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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.)	
)	

**MOTION OF THE DEBTORS FOR AN ORDER (A) GRANTING AN EXTENSION OF
TIME TO FILE STATEMENTS OF FINANCIAL AFFAIRS AND SCHEDULES OF
ASSETS AND LIABILITIES, CURRENT INCOME AND EXPENDITURES AND
EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND (B) AUTHORIZING
THE SCHEDULING OF THE MEETING OF CREDITORS AS SET FORTH HEREIN**

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, (a) granting the Debtors an extension of time to file their statements of financial affairs and schedules of assets and liabilities, current income and expenditures and executory contracts and unexpired leases (collectively, the “Statements and Schedules”) and (b) to the

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.



extent such relief is necessary, authorize the Office of the United States Trustee for the Eastern District of Virginia (the “U.S. Trustee”) to schedule the meeting with creditors under section 341 of the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), more than 40 days following the date hereof (the “Commencement Date”). 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) and 521 of the Bankruptcy Code, Rules 1007, 2003(a) and 9006 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 1007-1 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Eastern District of Virginia (the “Local Bankruptcy Rules”).

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

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.

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 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.

Relief Requested

8. Pursuant to section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, the Debtors ordinarily would be required to file the Statements and Schedules no later than 15 days after the Commencement Date. By this Motion, the Debtors seek entry of an order (a) extending the time within which they are required to file their Statements and Schedules for an additional 30 days to November 30, 2007, without prejudice to the Debtors' ability to request additional time should it become necessary and (b) to the extent such relief is necessary, authorize the U.S. Trustee to schedule the meeting with creditors under section 341 of the Bankruptcy Code more than 40 days following the Commencement Date notwithstanding Bankruptcy Rule 2003(a).

Basis for Relief

A. Extending Deadline for Statements and Schedules

9. Pursuant to Bankruptcy Rule 1007(a)(5)³ and (c),⁴ a bankruptcy court may extend a debtor's time within which to file its Statements and Schedules.

10. Section 105(a) of the Bankruptcy Code also provides this Court with the power to grant the relief requested by the Debtors herein. Section 105(a) states that a bankruptcy court "may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]."

³ Bankruptcy Rule 1007(a)(5) provides a bankruptcy court with the ability to extend a debtor's time to file its list of equity security holders "on motion for cause shown and on notice to the United States trustee and to any trustee, committee . . . appointed pursuant to § 1102 of the [Bankruptcy] Code, or other party as the court may direct."

⁴ Bankruptcy Rule 1007(c) provides a bankruptcy court with the ability to extend a debtor's time to file its statement of financial affairs and schedules of assets and liabilities, current income and expenditures and executory contracts and unexpired leases "on motion for cause shown and on notice to the United States trustee and to any committee . . . appointed under § 1102 of the [Bankruptcy] Code, trustee, examiner, or other party as the court may direct."

11. The Debtors request that this Court extend the time within which the Debtors must file their Statements and Schedules by an additional 30 days (for a total of 45 days from the Commencement Date). Because of the size and complexity of the Debtors' operations and the time that will be required to compile the information for and complete the Statements and Schedules, the Debtors respectfully submit that an extension of time to file the Statements and Schedules is necessary and appropriate and that sufficient cause for an extension exists under Bankruptcy Rule 1007(a)(5) and (c).

12. The Debtors maintain two separate corporate locations, one in Dothan, Alabama, which is the original headquarters for the Debtors' Movie Gallery business, and one in Wilsonville, Oregon, which was acquired as part of the Debtors' merger with Hollywood Entertainment Corporation. The Debtors estimate they have more than 100,000 creditors and other parties in interest. Given the size and complexity of the Debtors' business operations, preparing their Statements and Schedules accurately and with sufficient detail will require significant attention from the Debtors' personnel and advisors. Without an extension of time, this would distract attention from the Debtors' business operations at a critical time when the business can ill afford any disturbance. Moreover, creditors and other parties in interest will not be harmed by the proposed extension of the filing deadline, because, even under the extended deadline, the Statements and Schedules would be filed in advance of any planned bar date or other significant event in these chapter 11 cases. Accordingly, the Debtors submit that their request for a 30-day extension of time to file their Statements and Schedules is consistent with precedent and is appropriate and warranted under the circumstances.

13. Local Bankruptcy Rule 1007-1(c), pertaining to motions to extend the time for a debtor to file its “lists of schedules and statements,” provides, in relevant part, as follows:

Where no objections to the motion to extend time are timely filed with the Court, the Clerk shall enter an order extending time for filing to not later than the fourth business day prior to the scheduled meeting of creditors. If the lists, Statements and Schedules are not filed by said date, the Clerk shall enter an order dismissing the case.

Local Bankruptcy Rule 1007-1(c).

14. Courts in this district and other districts have regularly granted similar relief to the relief requested herein. See, e.g., In re The Rowe Cos., Case No. 06-11142 (SSM) (Bankr. E.D. Va. Sept. 20, 2006) (granting 15-day extension); In re US Airways, Inc., Case No. 04-13819 (SSM) (Bankr. E.D. Va. Sept. 13, 2004) (granting 30-day extension); In re NTELOS, Inc., Case No. 03-32094 (DOT) (Bankr. E.D. Va. Mar. 4, 2003) (granting 30-day extension); In re AMF Bowling Worldwide, Inc., Case No. 01-61119 (DHA) (Bankr. E.D. Va. July 9, 2001) (granting 30-day extension); In re Heilig-Meyers Co., Case No. 00-34533 (DOT) (Bankr. E.D. Va. Aug. 16, 2000) (granting 60-day extension); see also In re Kaiser Aluminum Corp., Case No. 02-10429 (Bankr. D. Del. Mar. 5, 2002) (granting 90-day extension); In re Fleming Cos., Inc., Case No. 03-10945 (Bankr. D. Del. May 19, 2003) (granting 61-day extension); In re Calpine Corp., Case No. 05-60200 (Bankr. S.D.N.Y. Dec. 21, 2005) (granting 60-day extension).

B. Providing Authority, if Necessary, Regarding the Scheduling of the Creditors Meeting Required by Section 341 of the Bankruptcy Code

15. Bankruptcy Rule 2003(a) provides that in a chapter 11 case the United States trustee shall call a meeting of creditors to be held no fewer than 20 and no more than 40 days after the order for relief. The Debtors anticipate that the U.S. Trustee soon will schedule the

meeting of creditors required by section 341 of the Bankruptcy Code, which the U.S. Trustee may desire to call after such 40-day period. To the extent such relief is necessary and in an abundance of caution, the Debtors request that the Court authorize the U.S. Trustee to schedule such 341 meeting after the 40-day deadline.

16. In this district and in other districts, especially in large, complex cases, the 341 Meeting is often scheduled more than 40 days after the commencement date. See, e.g., In re US Airways, Inc., Case No. 04-13819 (SSM) (Bankr. E.D. Va. Sept. 13, 2004) (section 341 meeting convened 54 days after commencement date); In re Calpine Corp., Case No. 05-60200 (Bankr. S.D.N.Y. Dec. 21, 2005) (section 341 meeting convened approximately 90 days after commencement date).

Waiver of Memorandum of Points and Authorities

17. 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 Local Bankruptcy Rule 9013-1(G).

Notice

18. 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; and (k) the Securities and Exchange Commission. The Debtors respectfully suggest that service of this Motion on counsel to the agent for the Debtors' prepetition first lien facilities and counsel to the agent for the Debtors' prepetition second lien facility satisfies any requirements set forth in Local Bankruptcy Rule 1007-1(B). 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) granting the Debtors an extension of 30 additional days to file their Statements and Schedules, which will provide the Debtors with a total of 45 days after the Commencement Date to file their Statements and Schedules, (b) authorizing the scheduling of the 341 Meeting as set forth herein and (c) granting such other and further relief as is just and proper.

Richmond, Virginia

Dated: October 16, 2007

/s/ Michael A. Condyles

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EXHIBIT A

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In re:)	Case No. 07-_____
)	Jointly Administered
MOVIE GALLERY, INC., et al., ¹)	Chapter 11
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Debtors.)	
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**ORDER GRANTING (A) AN EXTENSION OF TIME TO FILE
STATEMENTS OF FINANCIAL AFFAIRS AND SCHEDULES OF ASSETS
AND LIABILITIES, CURRENT INCOME AND EXPENDITURES AND
EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND (B) AUTHORIZING
THE SCHEDULING OF THE MEETING OF CREDITORS AS SET FORTH HEREIN**

Upon the motion (the “Motion”)² of the above-captioned debtors (collectively, the “Debtors”) for the entry of an order (the “Order”), (a) granting the Debtors an extension of time to file their statements of financial affairs and schedules of assets and liabilities, current income and expenditures and executory contracts and unexpired leases (collectively, the “Statements and

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.

Schedules”) and (b) to the extent such relief is necessary, authorizing the Office of the United States Trustee for the Eastern District of Virginia (the “U.S. Trustee”) to schedule the meeting of creditors under section 341 of the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), more than 40 days following October 16, 2007 (the “Commencement Date”), notwithstanding Rule 2003(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”); 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 time within which the Debtors shall file their Statements and Schedules is extended for 30 days to and including November 30, 2007, without prejudice to the Debtors’ rights to seek an additional extension upon cause shown therefor.
3. To the extent such relief is necessary and notwithstanding Bankruptcy Rule 2003(a), the Office of the United States Trustee is authorized to schedule the meeting of creditors required by section 341 of the Bankruptcy Code more than 40 days after the Commencement Date.
4. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

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

6. 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