

Richard M. Cieri (NY 4207122)
KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4611
Telephone: (212) 446-4800

Michael A. Condyles (VA 27807)
Peter J. Barrett (VA 46179)
KUTAK ROCK LLP
Bank of America Center
1111 East Main Street, Suite 800
Richmond, Virginia 23219-3500
Telephone: (804) 644-1700

and

Anup Sathy, P.C. (IL 6230191)
Marc J. Carmel (IL 6272032)
KIRKLAND & ELLIS LLP
200 East Randolph Drive
Chicago, Illinois 60601-6636
Telephone: (312) 861-2000

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 KEEN CONSULTANTS, THE REAL ESTATE
DIVISION OF KPMG CORPORATE FINANCE LLC AS REAL ESTATE
CONSULTANT 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' employment and retention of Keen Consultants ("Keen"), the real estate division of KPMG Corporate Finance LLC and its wholly-owned subsidiary KPMG CF Realty LLC (collectively "KPMG CF") as

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 defined herein shall have the same meanings ascribed to them in the Application.



their real estate consultant, effective as of the date the Debtors filed their chapter 11 petitions pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, 11 U.S.C. §§101-1532 (the “Bankruptcy Code”), Rules 2014(a) 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 Bordwin Declaration (as defined below), the Beers Supplemental 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, the declaration of Matthew Bordwin in support thereof (the “Bordwin Declaration”) and the supplemental declaration of Lorie Beers in support thereof (the “Beers Supplemental Declaration”); the Court being satisfied based on the representations made in the Application, the Bordwin Declaration and the Beers Supplemental Declaration that (a) Keen does not hold or represent an interest adverse to the Debtors’ estates and (b) Keen 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 to employ and retain Keen as their real estate consultant in these chapter 11 cases in accordance with the terms set forth in the Application and that certain retention agreement dated as of October 9, 2007 (the "Retention Agreement") by and among Movie Gallery US, LLC, Hollywood Entertainment Corporation and Keen Consultants, the real estate division of KPMG Corporate Finance LLC and its wholly-owned subsidiary KPMG CF Realty LLC attached hereto as Exhibit 1.

3. Keen will provide such services as Keen and the Debtors shall deem appropriate and feasible during the course of these chapter 11 cases, as summarized in the Application and set forth in the Retention Agreement.

4. The Debtors may supplement the list of properties subject to the Retention Agreement at any time by filing a supplemental list with the Court and serving such supplemental list on the Office of the United States Trustee for the Eastern District of Virginia, counsel to any official committee appointed in these chapter 11 cases and those persons who have requested notice in these chapter 11 cases pursuant to Bankruptcy Rule 2002.

5. Keen shall be compensated consistent with the proposed compensation set forth in the Application and the Retention Agreement (the "Fee Structure").

6. Keen shall submit invoices to the Debtors for the payment of compensation for professional services rendered and reimbursement of reasonable and necessary expenses incurred in connection with these chapter 11 cases in accordance with the terms of the Retention Agreement when such compensation becomes due and owing and such expenses are incurred, without further order of the court, subject to the Debtors' review and ability to dispute any invoice.

7. Notwithstanding anything in the Retention Agreement to the contrary, Keen's claims under the Retention Agreement will be treated as administrative expenses pursuant to section 507(a) of the Bankruptcy Code but will not be granted a carve-out pursuant to section 506(c) of the Bankruptcy Code for the payment of fees and expenses.

8. 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.

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

10. The terms and conditions of the Order shall be immediately effective and enforceable upon its entry.

11. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order, and neither the Debtors nor Keen shall be required to seek authorization from any other jurisdiction with respect to the relief granted by this Order.

Richmond, Virginia Oct 18 2007
Date: October ____, 2007

/s/ Douglas O. Tice Jr.

United States Bankruptcy Judge

Entered on Docket: 10-18-2007

EXHIBIT 1

[Retention Agreement]

RETENTION AGREEMENT

THIS RETENTION AGREEMENT (the "**Agreement**") is entered into by and among Movie Gallery US, LLC, a Delaware limited liability company and Hollywood Entertainment Corporation, a Virginia corporation, (collectively, the "**Company**"), with their principal offices located at 900 West Main Street, Dothan, AL 36301 and Keen Consultants the real estate division of KPMG Corporate Finance LLC, and its wholly-owned subsidiary KPMG CF Realty LLC a Delaware limited liability company (collectively, "KPMG") ("**Consultant**") located at 60 Cutter Mill Road, Suite 214, Great Neck, NY 11021-3104 on this 9th day of October, 2007 (the "**Effective Date**").

WHEREAS, Company desires to retain Consultant to provide real estate advisory and transactional services for certain of Company's leases for certain of its retail video specialty stores and certain fee owned real property.

WHEREAS, Consultant desires to provide such real estate advisory and transactional services for certain of Company's leases for certain of its retail video specialty stores and certain fee owned real property upon the terms and conditions set forth below;

WHEREAS, Company and Consultant entered into that certain retention agreement, dated August 7, 2007, pursuant to which Keen Realty, LLC provided certain real estate advisory and transactional services to the company (the "Original Agreement");

NOW THEREFORE, in consideration of the foregoing, the mutual premises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to supersede and replace the Original Agreement in its entirety in accordance with the following terms and conditions:

I. TERM:

The term of this Agreement shall begin on the date of execution of this Agreement and shall continue until such time as the services to be performed by Consultant pursuant to this Agreement are completed. However, either party may terminate this Agreement with cause if, after thirty (30) days written notice, the defaulting party has not cured the default.

II. LEASEHOLD DISPOSITION SERVICES AND RELATED FEES

A. Authority: As Company determines that a leasehold property is no longer needed and is an excess location, Company shall in writing designate to Consultant that such property should be disposed of. By this Agreement, Company hereby designates, and Consultant hereby accepts the designation of, those properties identified on Exhibit A (each, a "Leased Property" and collectively, the "Leased Properties") attached hereto and incorporated herein by reference as excess locations to be disposed of. Subject to the exclusive granted to certain other vendor(s) regarding similar or like services for certain of the Leased Properties, Consultant shall have the sole and exclusive authority to offer the designated Leased Properties for disposition on an "exclusive right to sell" basis. All communications and inquiries regarding the Leased Properties, whether directed to Company (including, but not limited to, its officers, agents and employees) or Company's counsel, accountants or other professionals, shall be re-directed to Consultant.

B. Marketing Goals:

Consultant's goal is to develop and implement a strategy that results in the sale of the Leased Properties at the highest and best price. Consultant will develop a marketing strategy uniquely designed for Company's Leased Properties. Consultant's goal is to assure Company:

1. that the Leased Properties have been exposed to the broadest possible market;

2. that potential buyers are operating in a competitive environment; and
 3. that the offer that Company eventually accepts is the highest and best offer in the marketplace.
- C. Consultant's services may include those generally described below, as appropriate and/or as requested by the Company. Consultant will, among other things:
1. on request, review all pertinent documents and will consult with Company's counsel, as appropriate;
 2. coordinate with Company on the development of due diligence materials, the expense of which shall be Company's sole responsibility;
 3. develop, subject to Company's review and approval, a marketing plan and implement each facet of the marketing plan;
 4. communicate regularly with all prospects and maintain detailed records of all communications;
 5. when requested, meet periodically with Company and its professional advisors in connection with the status of Consultant's efforts;
 6. work with the counsel responsible for the implementation of the proposed transactions, reviewing documents, negotiating and assisting in resolving problems that may arise; and
 7. subject to Section V below, if required, appear in court, to testify or to consult with Company in connection with the scope of Consultant's engagement.
 8. Company and Consultant agree and understand that Consultant will not begin marketing unless and until a bankruptcy filing occurs.
- D. Compensation: When Company completes a transaction with respect to a Leased Property (i.e., a Leased Property transaction including, but not limited to, the assignment of a lease, or the waiver of a landlord's rejection claim pursuant to section 502(b)(6)(A) of the Bankruptcy Code (11 U.S.C. §§ 101-1532, the "Bankruptcy Code") (a "Rejection Claim," if applicable), whether such transaction is completed individually, as part of a package, as part of the disposition of Company's business or as part of a chapter 11 plan), then:
1. With respect to the assignment of a lease to a party other than the landlord, Consultant shall have earned as compensation per Leased Property the greater of:
 - a) one thousand two hundred fifty and no/100 dollars (\$1,250.00) (each, a "Minimum Transaction Fee"); or
 - b) three percent (3%) of Gross Proceeds (as defined below) from the transaction.

Subject to all applicable compensation procedures approved by any bankruptcy court, such fees shall be paid, in full, off the top, from the proceeds of sale or otherwise, simultaneously with the closing or other consummation of each transaction.
 2. With respect to the waiver, release or negation of a landlord's Rejection Claim, Consultant shall have earned as compensation per Leased Property:
 - a) To the extent the landlord tenders Gross Proceeds to Company, the greater of the Minimum Transaction Fee and three percent (3%) of Gross Proceeds from the Transaction, payable in full, off the top,

- from the proceeds of sale or otherwise, simultaneously with the closing or other consummation of each transaction.
- b) To the extent that a landlord agrees to waive, release or otherwise negate its Rejection Claim without the tender of Gross Proceeds to Company, then the Minimum Transaction Fee, payable in full, simultaneously with the closing or other consummation of each transaction.
 - c) Upon consummation of a chapter 11 plan, Consultant shall have earned and Company shall pay to Consultant the difference between the compensation previously paid to Consultant and three percent (3%) of the dollar savings to the estate on account of such waiver, release or negation of Rejection Claims. Such fee may be paid in cash.
- 3. In no event shall Consultant receive a fee under Section II(D)(2) of this Agreement if Consultant has negotiated the assignment of a lease and is entitled to a fee pursuant to Section II(D)(1) of this Agreement.
 - 4. In the event a Leased Property, which Company designated for disposition by Consultant, is rejected or otherwise withdrawn from the scope of this Agreement and Consultant has not earned a fee pursuant to subparagraph "II.D" above, then Consultant shall receive a minimum fee of two hundred seventy five and no/100 dollars (\$275.00) per Leased Property for its involvement with each such Leased Property. Such minimum fee is payable immediately upon the earlier of the expiration of this Agreement and within 10 business days of the withdrawal of the Leased Property or the rejection of such Leased Property. In the event that Consultant subsequently earns a fee in respect of that Leased Property pursuant to this Agreement, then this minimum fee shall be credited against the fees subsequently earned.
 - 5. Nothing herein shall affect or otherwise impair any of Company's rights with respect to Leased Properties under the applicable law, including the right to reject Leased Properties.

E. Real Property Disposition :

- 1. Company has designated Aliceville, AL and Quanah, TX as "Owned Properties" that Consultant will market. Company may designate in the future additional Owned Properties to Consultant to market. When Company sells or otherwise transfers title to an Owned Property, whether individually or as part of a package or as part of the disposition of Company's business or as part of a chapter 11 plan, then Consultant shall have earned its compensation in an amount equal to three percent (3%) of the Gross Proceeds from the transaction pertaining to said Property, such fee to be paid, in full, off the top, from the proceeds of sale or otherwise, simultaneously with the closing, sale, assignment or other consummation of the proposed transaction.
- 2. Prior Prospect: Notwithstanding anything in section E.1 above, Company retains the right to sell the Owned Property located at Aliceville, Alabama to Mark Gillam ("Prior Prospect") who contacted Company regarding the possible purchase of said Owned Property prior to execution of this Agreement. If Company signs a binding contract with Prior Prospect before a bankruptcy filing by Company and Prior Prospect closes the transaction at the original contract price, in this event Consultant shall be entitled to no fee. If following a bankruptcy filing the Prior Prospect signs a contract for the purchase of the Aliceville, AL property and successfully

purchases this property, Consultant shall have earned a reduced fee of two percent (2%) of the gross proceeds to be paid as set forth in section E.1 above.

3. As per the Affidavit of Disinterestedness ("Affidavit") that Consultant will sign for submittal to the Bankruptcy Court, Consultant agrees to not share any of its compensation except as set forth in this Agreement or the Affidavit.

F. Gross Proceeds:

1. The term "Gross Proceeds" as used in this Agreement shall be the sum of:
 - a) the total consideration transferred to or for the benefit of Company; and
 - b) the economic benefit to the Company of any forgiveness that may be allowed by any landlord (excluding the landlord's Rejection Claim); provided that such economic benefits shall not include any decrease in existing (a) obligations of Company resulting from assignment or rejection of Leased Property (like rent, taxes, CAM and other similar expenses) or (b) obligations of Company resulting from sale of Owned Property (like taxes, utilities and other carrying costs)
2. The computation of Gross Proceeds, as well as the computation of Consultant's fee, shall not be affected by the costs of advertising, Company's legal fees, break-up fees, Consultant's expenses nor any closing costs and/or adjustments, including, but not limited to, adjustments and/or payments of whatever kind to landlords, lienholders, secured parties or offerors.

- G. By obtaining a Bankruptcy Court Order approving this Agreement, Company and the Bankruptcy Court authorize and grant Consultant, without need for further application to the Court, an administrative claim as well as a Section 506(c) carve-out for the payment of fees and expenses as provided by this Agreement. Company hereby authorizes and instructs any escrow agent or counsel (without need for further authorization or permission) to pay Consultant its fees earned in strict compliance with the provisions of this Agreement, time being of the essence, directly from the proceeds of the Transaction, in full, simultaneously with the closing or other consummation of the Transaction. The rights provided by this paragraph and the Order approving same shall be deemed to supplement and not supersede other rights provided to Consultant.

III. RENEGOTIATION OF LEASES AND RELATED FEES

A. Authority:

1. Company, in its sole discretion, may determine that Consultant shall administer a rent renegotiation program. Consultant shall have no authority to renegotiate leased properties (each, a "Renegotiated Property"), unless Consultant receives written notice and authorization from Company.
2. Consultant shall have the sole and exclusive authority to represent Company in the negotiation of lease modification agreements for those Renegotiated Properties designated in writing by Company (as updated from time to time). All communications and inquiries from landlords regarding the negotiation of rental reductions and other lease modifications, whether directed to Company (including, but not limited to, its officers, agents and employees), or Company's counsel, accountants or other professionals, shall be re-directed to Consultant. Company shall retain the complete discretion to accept or reject any real estate proposal.

B. Services: In accordance with and subject to the foregoing conditions, during the term of this Agreement Consultant may, at the request of the Company, provide the following services with respect to all Renegotiated Properties not designated for disposition:

1. Consultant will organize the lease information for each Renegotiated Property in a manner that clearly displays the store and lease economics. Consultant and Company will jointly establish negotiating goals and parameters, such as rent reductions, lease term modifications, and other leasehold concessions.
3. Consultant will contact each landlord and will negotiate for modifications in accordance with the parameters established by Company. Consultant will negotiate by strictly complying at all times with the instructions of the Company.
4. Consultant will work with the landlords and Company to document accurately all lease modification proposals.
5. Consultant will attend and participate in all court hearings and meetings, including with any official committee of unsecured creditors when requested by Company.

C. Compensation:

1. For the review of documents, analysis of the leases, and development and implementation of a renegotiation strategy as described in Section III.C., Company shall, in accordance with the foregoing terms and conditions, pay Consultant an advisory and consulting fee of two hundred seventy five and no/100 dollars (\$275.00) per Renegotiated Property, which fee shall be setoff in full against subsequently earned renegotiation fees at the rate of two hundred seventy five and no/100 dollars (\$275.00) per Renegotiated Property.
2. Monetary Savings: When Company completes a renegotiation transaction (i.e., rental reduction, term modification, size modification, etc.), then Consultant shall have earned and shall be paid as follows:
 - a) the sum of one thousand two hundred fifty dollars (\$1,250.00), payable on the "Initial Payment Date" (as defined below), and
 - b) to the extent that three percent (3%) of the net present value total rental reduction savings [(using a 9% discount rate)] from the transaction pertaining to said Property (which savings have accrued since the Initial Payment Date plus savings projected during the remaining lease term), exceeds \$1,250.00, then the payment of such difference. Such fee shall be paid upon the earlier to occur of one year from the effective date of the lease modification or the confirmation of a plan of reorganization.
3. The "Initial Payment Date" as used in this Agreement shall be the earliest to occur of:
 - a) the date that Company begins to receive the benefits of the renegotiation (by receiving the actual savings), as substantiated by a letter agreement or term sheet executed by both Company and the subject landlord.
 - b) the date of a fully executed lease amendment; and
 - c) the date of the entry of an order of the bankruptcy court approving the lease modification.
4. Non-Monetary Renegotiation Transaction: If Company completes a material renegotiation transaction that does not involve monetary savings (i.e., lease

extension, renewal, etc.), then Consultant shall have earned as compensation per Renegotiated Property a minimum fee of one thousand two hundred fifty and no/100 dollars (\$1,250.00). Such fee shall be paid on the Initial Payment Date.

5. Consultant is only entitled to earn one renegotiation fee per Renegotiated Property.

IV. EVALUATION SERVICES AND RELATED FEES

- A. Company, in its sole discretion, may determine that Consultant shall complete a formal real estate evaluation of designated properties. Consultant shall have no authority to evaluate properties, unless Consultant receives written notice and authorization from Company.
- B. Upon Company's written request, Consultant agrees to provide Company with a written, desktop analysis report analyzing and evaluating the value or liability associated with those properties designated by Company (the "Evaluation Properties").
- C. Upon Consultant's receipt of necessary information from Company, and Consultant's receipt of payment as set forth below, Consultant shall present a report to Company, within a time period agreed upon by Company and Consultants, outlining its estimate as to the value or liability of each of the Evaluation Properties. Consultant's valuation shall be based upon an analysis of the market, review of the lease documents and upon its exercise of its professional judgment. Each Evaluation Property will be valued assuming that it will be marketed in an organized and expedited fashion and disposed of pursuant to the provisions the Bankruptcy Code.
- D. For a desktop analysis, Company shall pay Consultant an amount to be agreed upon between Company and Consultant per Evaluation Property, payable in full upon Company's designation of the Evaluation Properties.

V. LITIGATION SUPPORT & RELATED CONSULTING FEE:

- A. Consultant shall provide the following services to Company for which Consultant shall have no right to receive and shall not seek the payment of any fees:
 - 1. in the event that Company files a bankruptcy petition, provide assistance in seeking and obtaining bankruptcy court approval of this Agreement including testimony and court time related thereto;
 - 2. in the event that Company files a bankruptcy petition, provide assistance in obtaining bankruptcy court approval for the sale of a Property, which assistance may include responding to requests for information and preparing for and testifying in Bankruptcy Court so long as such testimony and bankruptcy court appearance, per Disposition Property, begins and ends in one business day.
- B. Notwithstanding the forgoing paragraph "V.A.," Company shall pay Consultant on an hourly basis for its time, including travel time, at the rates set forth below, in connection with providing any (x) real estate consulting services that are otherwise beyond the scope of this Agreement and are expressly requested in writing by Company, (y) litigation support and (z) time spent as a witness in connection with any contested matter (excluding such hearings as provided for in paragraph "V.A." above).
- C. Company shall pay Consultant on an hourly basis for its time at its then prevailing hourly rates (which are adjusted annually). Consultants currently prevailing hourly rates are as follows: Chairman and President - \$550 per hour; Executive Vice President - \$475 per hour; Vice Presidents - \$385 per hour; Directors - \$250 per hour; Associates - \$200 per hour; and Administrative Support and/or Researcher - \$125 per hour. Consultant will not maintain time records on a project category basis, but rather will maintain time records on a general, daily basis and in increments of 15 minutes.

VI. EXPENSES AND DISBURSEMENTS:

- A. Company shall be responsible for all reasonable expenses incurred by Consultant pursuant to this Agreement, including, but not limited to, all advertising, marketing, traveling, lodging, FedEx, postage, telephone charges and photocopying charges. Company shall provide Consultant with a ten thousand and no/100 dollars (\$10,000.00) expense advance and shall authorize Consultant to maintain, on account, a ten thousand and no/100 dollars (\$10,000.00) expense account. Consultant shall regularly provide Company with an expense report detailing the expenses incurred over the prior period. Consultant agrees that it will get approval from Company prior to incurring any individual expenses in excess of one thousand and no/100 dollars (\$1,000.00). Within five (5) business days of receipt of Consultant's expense report, Company shall replenish Consultant's expense account.
- B. With regard to the sale and disposition of the Leased Properties, Consultant shall prepare a marketing plan and budget. Following Company's approval of the budget, Company shall advance to Consultant the budgeted amount and agrees to pay all reasonable, additional costs and expenses within five (5) business days of the proper presentation of an invoice. Consultant shall be under no obligation to incur marketing expenses until such time as Consultant receives funds from Company. In order to expedite the marketing process, Company may pay Consultant's vendors directly.

VII. SURVIVAL:

- A. The following survival provisions are applicable, except if Consultant voluntarily terminates this Agreement pursuant to Section 1 hereof or Company terminates Consultant for cause, pursuant to Section 1. This provision shall only apply to those Leased Properties designated for disposition. In the event Company and any third party should enter into an agreement providing for the sale, assignment, lease or other disposition of a Property before the expiration of this Agreement and the closing does not occur until after said expiration, then Consultant shall be entitled to a fee in accordance with the terms of this Agreement. If Company, after the expiration of said period, arranges for the sale of a Property to a third party whom Consultant introduced to a Property or introduced to the Company or with whom Consultant dealt in connection with a Property prior to said expiration, and the contract signing or closing takes place within six (6) months after said expiration, then Consultant shall be entitled to a fee in accordance with the terms of this Agreement. In addition, in the event that Company enters into a contract, the result of which would entitle Consultant to a fee pursuant to this Agreement and the terms of this paragraph and a bankruptcy hearing/auction to approve such contract and/or solicit higher and better offers is held, then regardless of who may be the successful bidder, Consultant is entitled to a fee pursuant to the terms of this Agreement.
- B. Lease Modifications: With respect to only those Renegotiated Properties designated for Consultant's lease renegotiation services pursuant to the terms of this Agreement, the following survival provisions are applicable. If Company arranges with a landlord for the modification of a Property's lease and Company begins to receive the benefits of that leasehold modification within six (6) months of the expiration of this Agreement as a direct result of Consultant's efforts then Consultant shall be entitled to a fee in accordance with the terms of this Agreement. At the expiration or termination of the Agreement, Consultant will provide Company with a list indicating the status of pending landlord negotiations.

VIII. COMPANY'S RESPONSIBILITIES:

- A. Upon the commencement of this Agreement, Company will deliver to Consultant a list of all brokers, principals or other prospects who have expressed an interest in using or acquiring a Property along with all correspondence and other records that relate to any such interest.
- B. With respect to each Property, Company will immediately inform Consultant as to:

1. any known or suspected risk of environmental hazard or contamination; and
 2. any known existing or pending violation(s) of federal, state or local environmental laws or regulations.
- C. Company shall have the continuing obligation to advise Consultant in writing as soon as reasonable after it becomes aware of any inaccuracy, inconsistency, incompleteness or change of circumstances and to correct same. Additionally, if Company has ordered environmental reports or studies, as soon as reasonable after such become available, Company will provide a true and complete copy of such reports to Consultant. Company shall make reasonably available to Consultant all information concerning the Properties in connection with the performance of Consultant's obligations hereunder, as set forth on the attached Exhibit "B". All information provided by Company shall be materially accurate and complete at the time it is furnished and Company shall, as soon as reasonable after it becomes aware of any inaccuracy or incompleteness in any information then or later provided to Consultant, promptly advise Consultant in writing of such inaccuracy or incompleteness and correct the same. Consultant shall under all circumstances have the right to rely, without independent verification, on the accuracy and completeness of all such information supplied to Consultant in connection with Consultant's engagement hereunder and shall not be responsible to Company for the inaccuracy or incompleteness of any information provided to it.
- D. Each party shall indemnify, defend and hold harmless the other party (and its directors, officers, employees, agents, as applicable) from and against any and all actions, causes of action, claims, demands, liabilities, losses, judgments, damages or expenses and charges of any kind or nature including interest, reasonable attorneys' fees and other costs, expenses, charges or claims arising out of, relating to, or caused by the indemnifying party's:
- i. breach of any provision of this Agreement;
 - ii. 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; provided that if a bankruptcy court has entered an order superseding any such law, rule, regulation, ordinance or order, there shall be no such indemnification obligation except in the event of a violation of or failure to comply with such bankruptcy court order; or
 - iii. gross negligence or willful misconduct.

Notwithstanding the foregoing, no party shall be obligated to indemnify the other party for the gross negligence or willful misconduct of such other party as determined by a court of competent jurisdiction. 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 and 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 paragraph shall survive the termination or expiration of this Agreement.

IX. GENERAL PROVISIONS:

- A. The services to be provided by Consultant pursuant to this Agreement are transactional in nature and except with respect to hourly fees pursuant to paragraph "V" above, for which Consultant will maintain contemporaneous time records in 15 minute increments and not on a

project category basis, Consultant will not be billing Company by the hour nor keeping a record of its time spent on behalf of Company.

- B. Any correspondence or required notice shall be addressed as follows and shall be sent by Certified Mail, Return Receipt Requested, or by FedEx, either of which notices shall be supplemented by facsimile and/or email transmission, and shall be effective as of the date of actual receipt of the Certified Mail or FedEx. Such notice shall be addressed as follows:

If to Consultant, to: KPMG Corporate Finance LLC and KPMG CF Realty LLC
60 Cutter Mill Road, Suite 214
Great Neck, NY 11021-3104
ATTN: Harold Bordwin
Telephone: (212) 319-3964 / Facsimile: (516) 482-5764
Email: hbordwin@keenconsultants.com
ATTN: Matt Bordwin
Telephone: (516) 482-2700 / Facsimile: (516) 482-5764
Email: mbordwin@keenconsultants.com

With a copy to: KPMG Corporate Finance
111 S. Calvert Street
Baltimore, MD 21202
Telephone: (410) 949-8510 / Facsimile: (410) 949-2827
Email: sgaines@kpmg.com
ATTN: Stephen Gaines

If to Company: Movie Gallery, Inc.
900 W. Main Street
Dothan, AL 36301
ATTN: General Counsel
Telephone: (334) 677-2108

Copy to Deputy General Counsel at the same address.

With a copy to: Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601-6636
Telephone: (312) 861-2000
Facsimile: (312) 861-2200
ATTN: Anup Sathy, P.C. and Marc J. Carmel
Email: asathy@kirkland.com, mcarmel@kirkland.com

- C. The Company is authorized to employ Consultant to act as an agent of the Company, and to advertise, market, negotiate and coordinate the closing of the sale of the Company's interest in the Properties. It is understood and agreed that the relationship of the parties hereto is strictly that of independent contracting parties and that this Agreement shall not be construed as a joint venture or partnership.
- D. In the event Company files a bankruptcy petition, Company will promptly apply to the United States Bankruptcy Court ("Court") for and will use its reasonable best efforts to obtain an order approving this Agreement (the "Order"), in form and substance reasonably acceptable to Consultant. Company acknowledges that this Agreement in its entirety will be attached to and made a part of Company's request to the Court and will be referenced to in the Order. Company

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CONFIDENTIAL

- E. Upon the commencement of this Agreement, it shall be binding upon and shall inure to the benefit of the parties hereto, their successors and assigns. Either party hereto may freely transfer/assign its interests hereunder to a parent, subsidiary or affiliated entity or in a merger, consolidation or sale of substantially all of its assets or stock.
- F. This Agreement shall be construed fairly as to all parties and there shall be no presumption against the party who drafted this Agreement in the interpretation of this Agreement. By executing or otherwise accepting this Agreement, Company and Consultant acknowledge and represent that they are represented by and have consulted with legal counsel with respect to the terms and conditions contained herein. This Agreement may be executed in original counterparts and an executed facsimile or an electronic, pdf version, may be deemed the equivalent of an original.
- G. If any action at law or in equity is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs (at trial and appellate level), in addition to any other relief to which that party may be entitled. This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama applicable to contracts executed and to be performed in such state. The parties to this Agreement hereby submit to the exclusive jurisdiction of the federal and state courts sitting in Dothan, Houston County, Alabama, and agree that any action hereunder or in any way related to this Agreement shall be brought in such courts; provided, however, that if Company files a bankruptcy petition, the Court has and shall retain jurisdiction to hear and determine all matters arising from the implementation of this Agreement, and neither the Debtors nor Consultant shall be required to seek authorization from any other jurisdiction with respect to the relief granted by the Order approving this Agreement.
- H. The parties under this Agreement will make all reasonable efforts to perform all obligations of this Agreement in a prompt and timely manner.
- I. The parties acknowledge and agree that any delay or failure to enforce its rights hereunder for a specific instance by either party hereunder shall not constitute a waiver of such rights or in any way prevent either party from enforcing such rights at a later time.
- J. This Agreement contains the entire agreement between the parties hereto, and no representations, inducements, promises or agreements, oral or otherwise, entered into prior to the execution of this Agreement will alter the covenants, agreements and undertakings herein set forth. This Agreement shall not be modified in any manner, except by an instrument in writing executed by the parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on their behalf by their respective duly authorized representatives as of the date set forth below.

AGREED AND ACCEPTED
this ____ day of ____, 2007

KPMG CORPORATE FINANCE LLC

By: _____
Name:
Title:

AGREED AND ACCEPTED
this 9th day of October, 2007

MOVIE GALLERY US, LLC

HOLLYWOOD ENTERTAINMENT
CORPORATION COMPANY

By: _____
Name: JEFFREY GORDON
Title: SVP

RETENTION AGREEMENT
Movie Gallery - Hollywood Video
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CONFIDENTIAL

AGREED AND ACCEPTED
this 9th day of Oct, 2007

KPMG CF REALTY LLC

By: [Signature]
Name: Matthew Erickson
Title: Managing Director

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