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**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 DEBTORS TO ASSUME THE STORE
CLOSING CONSULTING AGREEMENT WITH GREAT AMERICAN GROUP, LLC**

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 assume that certain store closing Consulting Agreement dated as of October 2, 2007 (the "Consulting Agreement") among Movie Gallery US, LLC ("MGUC"), Hollywood Entertainment Corporation ("Hollywood") and Great American Group, LLC ("Great American"), the Naughton Declaration (as defined below)

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.



and the First Day Affidavit; and 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; the Court having reviewed the Motion and the declaration of Mark Naughton in support thereof (the "Naughton Declaration"); the Court being satisfied based on the representations made in the Motion and the Naughton Declaration that Great American does not hold or represent an interest adverse to the Debtors' estates; notice of the Motion having been adequate and appropriate under the circumstances; and after due deliberation and sufficient cause appearing therefore, it is hereby ORDERED

1. The Motion is granted in its entirety.
2. Upon entry of this Order, the Debtors are authorized to assume the Consulting Agreement attached hereto as Exhibit 1 in accordance with the terms and conditions set forth in the Consulting Agreement and the Motion.
3. The Consulting Agreement is in full force and effect, and upon the date of this Order, no monetary or non-monetary default will exist thereunder, other than any event of default existing as a result of the filing of these bankruptcy cases and monetary cure amounts, which shall be cured by the Debtors.
4. Great American shall, in addition to submitting regular invoices to the Debtors in accordance with the terms of the Consulting Agreement, file quarterly reports with the United States Trustee for the Eastern District of Virginia regarding any payments made by the Debtors to Great

American for compensation and reimbursement of expenses pursuant to the terms and conditions of the Consulting Agreement.

5. The Debtors shall, as part of the reports filed by the Debtors pursuant to the order granting relief set forth in the Motion of the Debtors for an Order Authorizing the Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business, include the fees and expenses paid to Great American during the applicable period in such reports.

6. 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.

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

Oct 18 2007

/s/ Douglas O. Tice Jr.

United States Bankruptcy Judge

EXHIBIT 1

Richard M. Cieri (NY 4207122)
KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
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**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 (A) AUTHORIZING, BUT NOT DIRECTING, THE DEBTORS TO REMIT
AND PAY CERTAIN TAXES AND FEES AND (B) AUTHORIZING AND DIRECTING
BANKS AND OTHER FINANCIAL INSTITUTIONS TO HONOR RELATED CHECKS
AND ELECTRONIC PAYMENT REQUESTS**

Upon the motion (the "Motion")² of the above-captioned debtors (collectively, the "Debtors") for the entry of an order (the "Order") (a) authorizing, but not directing, the Debtors to remit and pay certain sales, use, franchise, gross receipts, single business, real and personal property and other taxes, as well as fees for licenses, permits and other similar charges and assessments and (b) authorizing and directing banks and other financial institutions to receive,

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.

process, honor and pay checks presented for payment and electronic payment requests relating to the foregoing 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 required, to pay and remit to various taxing, licensing and regulatory authorities (collectively, the "Authorities") (a) taxes, including, but not limited to, sales, use, franchise, gross receipts, single business, real and personal property and other taxes incurred or collected by the Debtors from their customers on behalf of the Authorities (collectively, the "Taxes") and (b) fees, licenses, permits and other similar charges and assessments incurred by the Debtors (collectively, the "Fees"), without regard to whether such Taxes or Fees accrued or arose before or after October 16, 2007.

3. The banks and other financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized and directed to receive, process, honor and pay such checks and electronic payment requests when presented for payment, and all such banks and other financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Order.

4. The Debtors are authorized to reissue any check or electronic payment that originally was given in payment of any prepetition amount authorized to be paid under this Order and is not cleared by the applicable bank or other financial institution.

5. Upon the payment of any real and personal property taxes, any lien securing such property taxes shall be immediately released, become void and be of no further force or effect; provided, further, that such payment shall not be deemed to be a waiver of the Debtors' rights regarding the extent, validity, perfection or possible avoidance of the related liens and payments.

6. Nothing in the Motion or this Order, nor as a result of the Debtors' payment of claims pursuant to this Order, shall be deemed or construed as: (a) an admission as to the validity or priority of any claim against the Debtors; (b) a waiver of the Debtors' rights to dispute any claim; or (c) an approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code.

7. The Debtors do not concede that liens (contractual, common law, statutory or otherwise) described in this Motion are valid, and the Debtors expressly reserve the right to contest the extent, validity or perfection or seek the avoidance of all such liens.

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

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

10. 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

CONSULTING AGREEMENT

This Consulting Agreement, dated as of October 2, 2007 (together with all Schedules, Exhibits and attachments hereto, collectively, the "Agreement"), is made by and between Great American Group, LLC, a California limited liability company, with a principal place of business at 6330 Variel Avenue, Woodland Hills, California 91367 (the "Consultant") and Movie Gallery US, LLC, a Delaware limited liability company, and Hollywood Entertainment Corporation, a Virginia corporation, each with a principal place of business at 900 West Main Street, Dothan, Alabama, 36301 (collectively the "Merchant").

WITNESSETH:

WHEREAS, Merchant is in the business of operating retail store locations for the sale and rental of DVDs, videocassettes, video games and other items;

WHEREAS, from time to time, Merchant may determine that it is in its best interests to close certain of its retail store locations;

WHEREAS, Consultant is in the business of, among other things, providing inventory and fixture disposition services to retailers desiring to close retail store locations;

WHEREAS, Merchant has identified certain retail store locations identified on **Exhibit 1.10** hereto at which it desires Consultant to provide consulting services with respect to the management and disposition of Merchandise in the context of a "Store Closing" or similar theme sale; and

WHEREAS, Merchant and Consultant desire to enter into an arrangement whereby Consultant will provide Merchandise and fixture disposition services to Merchant at the Stores.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS

For the purposes of this Agreement, the terms listed below shall have the respective meanings indicated:

1.1 "Budget" shall mean the budget of specific advertising and Supervisor Costs set forth as **Exhibit 1.1** hereto.

1.2 "Merchandise" shall mean all items of inventory or merchandise located in the Stores as of the Sale Commencement Date or rental items available for the Sale that are returned by customers to the store following the Sale Commencement Date, and for greater certainty does not include any furniture, fixtures (trade or other) or equipment. Merchandise shall also include additional inventory owned by Merchant that Merchant and Consultant mutually agree to include in the Sale and is delivered to the applicable Stores by Merchant after the Sale Commencement Date.

1.3 "Proceeds" means the aggregate of all sales of Merchandise made under this Agreement, including honored discount coupons, store credits, gift certificates and frequent shopper certificates, exclusive of all applicable sales taxes.

1.4 "Sale Commencement Date" shall mean September 26, 2007.

1.5 "Sale" shall mean a "Store Closing," or other mutually agreed high impact themed sale at the Stores.

1.6 "Sale Expenses" shall mean those reasonable and necessary expenses incurred in connection with the Sale, including (a) payroll, benefits capped at no more than 10.5% of base payroll and incentive pay for employees of Merchant utilized in the Sale, (b) costs of transferring Merchandise between Stores, (c) Supervisor Costs (as defined below), (d) advertising expenses including signs and banners (including freight) and local advertising expenses, (e) per diem occupancy costs related to the Stores up to the amounts set forth on **Exhibit 1.6**, (f) corporate travel necessary to monitor and manage the Sale, (g) any additional supplies or other miscellaneous expenses directly incurred which are reasonable and necessary for the Sale, and (h) certain miscellaneous expenses approved in advance by Merchant. For further clarity, any costs of goods related to revenue sharing agreements or otherwise as well as any store closing costs incurred after the conclusion of the Sale shall NOT be considered a Sale Expense.

1.7 "Sale Term" shall mean the period of time beginning with the Sale Commencement Date and ending on the Sale Termination Date.

1.8 "Sale Termination Date" for the Stores shall be the vacate date of each Store but any case no later than November 22, 2007, unless mutually agreed by Merchant and Consultant.

1.9 "Services" shall mean the services to be performed by Consultant pursuant to Section 2.2 of this Agreement.

1.10 "Stores" shall mean Merchant's retail store locations identified on **Exhibit 1.10** (which may be expanded from time to time pursuant to Section 13.8 hereof), which may be individually referred to herein from time to time as a "Store."

1.11 "Store Employees" shall mean those individuals who Merchant employs and retains in the Stores to conduct the Sale.

1.12 "Supervisors" shall mean the individuals whom Consultant shall engage to provide Services in the Stores to Merchant in connection with the Sale.

1.13 "Supervisor Costs" shall have the meaning set forth in Section 2.3 of this Agreement.

2. CONSULTING

2.1 Merchant hereby retains Consultant to conduct a Sale at the Stores as an independent consultant to Merchant.

2.2 On the terms and conditions set forth herein, commencing as of the Sale Commencement Date, Consultant shall provide Merchant with the following Services with respect to the conduct of a Sale:

- (i) provide two lead Supervisors, three financial Supervisors and other Supervisors as needed and mutually agreed upon by the parties, to assist Merchant in conducting the Sale;
- (ii) oversee the liquidation and disposal of the Merchandise to assist Merchant in maximizing the net proceeds from such Merchandise;
- (iii) recommend and implement appropriate advertising to sell effectively the Merchandise during the Sale;
- (iv) recommend and implement the appropriate merchandising, pricing and discounting of the Merchandise;
- (v) recommend and oversee appropriate staffing levels for the Stores;
- (vi) recommend and implement the transfer and balancing of Merchandise between the Stores to maximize results during the Sale;
- (vii) monitor the Stores' performance and the physical layout of the Stores and recommend and assist in the implementation of merchandising and visual presentation recommendations;
- (viii) provide such other related services deemed necessary or prudent by Merchant and Consultant under the circumstances giving rise to a Sale; and

(ix) monitor and control those categories of Sale Expenses set forth on the Budget. Consultant shall not exceed the Sale Expenses set forth on the Budget without Merchant's written consent, which consent Merchant may withhold in its sole discretion.

2.3 In connection with the Sale, Consultant shall directly retain and engage the Supervisors and Consultant and Merchant shall mutually determine the appropriate number of Supervisors to use in the Sale based on the number and locations of Stores included in the Sale. The Supervisors are independent contractors engaged by Consultant and are not and shall not be deemed to be employees or agents of Merchant in any manner whatsoever; nor do the Supervisors have any relationship with Merchant by virtue of this Agreement or otherwise which creates any liability or responsibility on behalf of Merchant for the Supervisors. During the Sale Term, the Supervisors shall perform Services during normal Store operating hours and for the period of time prior to the Store opening and subsequent to the Store closing, as required in connection with the Sale in Consultant's discretion. In consideration of Consultant's engagement of the Supervisors, Merchant agrees to pay Consultant, as a Sale Expense, (i) the sum of \$4,455.00 per week of the Sale for each lead Supervisor, \$4,225.00 per week for each financial Supervisor and \$3,442.00 per week for each of the remaining Supervisors and (ii) the Supervisors' reasonable out of pocket travel costs for reasonable travel to and from and between the Stores (collectively, the "Supervisor Costs").

2.4 Title to all Merchandise shall remain with Merchant at all times during the Sale Term until such Merchandise is sold by or on behalf of Merchant. All sales of Merchandise in the Stores shall be made on behalf of Merchant and run through Merchant's POS system. All sales of Merchandise shall be for cash, credit card, gift card or check, and all receipts shall be marked "final".

2.5 At all times during the term of this Agreement, Consultant shall maintain liability insurance policies (including, but not limited to, comprehensive public liability insurance and auto liability insurance) covering injuries to persons and property in or in connection with Consultant's Services. Consultant shall be responsible for the payment of all deductibles, self-insurance and other amounts payable in connection with any claim asserted under such policies, except for any claims arising directly from the gross negligence or willful misconduct of Merchant.

2.6 At all times during the term of this Agreement, Consultant shall maintain a policy of worker's compensation insurance covering any employees of Consultant providing Services under this Agreement with coverage limits in compliance with applicable state law governing the employment of said employees of Consultant, and Consultant shall be responsible for the payment of all deductibles, self-insurance and other amounts payable in connection with any claim asserted under such policy or policies.

3. EXPENSES

3.1 In connection with the Sale, Merchant shall be responsible for the payment of all reasonable and necessary expenses incurred in operating the Stores and conducting the Sale, including all occupancy expenses for the Stores and all Sale Expenses.

4. CONSULTANT'S FEES

4.1 Consultant will receive a base fee equal to \$1,950.00 per Store for its services, which fee shall be payable in full upon execution of this Agreement by wire transfer of immediately available funds.

4.2 Consultant also may be entitled to a performance based incentive fee calculated as a percentage of the "Net Proceeds" received from the Sale as follows:

Net Proceeds	Consultant's Incentive Fee
Up to \$14.8 million	0
From \$14.8 million to 15.8 million	20%
From \$15.8 million to 16.8 million	25%
From \$16.8 million to 17.8 million	30%

(a) "Net Proceeds" shall mean the gross proceeds of the Sale (e.g., all amounts collected or realized during the Sale including honored store credits, gift certificated and the like less any sales tax) less Sale Expenses (as actually incurred during or in support of the Sale Term, or as determined on a per diem basis if appropriate, in accordance with the occupancy schedule set forth as exhibits hereto).

(b) Merchant expects that the Liquidation Retail Value of the Merchandise as of the Sale Commencement Date shall be \$91.75 million. The "Liquidation Retail Value" shall be determined using the "gross rings" method for Merchandise sold during the Sale, shall be based upon the agreed liquidation file prices downloaded into the Stores' POS system on or before the Sale Commencement Date, and shall be calculated by multiplying the number of each item actually sold by the liquidation file price for such item. In the event that the Liquidation Retail Value is less than \$87.163 million, then as Consultant's sole remedy, the "Net Proceeds" thresholds for application of the incentive fee set forth above shall be reduced according to the chart shown in Exhibit 4.2(b).

(c) In the event that the parties agree in writing to a modified Budget, the "Net Proceeds" thresholds set forth above shall be adjusted on a dollar for dollar basis by the amount of such change in the Budget. In the event that the parties agree to a material change in the circumstances of the Sale, the parties shall mutually agree in writing to a revised Net Proceeds Threshold.

4.3 Consultant's total fee for selling the Merchandise, including both the base fee and the incentive fee, shall not exceed \$1,500,000.00.

5. INVOICES

5.1 Consultant shall submit invoices to Merchant to the attention of Thomas Johnson, 900 West Main Street, Dothan, Alabama, 36301 on a weekly basis setting forth any Sale Expenses that have been incurred directly by Consultant in accordance with the Budget, any Fixture Commission (defined in 12.1 below) earned and any additional expenses related to fixture removal or store closure following the conclusion of the Sale incurred at Merchant's direction. Any incentive fee earned shall be determined and invoiced to Merchant following the conclusion of the Sale and after the total Net Proceeds have been calculated and agreed to by Merchant. Within five (5) business days of receipt of such invoices, such invoices shall be paid via wire transfer in full by Merchant.

5.2 Upon execution of this Agreement, Merchant shall advance to Consultant \$500,000.00 for Sale Expenses, including for signage and travel for Supervisors. The parties shall reconcile such advance with the first weekly invoice and expense settlement.

6. STORE EMPLOYEES

6.1 Merchant, after consulting with Consultant, shall select and retain all Store employees to be utilized as part of the Sale during the Sale Term. Notwithstanding the foregoing, Consultant shall have reasonable approval of the number of hours worked by such Store employees during the Sale.

6.2 As of the Sale Commencement Date, Merchant agrees to use commercially reasonable efforts to insure that the Stores are adequately staffed as mutually agreed upon by the parties.

6.3 Subject to Section 9.1 hereof, Consultant shall have no liability to the Store employees (including any of Merchant's former employees) of any kind or nature whatsoever, including without limitation, with respect to severance pay, termination pay, vacation pay, pay in lieu of reasonable notice of termination, or any other expenses or liability arising from Merchant's employment of such Store employees prior to, during, and subsequent to the Sale.

7. REPRESENTATION AND WARRANTIES OF CONSULTANT

7.1 Consultant hereby represents, warrants and covenants in favor of Merchant as follows:

(a) Consultant has taken all necessary action required to authorize the execution, performance and delivery of this Agreement, and to consummate the transactions contemplated hereby.

(b) This Agreement is a valid binding obligation of Consultant enforceable in accordance with its terms, subject only to any applicable law, including without limitation, bankruptcy, insolvency or similar laws affecting the rights of creditors generally and the availability of equitable remedies.

(c) No action or proceeding has been instituted or, to Consultant's knowledge, threatened, affecting the consummation of this Agreement or the transactions contemplated herein.

8. REPRESENTATIONS AND WARRANTIES OF MERCHANT

8.1 Merchant hereby represents, warrants and covenants in favor of Consultant as follows:

(a) Merchant has taken all necessary action required to authorize its execution, performance and delivery of this Agreement, and to consummate the transactions contemplated hereby.

(b) This Agreement is a valid and binding obligation of Merchant enforceable in accordance with its terms, subject only to any applicable law, including without limitation, bankruptcy, insolvency or similar laws affecting the rights of creditors generally and the availability of equitable remedies.

(c) No action or proceeding has been instituted or, to Merchant's knowledge, threatened, affecting the consummation of this Agreement or the transactions contemplated herein.

9. AFFIRMATIVE DUTIES OF MERCHANT

9.1 Merchant shall be solely liable for, and shall pay when due, all Sale Expenses as well as all taxes (except taxes on Consultant's income and taxes applicable to wages of Consultant's Supervisors and Consultant's Employees), costs, reasonable and necessary expenses, accounts payable and other undisputed liabilities relating to the Sale, the Stores, Store Employees and Merchant's business operations during the Sale.

9.2 Merchant shall prepare and process all reporting forms, certificates, reports and other documentation required in connection with the payment of all applicable taxes for the Stores to the appropriate taxing authorities. Merchant shall collect all sales taxes

and Merchant shall pay the same to the appropriate taxing authorities in accordance with the applicable law.

9.3 Merchant shall use all commercially reasonable efforts to cause all Store Employees, and all other representatives and agents of Merchant to cooperate fully with Consultant and its Supervisors in connection with the Sale during the Sale Term.

10. INSURANCE

10.1 Merchant shall maintain throughout the Sale Term, liability insurance policies (including, but not limited to, product liability, comprehensive public liability insurance and auto liability insurance) covering injuries to persons and property in or in connection with Merchant's operation of the Stores. Merchant shall be responsible for the payment of all deductibles, self-insurance and other amounts payable in connection with any claim asserted under such policies, except for any claims arising directly from the negligence or willful misconduct of Consultant, or its employees, representatives, agents or Supervisors.

10.2 Consultant shall maintain in full force and effect liability insurance policies (including, but not limited to, comprehensive public liability) covering injuries to persons and property in or in connection with Consultant's provision of Services at the Stores, and shall cause Merchant to be named an additional insured with respect to such policies.

11. FIXTURES

11.1 Consultant shall sell furniture, fixtures and equipment (the "FF&E") in the Stores for a commission equal to 25% of the proceeds generated from the sale of such assets ("Fixture Commission"), plus reimbursement of Consultant's expenses incurred in removing and/or disposing of such FF&E. Consultant shall leave the Stores in broom clean condition and with regard to unsold FF&E, either (a) move it to a designated location in the Store, (b) transfer it to a location designated by Merchant or (c) otherwise dispose of it in the manner deemed appropriate by Merchant, each at Merchant's expense.

12. INDEMNIFICATION

12.1 Each party ("Indemnifying Party") shall, at its sole cost and expense, indemnify, defend and hold harmless the other party, its parent company affiliates, subsidiaries and the officers, directors, employees, agents, successors and assigns of each (collectively, the "Indemnified Party") from and against any and all actions, causes of action, claims, demands, liabilities, obligations, losses, judgments, damages and costs, and charges of any kind or nature (including interest, reasonable attorneys' fees and other costs) incurred or sustained by reason of, or arising out of, relating to, or caused by the Indemnifying Party's (a) breach of any provision, warranty or representation of this Agreement; (b) failure to comply with any applicable federal, state or local law, rule,

regulation, ordinance, or court order in connection with each party's respective obligations under this Agreement; and/or (c) gross negligence, willful misconduct or omission. Notwithstanding the foregoing, no party shall be obligated to indemnify the other party for the gross negligence and/or willful misconduct or omission of such other party. The Indemnified Party shall give the Indemnifying Party prompt written notice of any claim, suit, or action for which such party believes the Indemnifying Party's obligation to indemnify, defend and hold harmless shall apply. The Indemnifying Party shall be given the opportunity to control the defense of such lawsuit and the Indemnified Party shall cooperate fully in the defense of such lawsuit. The terms of this Section 13 shall survive the termination of this Agreement.

13. MISCELLANEOUS

13.1 Any notice or other communication under this Agreement shall be in writing and may be delivered personally or sent by facsimile or by prepaid registered or certified mail, addressed as follows:

(i) in the case of Consultant:

Great American Group
Nine Parkway North, Suite 300
Deerfield, IL 60015
Attn: Mark P. Naughton
Vice President/General Counsel
Fax: (847) 444-0937

(ii) in the case of Merchant:

Movie Gallery US, LLC or Hollywood
Entertainment Corporation (as appropriate)
Office of the General Counsel
900 West Main Street
Dothan, AL 36301
Attn: General Counsel Fax: (334) 836-3626
Copy to: Jeffry B. Gordon at same address

Copy to:

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Attn: Anup Sathy, P.C. and Marc J. Carmel
Fax: (312) 861-2200

13.2 This Agreement shall be governed by and interpreted in accordance with the internal laws of the State of Alabama, without reference to any conflict of laws provisions.

13.3 In the event any term or provision contained within this Agreement shall be deemed illegal or unenforceable, then such offending term or provision shall be considered deleted from this Agreement and the remaining terms shall continue to be in full force and effect.

13.4 This Agreement constitutes the entire agreement between the parties with respect of the subject matter hereof and supersedes all prior negotiations and understandings, and can only be modified by a writing signed by Merchant and Consultant.

13.5 This Agreement shall inure to the benefit of, and be binding upon, the parties and their respective successors and permitted assigns.

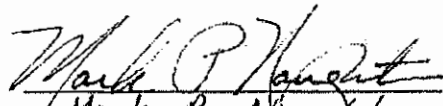
13.6 This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts, together, shall constitute one and the same instrument. Delivery by facsimile of this Agreement or an executed counterpart hereof shall be deemed a good and valid execution and delivery hereof or thereof.

13.7 Nothing contained herein shall be deemed to create any relationship between Consultant and Merchant other than that of an independent contractor. It is stipulated that the parties are not partners or joint venturers.

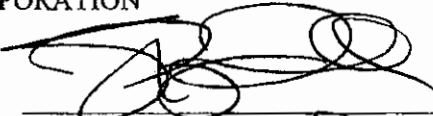
13.8 Merchant shall have the right to designate additional stores for Consultant to liquidate pursuant to the terms hereof by providing written notice to Consultant to the address set forth above setting forth the addresses of such stores and the proposed commencement and termination date. Promptly upon receiving such notice, Consultant shall negotiate in good faith with Merchant to determine the relevant terms related to such additional designated Stores, including the Sale Term, the minimum level of Merchandise, the Sale Expenses for such proposed sale, and the proposed incentive fee applicable to such sale. Except as set forth above, the terms of this Agreement shall apply to such additional designated stores and the reference in this agreement to "Stores" shall include such additional stores.

IN WITNESS WHEREOF, Merchant and Consultant hereby execute this Agreement by their duly authorized representatives as of the day and year first written above.

THE GREAT AMERICAN GROUP, LLC

By: 
Name: Mark P. Naughton
Its: Vice President / General Counsel

MOVIE GALLERY US, LLC and
HOLLYWOOD ENTERTAINMENT
CORPORATION

By: 
Name: S. Page Talley
Its: EVP