing the Debtors to enter into new PFAs related to the existing Policies and new insurance policies in the ordinary course of their business and (e) granting such other and further relief as is just and proper.

Richmond, Virginia
Dated: October 16, 2007

/s/ Peter J. Barrett

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EXHIBIT A

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

In re:)	Case No. 07-_____
)	Jointly Administered
MOVIE GALLERY, INC., et al., ¹)	Chapter 11
)	
Debtors.)	
)	

**ORDER AUTHORIZING DEBTORS TO (A) PAY PREPETITION
PREMIUMS NECESSARY TO MAINTAIN INSURANCE COVERAGE IN
CURRENT EFFECT, (B) ENTER INTO NEW INSURANCE POLICIES, (C) MAINTAIN
POSTPETITION FINANCING OF INSURANCE PREMIUMS AND (D) ENTER INTO
NEW POSTPETITION FINANCING AGREEMENTS**

Upon the motion (the “Motion”)² of the above-captioned debtors (collectively, the “Debtors”) for the entry of an order (the “Order”) authorizing the Debtors to (a) pay prepetition premiums necessary to maintain insurance coverage in current effect (not including any self

¹ The Debtors in the cases include: 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 Motion.

insured retention amounts (each, a “SIR Payment)), (b) enter into new insurance policies through renewal of the current insurance policies or purchase of new policies, (c) maintain postpetition premium financing agreements with respect to insurance premiums (“PFAs”) and (d) enter into new postpetition PFAs and the First Day Affidavit; it appearing that the relief requested is in the best interests of the Debtors’ estates, their creditors and other parties in interest; the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); venue being proper before this court pursuant to 28 U.S.C. §§ 1408 and 1409; notice of the Motion having been adequate and appropriate under the circumstances; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED

1. The Motion is granted in its entirety.

2. The Debtors are authorized, but not directed, in their sole discretion, to continue in place, and honor the terms of, the Debtors’ insurance policies, including for general liability, property, media liability, automotive, workers’ compensation liability, commercial umbrella and excess liability, fiduciary and criminal liability, aircraft and directors and officers’ liability (collectively, the “Policies”).

3. The Debtors are authorized, but not directed, to continue their Policies uninterrupted and, in their sole discretion, pay any prepetition premiums related to their Policies (not including any SIR Payments) to the extent that the Debtors determine in their discretion that such payment is necessary or appropriate.

4. The Debtors are authorized, but not directed, to enter into new insurance policies, through renewal of the Policies or purchase of new policies.

5. The Debtors are authorized, but not directed, to honor the terms of the PFA for the property insurance premium.

6. The Debtors are authorized, but not directed, to enter into new PFAs related to the existing Policies and new insurance policies in the ordinary course of their business.

7. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

8. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

9. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Richmond, Virginia
Date: October ____, 2007

United States Bankruptcy Judge

EXHIBIT B

Type of Policy	Insurance Co.	Term	Amount of Annual Premium	Payment Schedule	Expiration Date
Property	Zurich American Insurance Company	12 mo.	\$767,825	\$566,130 financed with eight monthly payments of \$72,609 each	May 1, 2008
Media Liability	One Beacon Insurance Company	12 mo.	\$6,433	Paid at inception	March 28, 2008
Media Liability (Excess Layer)	Underwriters at Lloyds of London, by Hiscox, Inc.	12 mo.	\$6,821	Paid at inception	March 28, 2008
Fiduciary/Crime/Other Coverage Set Forth in the Policy	Federal Insurance Company	12 mo.	\$60,125	Paid at inception	March 31, 2008
General Liability/Employee Benefits Liability	Liberty Mutual Insurance Company	12 mo.	\$147,705	\$51,697 at inception and six monthly payments of \$16,001 each	April 1, 2008
Automobile	Liberty Mutual Fire Insurance Company	12 mo.	\$156,458	\$54,761 at inception and six monthly payments of \$16,950 each	April 1, 2008
Lead Umbrella	St. Paul Fire and Marine Insurance Company	12 mo.	\$160,800	Paid at inception	April 1, 2008
Excess Liability for Lead Umbrella	Fireman's Fund Insurance Company	12 mo.	\$48,800	Paid at inception	April 1, 2008

Type of Policy	Insurance Co.	Term	Amount of Annual Premium	Payment Schedule	Expiration Date
Second Excess Liability for Lead Umbrella and Excess Liability	St. Paul Fire and Marine Insurance Company	12 mo.	\$21,050	Paid at inception	April 1, 2008
Third Excess Liability for Lead Umbrella, Excess Liability and Second Excess Liability	Fireman's Fund Insurance Company	12 mo.	\$32,300	Paid at inception	April 1, 2008
Workers' Compensation (Oregon and Wisconsin)	Liberty Insurance Corporation	12 mo.	Premium included in <i>All Other States</i> payments	N/A	April 1, 2008
Workers' Compensation (All States Other Than Oregon and Wisconsin)	Liberty Mutual Insurance Company	12 mo.	\$1,099,772	\$518,649 at inception and six monthly payments of \$96,854 each	April 1, 2008
Workers' Compensation - Washington State	Washington: Department of Labor and Industries	Ongoing	Approximately \$262,241	Quarterly	Ongoing
Workers' Compensation - Ohio State	Ohio Bureau of Workers' Compensation	Ongoing	Approximately \$362,721	Semi-annual	Ongoing
Workers' Compensation - North Dakota State	North Dakota Workforce Safety and Insurance	Ongoing	Approximately \$5,923	Annual - paid upon renewal	Ongoing
Workers' Compensation - West Virginia State	Brickstreet Insurance	Ongoing	Approximately \$50,524	Annual - paid upon renewal	Ongoing
Workers' Compensation - Wyoming State	Wyoming Workers' Safety and Compensation	Ongoing	Approximately \$5,500	Annual - paid upon renewal	Ongoing

Type of Policy	Insurance Co.	Term	Amount of Annual Premium	Payment Schedule	Expiration Date
Directors and Officers' Liability (Traditional)	XL Specialty Insurance	12 mo.	\$365,750	Paid at inception	September 9, 2008
Directors and Officers' Liability (Side A Excess)	XL Specialty Insurance	12 mo. with 6 year run off	\$523,500	Paid at inception	September 9, 2008 with automatic 6 year run off
Aircraft	United States Aviation Underwriters	12 mo.	\$38,346	Paid at inception	April 18, 2008

EXHIBIT C



P. O. Box 105611 Atlanta, GA 30348-5611
678-498-4700

FAX 678-498-4747

www.siuprem.com

INSURANCE PREMIUM FINANCE AGREEMENT

ACCOUNT NUMBER

7567132

☐ COUPONS ☐ ACH
☒ STATEMENTS

☐ PERSONAL
☒ COMMERCIAL

☒ NEW ☐ RENEWAL
☐ ENDORSEMENT

INSURED MOVIE GALLERY	SSN#	AGENT SLINGLUFF INS AGENCY	AGENT # 3147
MAILING ADDRESS 9275 SW PEYTON LANE	TAX ID#	ADDRESS PO BOX 6947	
RISK LOCATION		CITY - STATE - ZIP DOTHAN, AL 36301	
CITY - STATE - ZIP Wilsonville, OR 97070	PHONE	PHONE 334-792-5101	

PREFIX AND POLICY NO.	EFFECTIVE DATE	EXPIRATION DATE	TERM	NAME OF INSURANCE CO / BRANCH OFFICE ADDRESS NAME AND ADDRESS OF GENERAL AGENT IF ANY	COVERAGE TYPE	POLICY PREMIUM
	5/1/2007	5/1/2008	12	ZURICH- AMERICAN INS CO (ZUR2) 1400 AMERICAN LANE ZURICH TOWERS SCHAMBURG, IL 60196	COMMERCIAL PROPERTY	\$754,840.00
	FEE\$12,985.00	TAX \$0.00				

In consideration of the payment by SIUPREM, INC. (hereinafter referred to as SIUPREM) of the AMOUNT FINANCED of the premium described above for my account and on my behalf, I hereby accept the following terms and conditions:

- I agree to repay to SIUPREM the TOTAL OF PAYMENTS (The amount paid after making the scheduled payments) in accordance with the payment schedule shown below. I agree to make the FIRST PAYMENT DUE on time in accordance with the payment schedule shown below whether or not additional notification is received prior to stated first payment due date.
- I appoint SIUPREM my true and lawful attorney-in-fact irrevocably with full authority to cancel any or all policies listed above in the event of any default in repayment as agreed herein, subject to ten (10) days prior notice mailed to my last known address by SIUPREM of past due payments and of its intent to cancel.

(Continued on Reverse Side / Page 2)

CREDITOR: SIUPREM, INC.

FEDERAL TRUTH IN LENDING DISCLOSURES

SECURITY: You are giving a security interest in the unearned premium funds due under the policy being purchased. **LATE CHARGE:** If a payment is 5 days late, you will be charged 5% of the late installment, but not less than \$1.50 for Georgia, Florida, Alabama and Mississippi; not less than \$1.00 for Maryland, South Carolina, and North Carolina. In Virginia, if payment is 7 days late, you will be charged 5% of the late installment. In Texas and Tennessee, if a payment is 10 days late, you will be charged 5% of the late installment, but not less than \$2.00 for Tennessee, or otherwise prescribed by regulatory authority of the state of jurisdiction (Not to exceed \$10.00 on personal lines in Florida, \$5.00 on personal lines in Maryland, and \$100.00 on commercial lines in Maryland).

PREPAYMENT, NON-PAYMENT AND DEFAULT: If you pay your loan off early, you may be entitled to a refund of part of the finance charge, although you may have to pay a prepayment penalty. See reverse side of this document for any additional information about non-payment, default and prepayment refunds and penalties. Georgia, Alabama, South Carolina, North Carolina, Texas, Florida, Virginia, Tennessee, Maryland and Mississippi are the states of jurisdiction.

YOUR PAYMENT SCHEDULE WILL BE:

A. TOTAL PREMIUMS	B. DOWN PAYMENT	DOC STAMP	C. AMOUNT FINANCED The amount of credit provided to you or on your behalf.	D. FINANCE CHARGE (INCL INITIAL SERVICE CHARGE) The dollar amount the credit will cost you	E. TOTAL OF PAYMENTS The amount you will have paid after you have made the scheduled payments
\$767,825.00	\$201,695.00	\$0.00	\$566,130.00	\$14,746.56	\$580,876.56
F. ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate	G. NUMBER OF PAYMENTS	H. AMOUNT OF EACH PAYMENT	I. PAYMENT DUE DATE	J. FIRST PAYMENT DUE	
6.9%	8	\$72,609.57	27th	5/27/2007	

ITEMIZATION OF AMOUNT FINANCED

In this Insurance Premium Finance Agreement, the amount paid on your behalf is \$566,130.00 (Show Amount From Block C)

THE UNDERSIGNED AGREES TO THE PROVISIONS ABOVE AND ON THE REVERSE SIDE / PAGE 2

INSURANCE PREMIUM FINANCE AGREEMENT NOTICE: A. DO NOT SIGN THIS AGREEMENT BEFORE YOU READ IT OR IF IT CONTAINS ANY BLANK SPACE. B. YOU ARE REQUIRED TO RECEIVE A COMPLETELY FILLED IN COPY OF THIS AGREEMENT. C. YOU HAVE THE RIGHT TO PAY OFF IN ADVANCE THE FULL AMOUNT DUE; AND UNDER CERTAIN CIRCUMSTANCES, TO OBTAIN A PARTIAL REFUND OF THE FINANCE CHARGE. THE UNDERSIGNED EXECUTED THIS AGREEMENT AND HAS RECEIVED A COPY.

Signature of Witness/Producer

Date

Signature of Insured

(Type or print name under signature. If a corporation, please state title.)

(A premium finance agreement shall be dated and signed by or on behalf of the insured as prescribed by the state of jurisdiction.)

IF MORE THAN ONE INSURED, THE PARTY SIGNING HERETO, REPRESENTS THAT ALL INSURED HAVE AUTHORIZED THIS TRANSACTION. IF INSURED IS A CORPORATION, OR PARTNERSHIP, AN AUTHORIZED OFFICER OR GENERAL PARTNER MUST SIGN.

BROKER / AGENT AGREEMENT

The undersigned warrants and agrees: (1) the insured has received a copy of this agreement, and the required Federal Truth in Lending Disclosures for Personal Lines Insurance, if applicable, (2) the policies are in full force and effect, and the information in the schedule of policies and the premiums are correct, (3) if more than one insured, the party signing hereto, represents that all insureds have authorized this transaction; if insured is a corporation, an authorized officer must sign, (4) the insured has authorized this transaction and recognizes the security interest assigned herein, (5) to hold in trust for SIUPREM any payments made or credited to the insured through or to the undersigned, directly, indirectly, actually or constructively by the insurance companies and to pay the monies to SIUPREM upon demand to satisfy the then outstanding indebtedness of the insured and that any lien the undersigned now has or hereafter may acquire on any return premium arising out of the above listed insurance policies is subordinated to SIUPREM'S lien or security interest therein, (6) there are no exceptions to the policies financed other than those indicated and policies comply with SIUPREM'S eligibility requirements, (7) no audit or reporting form policies, policies subject to retrospective rating or to minimum earned premiums are included except as indicated and that the deposit or provisional premiums are not less than anticipated premiums to be earned for the full term of the policies; if a policy is subject to a minimum earned premium, it is _____, (8) the policies can be cancelled by the insured or the company on 10 days notice and the unearned premiums can be computed on the standard short rate or pro-rata table except as noted: Maryland pro-rata table only, (9) that a proceeding in bankruptcy, receivership or insolvency has not been instituted by or against the named insured, (10) to constitute and appoint SIUPREM, INC. or its agent or nominee its true and lawful Attorney-In-Fact to do every act or thing necessary to collect and discharge the same, and to demand and collect any return premiums on account of cancellation of the said policy(ies).

Date

Signature of Agent or Broker

If Corporation, please state title:

4812



INSURANCE PREMIUM FINANCE AGREEMENT

ACCOUNT NUMBER
7567132

REMAINING PROVISIONS OF YOUR PREMIUM FINANCE AGREEMENT (CONTINUED FROM PAGE 1)

3. I assign SIUPREM any and all unearned premiums, dividends and loss payments under said policies which reduce the unearned premiums (subject to any mortgagor or loss payee interests), and overpayment which may become due or available under any policy listed in this Agreement, regardless of the reason. Therefore, and without regard to the manner or cause of any of the same becoming due or payable, I hereby authorize and instruct my insurer to pay such funds or proceeds to SIUPREM.
 4. I appoint SIUPREM my true and lawful attorney-in-fact irrevocably to receive, receipt and endorse my name to any check or draft for all monies that may become due and to apply the same to the extent required to make repayment under this agreement and return any excess per State regulations. Until this obligation is paid in full, SIUPREM is hereby granted a lien on any unearned premiums and overpayment, and the foregoing Power of Attorney, coupled with an interest, shall be irrevocable, shall survive death or incapacity, and shall continue in full force and effect. In acting pursuant to this Power of Attorney, my Attorney-in-fact, SIUPREM, is relieved of any and all liability to me or any other party, and the undersigned shall fully save and hold SIUPREM harmless from any and all claims or lawsuits.
 5. I agree that SIUPREM may collect and enforce payment of the indebtedness evidenced hereby without recourse to any security underlying this agreement.
 6. I have in effect no other premium agreement or other encumbrance, nor will I effect same during the term of this agreement on any policy listed on page 1 of this agreement.
 7. I understand that any payment made and accepted after mailing of the cancellation notice on any insurance policy shall not constitute reinstatement of such insurance policy.
 8. I understand that this agreement shall not be effective until accepted by SIUPREM and payment made of the AMOUNT FINANCED for the premium described on page 1 hereof. All rights in this agreement conferred upon SIUPREM should inure SIUPREM'S successors and assigns.
 9. I agree that the agent or broker soliciting said policies is not the agent of SIUPREM and is without authority to bind it by representation or otherwise.
 10. I authorize SIUPREM to correct any error or omission in the completion of this Agreement. A copy of this agreement will be mailed to me at the address shown hereon in the event of any change in Blocks (A) thru (J).
 11. I have the right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the FINANCE CHARGE computed under the Rule of 78's, or otherwise by the method prescribed by regulatory authority of the State of jurisdiction, and subject to a minimum earned SERVICE CHARGE of \$20 for Georgia, Maryland and Florida, \$15 for South Carolina, North Carolina, Virginia and Alabama, 4% of the loan amount for Tennessee, and \$20 loan amount to \$1000 and \$25 loan amount over \$1000 for Texas.
 12. I understand LATE CHARGES will be imposed as prescribed by regulatory authority of the State of jurisdiction on the reverse side/page 1 hereof under FEDERAL TRUTH IN LENDING DISCLOSURES.
 13. I understand that the FINANCE CHARGE begins to accrue as of the earliest Policy Effective Date or as of the date of this agreement or as of any other date prescribed by state law ("finance charge accrual date"). If date of first payment follows finance charge accrual date by less than 30 days, final installment due date will be extended (up to 29 days) to fall on the same day of the month as finance charge accrual date.
 14. I agree with respect to each audit or reporting form policy in the event of default hereunder to be liable to the insurer for the earned premiums (computed in accordance with the policy provisions) remaining due after crediting payment(s) made to the insurer with respect to such policy including such payment(s) made by SIUPREM to the insurer, less any amount refunded to SIUPREM to the insurer (based on the amount(s) paid by SIUPREM to the insurer) and credited by SIUPREM to the balance due hereunder.
 15. I agree that in the event of a default in payment of any installment or any delinquency charge due hereunder, or upon failure by the insured to comply with any of the terms or conditions hereof, or if a proceeding in bankruptcy, receivership or insolvency be instituted by or against the insured, or if any insurer shall become insolvent, suspend business or cease to be qualified to do business, the unpaid balance due hereunder shall be immediately due and payable. In such event, SIUPREM may cancel the policies covered hereby (when permitted by law).
 16. I warrant that each of the policies covered hereunder (or a binder thereof) has been issued to the undersigned, is in full force and effect and that no other power of attorney or other encumbrance or assignment is in effect, nor will same be put into effect, except for the interest of mortgagor or loss payees, and I agree that all rights conferred upon SIUPREM shall inure to SIUPREM'S successors and assigns.
 17. I agree when permitted by law, that in the event the total premiums are greater than that shown hereon, this agreement may be amended to reflect the actual premiums and the undersigned will (i) pay the difference due or (ii) pay any required additional down payment, and (a) execute a supplementary finance agreement when required, or (b) authorize SIUPREM to advance premium payment and I agree to pay any additional finance charge permitted by law, and that SIUPREM will forward the undersigned a revision notice or memorandum of agreement showing all information required by law.
 18. I agree that (i) SIUPREM assumes no liability as an insurer, (ii) singular words used herein shall be deemed plural and vice versa as the sense of this agreement demands, (iii) if any court of competent jurisdiction finds any part or provision of this agreement to be invalid or unenforceable, such findings shall not affect any other part or provision.
 19. I agree to pay a fee of \$20 for Georgia and Virginia, \$25 for Maryland, and \$15 for Florida and Mississippi to cover SIUPREM'S handling and processing cost for each check applied to this indebtedness that is returned by payor's bank unpaid.
 20. I agree to remain liable for any unpaid or deficiency balance due hereunder and pay the same with interest after maturity at the maximum legal rate.
 21. I agree to pay a reasonable collection or attorney fee imposed as prescribed by regulatory authority of state of jurisdiction (not to exceed 20% of the amount due in Florida), should this agreement be placed for collection with an attorney or firm who is not a salaried employee of SIUPREM.
 22. I agree to pay SIUPREM a cancellation charge for a policy cancelled in accordance with terms of this agreement. Such charge shall be up to the maximum amount allowed by law. (\$5.00 personal and \$15.00 commercial in Alabama, and \$5.00 personal and 5% up to max combined delinquent and cancel charges of \$100 in Maryland. Prohibited in North Carolina.)
 23. I authorize SIUPREM to finance renewals of the policies covered hereunder without having to execute a new agreement, and instruct SIUPREM to forward the undersigned a revision notice or memorandum of agreement showing all information required by law.
 24. A payment under this agreement shall be deemed paid on the date it is physically received by SIUPREM at the address listed on this agreement and delinquent if not received at this address on or before the date it is due.
 25. Right to Offset. SIUPREM reserves the right to offset an account of named insured based on a prior outstanding balance owed to SIUPREM by same insured. Not applicable in Florida.
 26. I authorize SIUPREM to fill in the name of the insuring company, general agency, policy number and due date of the first payment in the event the policy is not issued at the time this agreement is executed.
 27. Any return premiums received from an Insurance company will be credited to the balance due hereunder and if there is any excess of at least \$1.00 for Florida, Alabama, Texas, Virginia and Tennessee; \$3.00 for South Carolina and Mississippi; and \$5.00 for Georgia and Maryland over the balance due, it will be refunded to the undersigned.
 28. This contract is subject to approval and acceptance by SIUPREM and if not approved and accepted it is to be returned. SIUPREM issuance of funds for the policies listed on the first page hereof to the agent or insurer or paying the draft will be considered acceptance.
 29. The insured further acknowledges that upon satisfactory completion of the agreement, the undersigned agent may receive a fee from SIUPREM for the administration of this agreement as allowed by applicable law.
- NOTICE: Your insurance policy premiums have been financed and are payable on a monthly payment basis. If you do not pay each payment on or before the date due or within 15 days of the due date, we have the right to CANCEL your insurance policy or policies which are financed under the agreement. To avoid cancellation of your policy or policies, MAKE YOUR PAYMENTS ON TIME. The Federal Equal Opportunity Act prohibits creditors from discriminating against Federal Trade Commission, 60 Forsyth St., S.W., Suite 5M35, Atlanta, Georgia 30303-2322.
- SIUPREM, INC. 4500 Mansell Road Alpharetta, Georgia 30022.