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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 DEBTORS' RETENTION AND COMPENSATION OF
CERTAIN PROFESSIONALS UTILIZED IN THE ORDINARY COURSE OF BUSINESS**

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 retain and compensate certain professionals utilized in the ordinary course of the Debtors' business 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

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.



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 retain and pay reasonable fees and expenses for the services of various attorneys, accountants and other professionals in the ordinary course of their business (each, an “OCP”).
3. The procedures for the retention and compensation of OCPs set forth on Exhibit 1 attached hereto are hereby approved.
4. 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 If an Objection is timely filed and not withdrawn before such hearing, the Objection shall be heard at the next regularly-scheduled omnibus hearing date.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.
5. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

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

7. 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

EXHIBIT 1

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Debtors.)	
)	

**RETENTION AND COMPENSATION PROCEDURES FOR ORDINARY COURSE
PROFESSIONALS**

The following procedures (the “OCP Procedures”) shall govern the retention of professionals retained by the above-captioned debtors (collectively, the “Debtors”) in the ordinary course of business (the “OCPs”):²

- a. Each OCP shall file with the Court and serve a declaration of disinterestedness (each, a “Declaration of Disinterestedness”) substantially in the form attached hereto as Exhibit 2 upon: (i) the Debtors, Movie Gallery, Inc., 900 West Main Street, Dothan, Alabama 36301, Attn: S. Page Todd; (ii) counsel to the Debtors, Kirkland & Ellis LLP, 200 East

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 Except as authorized by the Court, the OCP Procedures shall not apply to professionals retained by the Debtors pursuant to separate orders of the Court.

Randolph Drive, Chicago, Illinois 60601, Attn: Anup Sathy, P.C. and Marc J. Carmel; (iii) the Office of the United States Trustee, 600 East Main Street, Suite 301, Richmond, Virginia 23219, Attn: Robert Van Arsdale; (iv) counsel to the official committee of unsecured creditors, (v) counsel to the agents for the Debtors' postpetition secured lenders and the first lien lenders, Skadden Arps Slate Meagher & Flom LLP, Four Times Square, New York, New York 10036, Attn: Jay M. Goffman; and (vi) counsel to the agent for the second lien lenders, Milbank, Tweed, Hadley & McCloy LLP, One Chase Manhattan Plaza, New York, New York 10005, Attn: Matthew S. Barr (collectively, the "Notice Parties").

- b. The Notice Parties shall have twenty (20) days after the filing and service of a Declaration of Disinterestedness to object to the retention of the OCP filing such declaration (the "Objection Deadline"). Any objecting party shall serve its objection upon the Notice Parties and the relevant OCP on or before the Objection Deadline. If an objection cannot be resolved within ten (10) days after the Objection Deadline, then the retention of the OCP that is the subject of the objection shall be scheduled for hearing by the Debtors at the next regularly scheduled omnibus hearing date that is no less than twenty (20) days from that date or on a date otherwise agreeable to the parties. The Debtors shall not be authorized to retain and pay such OCP until all outstanding objections have been withdrawn, resolved or overruled by order of the Court.
- c. If no objection is received from any of the Notice Parties by the Objection Deadline with respect to an OCP, the Debtors shall be authorized to retain and pay that OCP in accordance with these OCP Procedures.
- d. The Debtors are authorized to retain an OCP and pay such OCP, without formal application to the Court by any OCP, 100% of fees and disbursements to each of the OCPs retained by the Debtors after such OCP (i) files with the Court and serves upon the Notice Parties a Declaration of Disinterestedness for which the Objection Deadline lapses and no objections are pending and (ii) submits to the Debtors an appropriate invoice setting forth in reasonable detail the nature of the services rendered after the Commencement Date; provided that each OCP's fees, excluding costs and disbursements, do not exceed \$75,000 per month on average over a rolling three-month period while these chapter 11 cases are pending (the "OCP Cap").
- e. If an OCP exceeds the OCP Cap set forth in paragraph (d) hereof for any given month, on or before the thirtieth (30th) day of the month following the month for which compensation is sought, the OCP shall submit a monthly statement (each, a "Monthly Statement") to the Notice Parties.

The Monthly Statement shall include reasonably detailed invoices indicating the nature of the services rendered with fees and expenses calculated in accordance with such OCP's standard billing practices.

- f. The Notice Parties shall have twenty (20) days after the service of a Monthly Statement to object to the fees requested therein (the "Fee Objection Deadline"). Any objecting party shall serve its objection upon the Debtors and the relevant OCP on or before the Fee Objection Deadline. If an objection cannot be resolved within twenty (20) days after the Fee Objection Deadline, then the OCP whose Monthly Statement was objected to will be required to submit a formal application for compensation to the Court for the disputed fees and expenses and the matter shall be scheduled for a hearing by the Debtors at the next regularly scheduled omnibus hearing date that is no less than twenty (20) days from that date or on a date otherwise agreeable to the parties. If no objection to a Monthly Statement is received on or before the Fee Objection Deadline, the Notice Parties will be deemed to have waived their right to object and the Debtors shall pay the amounts in such Monthly Statement.
- g. At three-month intervals during the pendency of these chapter 11 cases (each, a "Quarter"), the Debtors shall file with the Court and serve on the Notice Parties, no later than 30 days after such Quarter, a statement that shall include the following information for each OCP: (i) the name of the OCP; (ii) the aggregate amounts paid as compensation for services rendered and reimbursement of expenses incurred by that OCP during the reported Quarter; (iii) all postpetition payments made to that OCP to date; and (iv) a general description of the services rendered by that OCP.
- h. The Debtors reserve the right to retain additional OCPs from time to time during these chapter 11 cases by (i) including such OCPs on an amended version of Exhibit B attached to the Motion that is filed with the Court and served on the Notice Parties and (ii) having such OCPs comply with the OCP Procedures.

EXHIBIT 2

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**DECLARATION OF DISINTERESTEDNESS OF [OCP] IN SUPPORT OF RETENTION
AS ORDINARY COURSE PROFESSIONAL**

_____ being duly sworn, upon his/her oath, deposes and says:

1. I am a _____ of _____, located at _____ (the “Company”).

2. The above-captioned debtors (collectively, the “Debtors”) have requested that the Company provide [service description] services to the Debtors, and the Company has consented to provide such services.

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.

3. The Company may have performed services in the past, may currently perform services and may perform services in the future, in matters unrelated to these chapter 11 cases, for persons that are parties in interest in the Debtors' chapter 11 cases. The Company does not perform services for any such person in connection with these chapter 11 cases, or have any relationship with any such person, their attorneys, or accountants that would be adverse to the Debtors or their estates.

4. As part of its customary practice, the Company is retained in cases, proceedings, and transactions involving many different parties, some of whom may represent or be retained by the Debtors, claimants and parties in interest in these chapter 11 cases.

5. Neither I nor any principal, partner, director or officer of, or professional retained by, the Company has agreed to share or will share any portion of the compensation to be received from the Debtors with any other person other than the principal and regular employees of the Company.

6. Neither I nor any principal, partner, director or officer of, or professional retained by, the Company, insofar as I have been able to ascertain, holds, or represents any interest adverse to the Debtors or their estates with respect to the matter(s) upon which this Company is to be retained.

7. The Debtors owe the Company \$_____ for prepetition services, the payment of which is subject to limitations contained in the Bankruptcy Code, 11 U.S.C. §§ 101-1532.

8. As of the Commencement Date, the Company was party to an agreement for indemnification with certain of the Debtors, which is attached as Exhibit A to this Declaration.

9. The Company is conducting further inquiries regarding its retention by any creditors of the Debtors, and upon conclusion of that inquiry, or at any time during the period of its retention, if the Company should discover any facts bearing on the matters described herein, the Company will supplement the information contained in this Declaration.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed on _____