



FOR IMMEDIATE RELEASE

**MOVIE GALLERY RECEIVES COURT APPROVAL
ON ALL "FIRST-DAY MOTIONS" IN ITS VOLUNTARY CHAPTER 11 FILING**

Obtains Approval to Borrow Up To \$140 Million in DIP Financing On An Interim Basis

Court Authorizes Continued Payment of Employee Wages and Benefits

Operations to Continue Uninterrupted

DOTHAN, Ala., October 16, 2007 -- Movie Gallery, Inc. (Nasdaq: MOVI) today announced the approval of all of its "first day" motions by the U.S. Bankruptcy Court for the Eastern District of Virginia, Richmond Division. Movie Gallery's Canadian operations were not included in the filing. The Company received interim Court approval to access \$140 million of its \$150 million debtor in possession (DIP) financing facility, provided by certain of its existing first lien lenders. The DIP financing and cash generated from daily operations will be used to continue to pay vendors and employees, as well as provide operational and financial stability as Movie Gallery proceeds with its financial restructuring. The final DIP hearing is scheduled for November 6, 2007.

The Company also announced that it received Court approval during its first day hearings to, among other things, pay pre-petition employee wages, health benefits, and other employee obligations during its restructuring under chapter 11. The Company is authorized to pay ordinary course post-petition expenses without seeking Court approval. Additionally, the Company was also given approval to continue to honor its current customer policies regarding merchandise returns and to honor outstanding gift cards and loyalty programs.

"We are pleased with the prompt action by the Bankruptcy Court in approving our first day motions," said Joe Malugen, Movie Gallery's Chief Executive Officer. "This approval will allow our stores to continue to operate so that we can continue to serve our customers while implementing strategies to enhance our financial performance."

The Company filed voluntary chapter 11 petitions in the U.S. Bankruptcy Court for the Eastern District of Virginia, Richmond Division on October 16, 2007. The main case has been assigned case number 07-33849. Additional information about Movie Gallery's restructuring is available at the Company's website www.moviegallery.com or via the Company's restructuring information line, 888-647-1730. For access to Court documents and other general information about the Chapter 11 cases, please visit www.kccllc.net/moviegallery.

About Movie Gallery

The Company is the second largest North American video rental company with approximately 4,430 stores located in all 50 U.S. states and Canada operating under the brands Movie Gallery, Hollywood Video and Game Crazy. The Game Crazy brand represents 595 in-store departments and 14 free-standing stores serving the game market in urban locations across the United States. Since Movie Gallery's initial public offering in August 1994, the Company has grown from 97

stores to its present size through acquisitions and new store openings. For more information about the Company, please visit our website: www.moviegallery.com

Forward-looking Statements

This press release, as well as other statements made by Movie Gallery may contain forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, that reflect, when made, the Company’s current views with respect to current events and financial performance. Such forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the Company’s operations and business environment, which may cause the actual results of the Company to be materially different from any future results, express or implied, by such forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following: (i) the ability of the Company to continue as a going concern; (ii) the ability of the Company to obtain court approval for, and operate subject to the terms of the DIP financing facility; (iii) the Company’s ability to obtain court approval with respect to motions in the Chapter 11 proceeding prosecuted by it from time to time; (iv) the ability of the Company to develop, prosecute, confirm and consummate one or more plans of reorganization with respect to the Chapter 11 cases including a plan consistent with the terms set forth in the restructuring term sheet; (v) risks associated with a termination of the agreement and financing availability; (vi) risks associated with third parties seeking and obtaining court approval to terminate or shorten the exclusivity period for the Company to propose and confirm one or more plans of reorganization, for the appointment of a Chapter 11 trustee or to convert the cases to Chapter 7 cases; (vii) the ability of the Company to obtain and maintain normal terms with vendors and service providers; (viii) the Company’s ability to maintain contracts and leases that are critical to its operations; (ix) the potential adverse impact of the Chapter 11 cases on the Company’s liquidity or results of operations; (x) the ability of the Company to execute its business plans and strategy, including the operational restructuring initially announced in 2007, and to do so in a timely fashion; (xi) the ability of the Company to attract, motivate and/or retain key executives and associates; (xii) general economic or business conditions affecting the video and game rental and sale industry (which is dependent on consumer spending), either nationally or regionally, being less favorable than expected; and (xiii) increased competition in the video and game rental and sale industry. Other risk factors are listed from time to time in the Company’s United States Securities and Exchange Commission reports, including but not limited to the Annual Report on Form 10-K for the year ended December 31, 2006. Movie Gallery disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events and/or otherwise.

Similarly, these and other factors, including the terms of any plan of reorganization ultimately confirmed, can affect the value of the Company’s various pre-petition liabilities, common stock and/or other equity securities. Additionally, no assurance can be given as to what values, if any, will be ascribed in the bankruptcy proceedings to each of these constituencies. A plan or plans of reorganization could result in holders of Movie Gallery’s common stock or other equity interests and claims relating to pre-petition liabilities receiving no distribution on account of their interest and cancellation of their interests and their claims and cancellation of their claims. Under certain conditions specified in the Bankruptcy Code, a plan of reorganization may be confirmed notwithstanding its rejection by an impaired class of creditors or equity holders and notwithstanding the fact that certain creditors or equity holders do not receive or retain property on account of their claims or equity interests under the plan. In light of the foregoing, the Company considers the value of the common stock and claims to be highly speculative and cautions equity holders that the stock and creditors that the claims may ultimately be determined to have no value. Accordingly, the Company urges that appropriate caution be exercised with

respect to existing and future investments in Movie Gallery's common stock or other equity interest or any claims relating to pre-petition liabilities.

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