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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. 07-33849
)	Jointly Administered
MOVIE GALLERY, INC., et al., ¹)	Chapter 11
)	Hon. Douglas O. Tice, Jr.
Debtors.)	
)	

**ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF
LAZARD FRÈRES & CO. LLC AS INVESTMENT BANKER AND FINANCIAL
ADVISOR FOR THE DEBTORS AND DEBTORS IN POSSESSION**

Upon the application (the “Application”)² of the above-captioned debtors (collectively, the “Debtors”) for the entry of an order (the “Order”) authorizing the Debtors to employ and retain Lazard Frères & Co. LLC (“Lazard”) as their investment banker and financial advisor effective as of the date the Debtors filed their chapter 11 petitions, pursuant to sections 327 and 328(a) of the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), Rules 2014(a)

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 Application.



and 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Rules 2014-1 and 2016-1 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Eastern District of Virginia (the “Local Bankruptcy Rules”), the Kurtz Declaration (as defined below) 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 Application and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; consideration of the Application 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; the Court having reviewed the Application and the declaration of David S. Kurtz in support thereof (the “Kurtz Declaration”); the Court being satisfied based on the representations made in the Application and the Kurtz Declaration that (a) Lazard does not hold or represent an interest adverse to the Debtors’ estates and (b) Lazard is a “disinterested person” as defined in section 101(14) of the Bankruptcy Code and as required by section 327(a) of the Bankruptcy Code; notice of the Application having been adequate and appropriate under the circumstances; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED

1. The Application is granted in its entirety.
2. The Debtors are authorized pursuant to sections 327 and 328(a) of the Bankruptcy Code to employ and retain Lazard as their investment banker and financial advisor in accordance with the terms and conditions set forth in the Application, the engagement letter attached hereto as Exhibit 1 (the “Engagement Letter”) and the indemnification agreement attached hereto as Exhibit 2 (the “Indemnification Agreement”).

3. The terms of Lazard's Engagement Letter are approved and Lazard shall be compensated and reimbursed pursuant to section 328(a) of the Bankruptcy Code in accordance with the terms of the Engagement Letter, subject to the procedures set forth in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules and any other applicable orders of this court; provided, however, that Lazard (a) shall only be required to maintain time records for services rendered post-petition, in half-hour increments and (b) shall not be required to provide or conform to any schedule of hourly rates.

4. The provisions of the Indemnification Agreement are approved.

5. The entry of this Order is conditional on the terms set forth herein. Any party in interest may object to the entry of this Order within ten (10) days after the date of entry of this Order (an "Objection"). If an Objection is timely filed and not withdrawn before such hearing, the Objection shall be heard at the next regularly-scheduled omnibus hearing date. At the hearing, the Court may vacate this Order, modify it or make it final. If no timely Objection is filed (or is filed and subsequently withdrawn), this Order shall become final at the conclusion of such objection period without further order of the Court. This Order shall remain in effect until further order of the Court. The modification or vacation of this Order shall not impair any action taken pursuant to it prior to its modification or vacation.

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

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

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

Oct 18 2007

Richmond, Virginia

Date: October ____, 2007

/s/ Douglas O. Tice Jr.

United States Bankruptcy Judge

Entered on Docket: 10-18-2007

EXHIBIT 1

[Engagement Letter]

LAZARD

LAZARD FRÈRES & Co. LLC
30 ROCKEFELLER PLAZA
NEW YORK, NY 10020
PHONE 212-632-6000
www.lazard.com

As of July 1, 2007

Movie Gallery, Inc.
900 West Main Street
Dothan, Alabama 36301

Attention: Mr. Joe T. Malugen
Chairman of the Board, President and Chief Executive Officer

Dear Sirs:

This letter agreement (the "Agreement") confirms the understanding and agreement between Lazard Frères & Co. LLC ("Lazard") and Movie Gallery, Inc. and its controlled subsidiaries (collectively with any entity formed or used for the purposes set forth herein, the "Company").

Assignment Scope:

The Company hereby retains Lazard as its sole investment banker to provide the Company with general restructuring advice and to advise it in connection with any Restructuring, Sale Transaction and/or Financing (each as defined below) on the terms and conditions set forth herein. As used in this Agreement, the term "Restructuring" shall mean, collectively, any restructuring, reorganization (whether or not pursuant to Chapter 11 of the United States Bankruptcy Code) and/or recapitalization of all or a significant portion of the Company's outstanding indebtedness (including bank debt, bond debt, and other on and off balance sheet indebtedness), trade claims, leases (both on and off balance sheet), litigation-related claims and obligations, unfunded pension and retiree medical liabilities, and other liabilities (collectively, the "Existing Obligations") that is achieved, without limitation, through a solicitation of waivers and consents from the holders of Existing Obligations (collectively, the "Stakeholders"); a material rescheduling of the maturities of Existing Obligations; a material change in interest rates, repurchase, settlement or forgiveness of Existing Obligations; conversion of Existing Obligations into equity; an exchange offer involving the issuance of new securities in exchange for Existing Obligations; the issuance of new securities, sale or disposition of assets, sale of debt or equity securities or other interests or other similar transaction or series of transactions. By signing this Agreement, we hereby accept our appointment as your sole investment banker under the terms hereof.

Description of Services:

1. Lazard agrees, in consideration of the compensation provided in Section 2 below, to perform such of the following investment banking services as the Company may reasonably request, including:

PARIS LONDON NEW YORK BERLIN BOMBAY CAIRO CHICAGO FRANKFURT HAMBURG HONG KONG MADRID
MILAN MONTREAL NEW DELHI ROME SAN FRANCISCO SEOUL SINGAPORE STOCKHOLM SYDNEY TOKYO TORONTO

- (a) Reviewing and analyzing the Company's business, operations and financial projections;
- (b) Evaluating the Company's potential debt capacity in light of its projected cash flows;
- (c) Assisting in the determination of a capital structure for the Company;
- (d) Assisting in the determination of a range of values for the Company on a going concern basis;
- (e) Advising the Company on tactics and strategies for negotiating with the Stakeholders;
- (f) Rendering financial advice to the Company and participating in meetings or negotiations with the Stakeholders and/or rating agencies or other appropriate parties in connection with any Restructuring;
- (g) Advising the Company on the timing, nature, and terms of new securities, other consideration or other inducements to be offered pursuant to the Restructuring;
- (h) Advising and assisting the Company in evaluating potential Financing¹ transactions by the Company, and, subject to Lazard's agreement so to act and, if requested by Lazard, to execution of appropriate agreements, on behalf of the Company, contacting potential sources of capital as the Company may designate and assisting the Company in implementing such a Financing;
- (i) Assisting the Company in preparing documentation within our area of expertise that is required in connection with the Restructuring;

¹ As used in this Agreement, the term "Financing" means any transaction or series of transactions involving the public or private issuance or placement of (i) newly-issued equity or equity-linked securities or interests, constituting less than a majority of then outstanding stock of the Company and comprising less than a majority of the then outstanding voting power of the Company, to multiple unaffiliated purchasers not acting in concert (an "Equity Offering") or (ii) newly-issued debt securities, instruments or obligations of the Company (a "Debt Offering"), including any debtor-in-possession financing or exit financing in connection with a case under the Bankruptcy Code. For the avoidance of doubt, any other sale, issuance or placement of equity or equity-linked securities or interests shall be considered a Sale Transaction (as defined below). Moreover, notwithstanding anything herein to the contrary, for the purposes of determining Lazard's fees hereunder, a Financing shall be considered part of a Restructuring, and thus Lazard shall only be paid a Consummation Fee (as defined below) upon the consummation of such, except in the case where the Financing solely involves an Equity Offering or Debt Offering not in connection with or related to any exchange or conversion of securities, refinancing of Existing Obligations, other reorganization or recapitalization of the Company's capital structure or other transaction or arrangement that is categorized hereunder as a Restructuring, in which such case the Financing shall be considered a "Stand-Alone Financing" and Lazard shall be paid a Stand-Alone Financing Fee (as defined below) upon the consummation of such, subject to the credit set forth in Section 2(e) herein.

- (j) Assisting the Company in identifying and evaluating candidates for a potential Sale Transaction, advising the Company in connection with negotiations and aiding in the consummation of a Sale Transaction²;
- (k) Attending meetings of the Company's Board of Directors and its committees with respect to matters on which we have been engaged to advise you;
- (l) Providing testimony, as necessary, with respect to matters on which we have been engaged to advise you in any proceeding before the Bankruptcy Court; and
- (m) Providing the Company with other financial restructuring advice.

In addition, if requested by the Board of Directors of the Company in circumstances in which Lazard customarily renders an opinion, we will render an opinion (the "Opinion") as to the fairness to the Company or its stockholders, from a financial point of view, of the consideration to be paid to the Company or its stockholders pursuant to a change of control Sale Transaction that will be consummated prior to any bankruptcy filing by the Company, and we will furnish to the Company a letter expressing such Opinion for inclusion, if necessary, in material that may be provided to the stockholders of the Company and filed with the Securities and Exchange Commission. The Opinion shall be in such customary form and with such qualifications as determined appropriate by Lazard, including that Lazard has relied upon information furnished to it by the Company and the counterparty and publicly available information, has assumed the accuracy and completeness of such information and has not assumed any responsibility for independent verification of such information. Lazard will not, as part of the Opinion or any other aspect of this engagement, undertake any independent valuation or appraisal of any of the assets or liabilities of the Company or any third party, or opine or give advice to the Company or the Board of Directors, management or stockholders of the Company with respect thereto or with respect to any issues of solvency. Any solvency opinion or issues addressed will be the responsibility of an independent solvency professional or professionals to be retained by the Board of Directors, the Company or the counterparty. We will have no responsibility for monitoring the work or opinions of any such solvency professionals, but will, at the request of the Company, provide reasonable cooperation to such parties.

² As used in this Agreement, the term "Sale Transaction" means any transaction or series of transactions involving (a) an acquisition, merger, consolidation, or other business combination pursuant to which the business or assets of the Company are, directly or indirectly, combined with another company (other than in the ordinary course of business, including, for example, an ordinary course sale of assets or an ordinary course intracompany transaction); (b) the acquisition, directly or indirectly, by a buyer or buyers (which term shall include a "group" of persons as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended), of equity interests or options, or any combination thereof, constituting a majority of the then outstanding stock of the Company or possessing a majority of the then outstanding voting power of the Company; (c) any other purchase or acquisition, directly or indirectly, by a buyer or buyers of assets, securities or other interests of the Company (other than a Financing) or (d) the formation of a joint venture or partnership with the Company or direct investment in the Company for the purpose of effecting a transfer of an interest in the Company to a third party.

Fees:

2. As consideration for the services to be provided, the Company shall pay Lazard the following fees:

- (a) A monthly fee of \$175,000 (a "Monthly Fee"), payable on execution of this Agreement and on the 1st day of each month thereafter until the earlier of the consummation of the Restructuring or Sale Transaction or the termination of Lazard's engagement pursuant to Section 10. One half of each Monthly Fee (\$87,500) paid in respect of any months following the third month of this engagement, and all Monthly Fees paid in respect of any months following the sixth month of this engagement, shall be credited (without duplication) against any Consummation Fee or Stand-Alone Financing Fee payable; provided, that, in the event of a Chapter 11 filing, such credit shall only apply to the extent that such fees are approved in entirety by the Bankruptcy Court.
- (b) A fee of \$200,000 (a "Forbearance Agreement Fee"), payable upon the execution of the 60-day forbearance agreement currently being discussed by the Company and certain Stakeholders or upon any other agreement or consent to delay or temporarily withhold any possible default declaration associated with or related to the financial condition of the Company as reported in its second quarter financial results. Any Forbearance Agreement Fee paid shall be credited (without duplication) against any Consummation Fee or Stand-Alone Financing Fee payable; provided, that, in the event of a Chapter 11 filing, such credit shall only apply to the extent that such fees are approved in entirety by the Bankruptcy Court.
- (c) A fee of \$1,000,000 (an "Opinion Fee"), payable upon the submission of an Opinion to the Board of Directors of the Company. Any Opinion Fee paid shall be credited against the Consummation Fee payable in respect of the Sale Transaction for which the Opinion was rendered.
- (d) A fee (the "Consummation Fee"), payable upon the consummation of any Restructuring or Sale Transaction (but not both), as follows:
 - (i) \$7,000,000 if the Restructuring or Sale Transaction is consummated outside of bankruptcy proceedings; or
 - (ii) \$6,000,000 if the Restructuring or Sale Transaction is effected through a "pre-packaged" or "pre-arranged" plan where the plan is confirmed within four (4) months of the Company's filing for bankruptcy; or
 - (iii) \$5,000,000 if the Restructuring or Sale Transaction is consummated other than as described in section 2(d)(i) or 2(d)(ii) above.
- (e) A fee (a "Stand-Alone Financing Fee"), payable upon the consummation of any Stand-Alone Financing, equal to the applicable percentage(s), as set

forth in the table below, of the total gross proceeds of a Stand-Alone Financing. Any Stand-Alone Financing Fee paid (regardless of when the Stand-Alone Financing is consummated) shall be credited against any Consummation Fee payable; provided, that, in the event of a Chapter 11 filing, such credit shall only apply to the extent that such fees are approved in entirety by the Bankruptcy Court.

Senior Secured Debt	1.00%
Senior Debt	1.75%
Subordinated Debt	2.25%
Convertible Debt	2.50%
Preferred Stock (Convertible or otherwise)	3.75%
Common Stock	4.25%

- (f) In addition to any fees that may be payable to Lazard and, regardless of whether any transaction occurs, the Company shall promptly reimburse Lazard for all reasonable expenses (including travel and lodging, data processing and communications charges, courier services and other appropriate expenditures) and other reasonable fees and expenses, including expenses of counsel, if any.
- (g) As part of the compensation payable to Lazard hereunder, the Company agrees to the indemnification, contribution and related provisions (the "Indemnification Letter") attached to this Agreement as Addendum A and incorporated herein in their entirety.
- (h) All amounts referenced hereunder reflect United States currency and shall be paid promptly in cash after such amounts accrue hereunder.

Retention in Chapter 11 Proceedings:

3. In the event of the commencement of chapter 11 proceedings, the Company agrees that it will use best efforts to obtain prompt authorization from the Bankruptcy Court to retain Lazard on the terms and conditions set forth in this Agreement under the provisions of Section 328(a) of the Bankruptcy Code. Subject to being so retained, Lazard agrees that during the pendency of any such proceedings, it shall continue to perform its obligations under this Agreement and that it shall file interim and final applications for allowance of the fees and expenses payable to it under the terms of this Agreement pursuant to the applicable Federal Rules of Bankruptcy Procedure, and the local rules and order of the Bankruptcy Court. The Company shall supply Lazard with a draft of the application and proposed retention order authorizing Lazard's retention sufficiently in advance of the filing of such application and proposed order to enable Lazard and its counsel to review and comment thereon. Lazard shall be under no obligation to provide any services under this agreement in the event that the Company becomes a debtor under the Bankruptcy Code unless Lazard's retention under the terms of this Agreement is approved under section 328(a) of the Bankruptcy Code by final order of the

Bankruptcy Court, which order is acceptable to Lazard. In so agreeing to seek Lazard's retention under Section 328(a) of the Bankruptcy Code, the Company acknowledges that it believes that Lazard's general restructuring experience and expertise, its knowledge of the capital markets and its merger and acquisition capabilities will inure to the benefit of the Company in pursuing any Restructuring, Sale Transaction or Financing, that the value to the Company of Lazard's services hereunder derives in substantial part from that expertise and experience and that, accordingly, the structure and amount of the contingent Consummation Fee and Stand-Alone Financing Fees are reasonable regardless of the number of hours to be expended by Lazard's professionals in the performance of the services to be provided hereunder.

Other:

4. No fee payable to any other person, by you or any other party, shall reduce or otherwise affect any fee payable hereunder to us.

5. The Company will furnish or cause to be furnished to Lazard such current and historical financial information and other information regarding the business of the Company as Lazard may reasonably request in connection with this engagement. The Company represents and warrants to Lazard that all of the foregoing information will be accurate and complete in all material respects at the time it is furnished, and agrees to keep Lazard advised of all developments materially affecting the Company or its financial position. In performing its services pursuant to this Agreement, including in connection with any valuation of the Company, Lazard shall be entitled to rely upon information furnished to it by the Company or that is publicly available, may assume the accuracy and completeness of such information and shall not assume any responsibility for independent verification of any such information.

6. In performing its services pursuant to this Agreement, Lazard is not assuming any responsibility for the decision of the Company or any other party to pursue (or not to pursue) any business strategy or to effect (or not to effect) any Restructuring, Sale Transaction, Financing or other transaction. Lazard shall not have any obligation or responsibility to provide "crisis management" for or business consultant services to the Company, and shall have no responsibility for designing or implementing operating, organizational, administrative, cash management or liquidity improvements; nor shall Lazard be responsible for providing any tax, legal or other specialist advice.

7. It is understood and agreed that nothing contained in this Agreement shall constitute an express or implied commitment by Lazard or Lazard Capital Markets LLC or any of their respective affiliates to underwrite, place or purchase any securities in a financing or otherwise, which commitment shall only be set forth in a separate underwriting, placement agency or purchase agreement, as applicable, relating to the financing.

8. Simultaneously herewith, the parties hereto are entering into the Indemnification Letter. The Indemnification Letter shall survive any termination or expiration of this Agreement.

9. In order to coordinate our efforts on behalf of the Company during the period of our engagement hereunder, the Company will promptly inform Lazard of any discussions, negotiations, or inquiries regarding a potential transaction. In the event that Lazard receives an inquiry concerning any transaction, we will promptly inform the Company of such inquiry.

10. Our engagement hereunder may be terminated by you or us at any time without liability or continuing obligation to you or us, except that following such termination and any expiration of this Agreement (a) we shall remain entitled to any fees accrued pursuant to Section 2 but not yet paid prior to such termination or expiration, as the case may be, and to reimbursement of expenses incurred prior to such termination or expiration, as the case may be, and (b) in the case of termination by the Company (other than due to Lazard's bad faith, willful misconduct or gross negligence) or any expiration of this Agreement, we shall remain entitled to full payment of all fees contemplated by Section 2 hereof in respect to any Restructuring, any Sale Transaction and any Financing announced or resulting from negotiations occurring during the period from the date hereof until 12 months following such termination or expiration, as the case may be.

11. The Company recognizes that Lazard has been engaged only by the Company and that the Company's engagement of Lazard is not deemed to be on behalf of and is not intended to confer rights upon any shareholder, partner or other owner of the Company, any creditor, lender or any other person not a party hereto as against Lazard or any of its affiliates or any of their respective directors, officers, members, agents, employees or representatives. Unless otherwise expressly agreed, no one, other than senior management or the Board of Directors of the Company, is authorized to rely upon the Company's engagement of Lazard or any statements, advice, opinions or conduct by Lazard. Without limiting the foregoing, any advice, written or oral, rendered to the Company's Board of Directors or management in the course of the Company's engagement of Lazard are solely for the purpose of assisting senior management or the Board of Directors of the Company, as the case may be, in evaluating the Restructuring, Sale Transaction or Financing and does not constitute a recommendation to any stakeholder of the Company that such stakeholder might or should take in connection with the Restructuring, Sale Transaction or Financing. Any advice, written or oral, rendered by Lazard may not be disclosed publicly or made available to third parties without the prior written consent of Lazard. Notwithstanding the foregoing, nothing herein shall prohibit you from disclosing to any and all persons the tax treatment and tax structure of any transaction and the portions of any materials that relate to such tax treatment or tax structure. Lazard's role herein is that of an independent contractor; nothing herein is intended to create or shall be construed as creating a fiduciary relationship between Lazard and the Company or its Board of Directors.

12. In connection with the services to be provided hereunder, Lazard may employ the services of its affiliates and Lazard Capital Markets LLC and its affiliates and may share with any such entity any information concerning the Company, provided that Lazard and such entities shall hold any nonpublic information confidential in accordance with their respective customary policies relating to nonpublic information. Any such entity so employed shall be entitled to all of the benefits afforded to Lazard hereunder and under the Indemnification Letter and shall be entitled to be reimbursed for its costs and expenses on the same basis as Lazard.

13. The provisions hereof shall inure to the benefits of and be binding upon the successors and assigns of the Company, Lazard and any other person entitled to indemnity under the Indemnification Letter. You agree that the Company's obligations pursuant to this Agreement shall be joint and several. This Agreement and the related Indemnification Letter embody the entire agreement and understanding among the parties hereto and supersedes any

and all prior agreements, arrangements, and understandings, related to the matters provided for herein.

14. This Agreement and any claim related directly or indirectly to this Agreement (including any claim concerning advice provided pursuant to this Agreement) shall be governed by and construed in accordance with the laws of the State of New York without regard to the principle of conflicts of law. No such claim shall be commenced, prosecuted or continued in any forum other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, and each of the parties hereby submits to the jurisdiction of such courts. The Company hereby waives on behalf of itself and its successors and assigns any and all right to argue that the choice of forum provision is or has become unreasonable in any legal proceeding. The Company waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) related to or arising out of the engagement of Lazard pursuant to, or the performance by Lazard of the services contemplated by, this Agreement.

If the foregoing Agreement is in accordance with your understanding of the terms of our engagement, please sign and return to us the enclosed duplicate hercof.

Very truly yours,

LAZARD FRERES & CO. LLC

By: 

David S. Kurtz
Managing Director

Accepted and Agreed to as of the date first written above.

MOVIE GALLERY, INC., on behalf of itself and its controlled subsidiaries

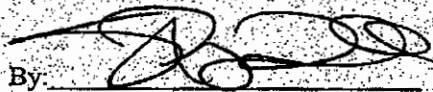
By: 
Name: S. Page Todd
Title: EVP

EXHIBIT 2
[Indemnification Agreement]

As of July 1, 2007

Movie Gallery, Inc.
900 West Main Street
Dothan, Alabama 36301

Attention: Mr. Joe T. Malugen
Chairman, President and Chief Executive Officer

Dear Sirs:

In connection with our engagement to advise and assist Movie Gallery, Inc. and its controlled subsidiaries (collectively, "you") with the matters set forth in the engagement letter of even date herewith, you and we are entering into this letter agreement. It is understood and agreed that in the event that Lazard Frères & Co. LLC or any of our affiliates, or any of our or their respective directors, officers, members, employees, agents or controlling persons, if any (each of the foregoing, including Lazard Frères & Co. LLC, being an "Indemnified Person"), become involved in any capacity in any action, claim, proceeding or investigation brought or threatened by or against any person, including your securityholders, related to, arising out of or in connection with our engagement, you will promptly reimburse each such Indemnified Person for its legal and other expenses (including the cost of any investigation and preparation) as and when they are incurred in connection therewith. You will indemnify and hold harmless each Indemnified Person from and against any losses, claims, damages, liabilities or expenses to which any Indemnified Person may become subject under any applicable federal or state law, or otherwise, related to, arising out of or in connection with our engagement, whether or not any pending or threatened action, claim, proceeding or investigation giving rise to such losses, claims, damages, liabilities or expenses is initiated or brought by you or on your behalf and whether or not in connection with any action, claim, proceeding or investigation in which you or any such Indemnified Person are a party, except to the extent that any such loss, claim, damage, liability or expense is found by a court of competent jurisdiction in a judgment which has become final in that it is no longer subject to appeal or review to have resulted primarily from such Indemnified Person's bad faith, willful misconduct or gross negligence. You also agree that no Indemnified Person shall have any liability (whether direct or indirect, in contract or tort or otherwise) to you or your securityholders or creditors related to, arising out of or in connection with our engagement except to the extent that any loss, claim, damage or liability is found by a court of competent jurisdiction in a judgment which has become final in that it is no longer subject to appeal or review to have resulted primarily from such Indemnified Person's bad faith, willful misconduct or gross negligence. If multiple claims are brought against any Indemnified Person in an arbitration related to, arising out of or in connection with our engagement, and indemnification is permitted under applicable law with respect to at least one such claim, you agree that any arbitration award shall be conclusively deemed to be based on claims as to which

indemnification is permitted and provided for hereunder, except to the extent the arbitration award expressly states that the award, or any portion thereof, is based solely on a claim as to which indemnification is not available.

If for any reason the foregoing indemnification is held unenforceable (other than due to a failure to meet the standard of care set forth above), then you shall contribute to the loss, claim, damage, liability or expense for which such indemnification is held unenforceable in such proportion as is appropriate to reflect the relative benefits received, or sought to be received, by you and your securityholders and creditors on the one hand and the Indemnified Persons on the other hand in the matters contemplated by our engagement as well as the relative fault of yourselves and such persons with respect to such loss, claim, damage, liability or expense and any other relevant equitable considerations. You agree that for the purposes hereof the relative benefits received, or sought to be received, by you and your securityholders and creditors and the Indemnified Persons shall be deemed to be in the same proportion as (i) the total value paid or proposed to be paid by or to you and your securityholders and creditors, as the case may be, pursuant to any transaction (whether or not consummated) for which we have been engaged to perform investment banking services bears to (ii) the fees paid or proposed to be paid to us in connection with such engagement; provided, however, that, to the extent permitted by applicable law, in no event shall we or any other Indemnified Person be required to contribute an aggregate amount in excess of the aggregate fees actually paid to us for such investment banking services. Your reimbursement, indemnity and contribution obligations under this agreement shall be joint and several, shall be in addition to any liability which you may otherwise have, shall not be limited by any rights we or any other Indemnified Person may otherwise have and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of yourselves, ourselves, and any other Indemnified Persons.

Notwithstanding anything to the contrary in the second sentence of this agreement, in connection with any suit, proceeding or other investigation for which we or other Indemnified Persons seek indemnification or contribution hereunder arising out of the same or substantially the same set of allegations, facts and circumstances, your liability hereunder for the reimbursement of legal expenses shall be limited to the reasonable fees and expenses of (i) one law firm for primary counsel and (ii), if necessary, any local counsel.

Each of you and we agree that, without the prior written consent of the other (which will not be unreasonably withheld), you or we, as applicable, will not settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action, proceeding or investigation in respect of which indemnification or contribution could be sought hereunder (whether or not we or any other Indemnified Persons or you, as applicable, are an actual or potential party to such claim, action, proceeding or investigation). No waiver, amendment or other modification of this agreement shall be effective unless in writing and signed by each party to be bound thereby. This agreement and any claim related directly or indirectly to this agreement shall be governed and construed in accordance with the laws of the State of New York (without giving regard to the conflicts of law provisions thereof). No such claim shall be commenced, prosecuted or continued in any forum other than the courts of the State of New York located in the City and County of New York or the United States District Court for the Southern

District of New York, and each of us hereby submits to the jurisdiction of such courts. Each party hereby waives on behalf of itself and its successors and assigns any and all right to argue that the choice of forum provision is or has become unreasonable. Each party (on its own behalf and, to the extent permitted by applicable law, on behalf of its securityholders and creditors) waive all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) related to, arising out of or in connection with our engagement. This agreement shall remain in effect indefinitely, notwithstanding any termination or expiration of our engagement.


Very truly yours,

LAZARD FRERES & CO. LLC

By: 
David S. Kurtz
Managing Director

AGREED TO AND ACCEPTED
as of the date first
above written.

MOVIE GALLERY, INC., on behalf of itself and its controlled subsidiaries

By: 
Name: S. Page Todd
Title: EVP