

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

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

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

**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., <sup>1</sup>	)	Chapter 11
	)	Hon. Douglas O. Tice, Jr.
Debtors.	)	
	)	

**AMENDED ORDER AUTHORIZING AN AUCTION PROCESS AND APPROVING  
BID PROCEDURES FOR THE DISPOSITION OF THE DEBTORS' INTERESTS IN  
CERTAIN NONRESIDENTIAL REAL PROPERTY LEASES AND GRANTING  
RELATED RELIEF**

Upon the motion (the "Motion")<sup>2</sup> of the above-captioned debtors (collectively, the "Debtors") for the entry of an order (the "Order") authorizing an auction process (the "Auction") and approving bid procedures for the disposition of the Debtors' interests in certain

<sup>1</sup> The Debtors in the cases include: Movie Gallery, Inc.; Hollywood Entertainment Corp.; M.G. Digital, LLC; M.G.A. Realty I, LLC; MG Automation LLC; and Movie Gallery US, LLC.

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion and the Bidding and Auction Procedures (as defined herein).



nonresidential real property leases (the “Leases”) and granting related relief; 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 bidding and auction procedures substantially in the form attached as Exhibit 1 to this Order are hereby authorized and approved and shall govern disposition of the Debtors’ interests in the Leases (the “Auction Procedures”).
3. The Auction substantially in the form provided by the Auction Procedures is hereby authorized and approved.
4. The Auction may be continued, from time to time, without further notice to creditors or parties in interest other than by (a) announcement of the adjournment at the Auction or (b) written notice served on (x) all entities known or thought to have a *bona fide* interest in the Auction, (y) all non-Debtor parties to the relevant Leases (each, a “Landlord”) and (z) entities that have filed requests for service pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) in these chapter 11 cases.
5. A hearing is set for November 28, 2007 at 2:00 p.m. (prevailing Eastern Time), to consider entry of one or more orders authorizing and approving the relief requested in the

Motion that is not granted herein, including, without limitation, approval of the Sale Agreements (as defined herein), the sale of designation rights (the “Designation Rights”), the Lease Termination Agreements (as defined herein) and such other and further relief as is just and proper (the “Sale Hearing”).

6. An objection deadline is set for November 26, 2007, at 4:00 p.m. (prevailing Eastern Time) for all parties in interest, to file and serve objections to the sale of Designation Rights, the Sale Agreements, the Lease Termination Agreements and any other disposition of the Leases and such other and further relief sought at the Sale Hearing (the “Sale Objection Deadline”).

7. The Debtors are authorized, in their sole discretion, to assume all Leases necessary to complete the transactions contemplated by the Auction, subject to approval by this Court at the Sale Hearing.

8. The form of notice substantially in the form attached as Exhibit 2 to this Order is hereby authorized and approved (the “Auction Notice”).

9. The Debtors shall serve the Auction Notice by overnight mail, facsimile, email, or first class mail no later than two business days after entry of the Order, together with such publication notice as the Debtors determine to provide, if any, upon (collectively, the “Auction Notice Parties”):

- a. the Office of the United States Trustee for the Eastern District of Virginia;
- b. the entities listed on the Consolidated List of Creditors Holding the 30 Largest Unsecured Claims filed pursuant to Bankruptcy Rule 1007(d);
- c. counsel to the agent for the Debtors’ proposed postpetition secured lenders;

- d. counsel to the agent for the Debtors' prepetition first lien facilities;
- e. counsel to the agent for the Debtors' prepetition second lien facility;
- f. the trustee for the Debtors' 11% senior unsecured notes;
- g. counsel to Sopris Capital Advisors LLC;
- h. the trustee for the Debtors' 9.625% senior subordinated unsecured notes;
- i. counsel for certain movie studios;
- j. the Internal Revenue Service;
- k. the Securities and Exchange Commission;
- l. the Landlords;
- m. entities known or thought to have a *bona fide* interest in the relief requested;
- n. and entities that have filed requests for service pursuant to Bankruptcy Rule 2002 in these chapter 11 cases.

10. Service of the Auction Notice upon the Auction Notice Parties as set forth herein is sufficient notice of the Motion, the Auction Procedures, the Auction and the Sale Objection Deadline.

11. The lease cure procedures to determine the Debtors' outstanding obligations on the relevant Leases — i.e., the cost to cure defaults — (each, a "Cure Amount") substantially in the form attached as Exhibit 3 to this Order are hereby authorized and approved (the "Lease Cure Procedures").

12. An objection deadline is set for November 2, 2007, at 4:00 p.m. (prevailing Eastern Time) for all Landlords to file and serve objections (each a "Cure Objection") to the Cure Amounts (the "Cure Objection Deadline").

13. A hearing is set for November 6, 2007 at 2:00 p.m. (prevailing Eastern Time) to consider the Cure Objections and such other and further relief as is just and proper (the “Cure Hearing”).

14. The notice of disposition substantially in the form attached as Exhibit 4 to this Order is hereby authorized and approved (the “Notice of Disposition”).

15. The Debtors shall serve the Notice of Disposition upon (a) the Landlords (b) and entities that have filed requests for service pursuant to Bankruptcy Rule 2002 in these chapter 11 cases by overnight mail, facsimile, email or first class mail no later than two business days after entry of the Order.

16. Service of the Notice of Disposition as set forth herein is sufficient notice of the Lease Cure Procedures.

17. The sale agreement substantially in the form attached as Exhibit 5 to this Order is hereby approved (the “Sale Agreement”).

18. The lease termination agreement substantially in the form attached as Exhibit 6 to this Order is hereby approved (the “Lease Termination Agreement”).

19. The Debtors are authorized, in their sole discretion, to select the bidder that the Debtors believe has submitted the highest or otherwise best bid for each Lease, group of Leases, or the Designation Rights associated with such Lease or group of Leases (each, a “Successful Bidder,” and each, a “Successful Bid”).

20. The Debtors are authorized, in their sole discretion, to select the bidder that the Debtors believe has submitted the second-highest or otherwise second-best bid for each Lease,

group of Leases, or the Designation Rights associated with such Lease or group of Leases (each, a “Backup Bidder,” and each, a “Backup Bid”).

21. The notice of sale agreement substantially in the form attached as Exhibit 7 to this Order is hereby approved (the “Notice of Sale Agreement”).

22. The Debtors shall serve the Notice of Sale Agreement by overnight mail, facsimile or email no later than two business days after the conclusion of the Auction upon the applicable Landlord of a Lease subject to a disposition pursuant to the Auction, except where such Landlord is the Successful Bidder for such Lease.

23. Service of the Notice of Sale Agreement upon such Landlords shall be deemed good and sufficient notice of the Sale Hearing.

24. The Debtors are authorized, in their sole discretion, to enter into Lease Termination Agreements subject to approval by this Court at the Sale Hearing.

25. The Debtors are authorized, in their sole discretion, to enter into agreements for the sale of their designation rights associated with the Leases (each, a “Designation Rights Agreement”), subject to approval by this Court at the Sale Hearing.

26. Pursuant to section 365(k) of the Bankruptcy Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”), the Debtors shall have no further liability for any breach of a Lease occurring after the closing of a sale, transfer, termination, assignment or other transaction for such Lease (each, a “Closing”).

27. Pursuant to section 363(f) of the Bankruptcy Code and subject to this Court’s approval at the Sale Hearing, any executed Sale Agreement and constitutes a sale free and clear

of any interest including, without limitation, any liens, claims or encumbrances upon the Leases that are the subject of such Sale Agreements.

28. Pursuant to section 363(m) of the Bankruptcy Code and subject to this Court's approval at the Sale Hearing, a purchaser under any executed Sale Agreement shall be entitled to the protections afforded to good-faith purchasers.

29. Pursuant to section 363(m) of the Bankruptcy Code and subject to this Court's approval at the Sale Hearing, a purchaser under a Designation Rights Agreement (each, a "Designation Rights Agreement") shall be entitled to the protections afforded to good-faith purchasers.

30. To the extent any Debtor acts as guarantor of another Debtor's Lease obligations (each, a "Debtor-Guarantor"), such Debtor-Guarantor's obligations with respect to such Lease shall terminate upon the execution of such Sale Agreement or Lease Termination Agreement for that Lease becoming effective.

31. Nothing in this Order is intended to preclude nor shall it be deemed to preclude the Debtors from seeking authority to assume or reject nonresidential real property leases, or other executory contracts or unexpired leases, on terms or procedures other than those approved herein.

32. Nothing in this Order is intended to preclude nor shall it be deemed to preclude the Debtors and their estates from asserting any claims that they have or may have against any non-Debtor party to a Lease, or other executory contracts or unexpired Leases, whether or not such claims are related to the rejection of such Lease.

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

34. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry and this Order shall supersede and replace that certain Order Authorizing an Auction Process and Approving Bid Procedures for the Disposition of the Debtors' Interests in Certain Nonresidential Real Property Leases and Granting Related Relief entered by the Court on October 17, 2007 and identified on the docket of this case as docket entry number 98.

35. 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**

### **[Auction Procedures]**

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., <sup>1</sup>	)	Chapter 11
	)	Hon. Douglas O. Tice, Jr.
Debtors.	)	
	)	

**BIDDING AND AUCTION PROCEDURES FOR THE  
DISPOSITION OF THE DEBTORS' INTERESTS IN  
CERTAIN NONRESIDENTIAL REAL PROPERTY LEASES**

**A. Background**

On October 16, 2007 (the “Commencement Date”), the above-captioned debtors (collectively, the “Debtors”) filed for relief under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Eastern District of Virginia (the “Bankruptcy Court”), consolidated under Case No. 07-33849.

On the Commencement Date, the Debtors filed a motion (the “Motion”) with the Bankruptcy Court for the entry of an order authorizing an auction process (the “Auction”) and

---

<sup>1</sup> The Debtors in the cases include: Movie Gallery, Inc.; Hollywood Entertainment Corp.; M.G. Digital, LLC; M.G.A. Realty I, LLC; MG Automation LLC; and Movie Gallery US, LLC.

approving bid procedures for the disposition of the Debtors' interests in certain nonresidential real property leases (the "Auction Procedures").

On October 17 2007, the Bankruptcy Court entered an Order Authorizing an Auction Process and Approving Bid Procedures for the Disposition of the Debtors' Interests in Certain Nonresidential Real Property Leases and Granting Related Relief [Docket No. ] (the "Order").<sup>2</sup>

On October 17 , the Bankruptcy Court entered an Order Authorizing the Debtors' Employment and Retention of Keen Consultants, the Real Estate Division of KPMG Corporate Finance Realty LLC as Real Estate Consultant for the Debtors and Debtors in Possession Auction [Docket No. ] ("Keen").

## **B. Sealed Bids**

To bid at the Auction, a bidder (each, a "Bidder") must submit a written bid (a "Bid"), together with the Required Bid Documents (as defined herein). With respect to the leases identified on the document attached hereto (each, a "Lease"), all Bids, together with the Required Bid Documents, must be submitted by no later than 12:00 p.m. (prevailing Eastern Time) on November 12, 2007 (the "Bid Deadline"), which deadline may be extended by the Debtors in their sole discretion. The Bid and Required Bid Documents must be submitted to the following parties (collectively, the "Notice Parties")<sup>3</sup>:

1. Counsel to the Debtors, (a) Kirkland & Ellis LLP, Chicago, Illinois 60601, Attn: Anup Sathy, P.C. and Marc J. Carmel, facsimile: (312) 861-2200 and (b) Kutak Rock LLP, Bank of America Center, 1111 East Main Street, Suite 800, Richmond, Virginia 23219, Attn: Michael A. Condyles and Peter J. Barrett, facsimile: (804) 783-6192; and
2. Keen Consultants, the Real Estate Division of KPMG Corporate Finance Realty LLC, 60 Cutter Mill Road, Suite 214, Great Neck, New York 11021, Attn: Matthew Bordwin, facsimile: (516) 482-5764.

---

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Order.

<sup>3</sup> All forms to be submitted are available at [www.kccllc.net/moviegallery](http://www.kccllc.net/moviegallery).

### **C. Acknowledgements by Bidders Submitting Bids**

By submitting a Bid, each Bidder shall be deemed to acknowledge and acknowledges that it shall be bound by the following terms and conditions set forth in these Auction Procedures:

1. any sale, assignment or other disposition of each Lease is without representations or warranties of any kind, nature or description;
2. the Bidder had an opportunity to, or waived the right to, inspect and examine the premises subject to each Lease that is the subject of such Bid and to review each applicable Lease and all other pertinent documents relating thereto prior to making its Bid;
3. the Bidder relied exclusively upon its own investigation and inspection of such documents and each premises subject to each Lease that is the subject of such Bid in making the Bid. Copies of Leases will be available for inspection prior to the Auction during regular business hours at the offices of Keen or will be provided to entities upon written request to Keen or are available on Keen's website at <http://www.keenconsultants.com>;
4. the Debtors have retained Keen (the "Debtors' Broker") as their broker and if the Bidder uses a broker (each, a "Purchaser's Broker"), Bidder shall pay any commission, fees and charges charged by the Purchaser's Broker;
5. the Bidder shall indemnify the Debtors and the Debtors' Broker and hold the Debtors and the Debtors' Broker harmless from any claim, loss, liability, damage, cost and expense (including, without limitation, reasonable attorneys' fees, disbursements and court costs) paid or incurred by the Debtors and the Debtors' Broker by reason of any claim to any broker's commission, finder's fee or other fee asserted by the Purchaser's Broker in connection with the Sale Agreement or any other transaction contemplated hereby;
6. the Bidder is not relying upon any written or oral statements, representations or warranties of the Debtors, Debtors' Broker, their agents, representatives, consultants or attorneys; and
7. such Required Bid Documents (as defined herein) may be provided by the Debtors to non-Debtor parties to such Leases (each, a "Landlord") as evidence of such Bidders' ability to provide adequate assurances of future performance by the Bidder (as described below).

#### **D. Required Bid Documents**

Each Bid, including Landlord Bids (as defined herein), must be submitted with the following related information and documents, in addition to the Bid and Deposit (as defined herein) no later than the Bid Deadline (collectively, the “Required Bid Documents”):

1. a binding commitment that the Bidder’s offer is irrevocable until the earlier of (a) the Closing (as defined herein) and (b) 60 days following the Auction; and
2. except in the case of a Landlord bidding on a Lease to which such Landlord is a Landlord (each, a “Landlord Bid”):
  - a. a written offer for the purchase of one or more of the Leases, including the full name and identity of the proposed assignee of each individual Lease;
  - b. the Offer and Bidder Registration form (as provided herein);
  - c. the amount being offered for each individual Lease (in the form of an allocation schedule) if a bid is for more than one Lease;
  - d. the intended use of each Leased premises covered by each Lease included in a Bid;
  - e. with respect to each Lease on which a Bidder is submitting a Bid, an executed Sale Agreement;
  - f. financial information and other written evidence (including, without limitation, audited and unaudited financial statements, tax returns, bank account statements or any other documentation that the Debtors, in their sole discretion deem appropriate) demonstrating the Bidder’s ability to promptly consummate the transactions contemplated in the Bid, including evidence of adequate assurance of future performance by the Bidder (as described below); and
  - g. a binding commitment to be obligated for (i) leasehold obligations for such locations from and after the later of the date next following the conclusion of the Auction and the date the premises are vacated following the conclusion of the store closing sales at such premises and (ii) any year-end adjustment payments required under each Lease for calendar year 2007, without recourse to the Debtors or their estates for such adjustment amounts; and

- h. a certified check for a deposit (the “Deposit”) equal to the greater of (i) ten percent (10%) of the Bid amount or (ii) \$5,000, for each Lease on which a Bidder submits a Bid.
- 3. Each Bid, including Landlord Bids, must also fully disclose the identity of each entity that will be bidding for a Lease or otherwise participating in such Bid and the complete terms of any such participation.

**E. Additional Required Bid Documents for Landlord Bids and Additional Landlord Bid Procedures**

- 1. The Required Bid Documents for each Landlord Bid also includes:
  - a. a written offer for the purchase of one or more of such Leases to which such Landlord is a Landlord;
  - b. the gross amount offered for each individual Lease, including a breakdown identifying that portion that is payable in cash to the Debtors and that portion, if any, that is a “credit bid” (representing total outstanding documented and verifiable rental arrears); and
  - c. an executed Lease Termination Agreement for such Lease that must include a waiver and release of any and all claims arising under or related to such Lease that it may have against the Debtors, including claims arising under section 502 of the Bankruptcy Code, unless otherwise agreed to by the Debtors.
- 2. Each Landlord Bid may only credit bid an amount equal to the undisputed Cure Amount (as defined by the Lease Cure Procedures approved pursuant to the Order) unless otherwise agreed to by the Debtors.
- 3. To the extent that there are any amounts owing from the Landlord to the Debtors on account of such a Lease, including, but not limited to, costs related to tenant improvements, refunds of common area maintenance, real estate taxes or any similar obligations (each, a “TI Obligation”), each Landlord Bid, must bid at least the amount of such TI Obligation, excluding any credit bid.
- 4. A Lease Termination Agreement will become effective only if the Landlord executing such Lease Termination Agreement is the Successful Bidder (as defined herein) for the Lease that is the subject of the Landlord Bid and subject to approval by the Bankruptcy Court at the Sale Hearing (as defined herein).

## **F. Additional Disclosure Requirements**

With respect to any Leases for which a Bid is being submitted, each Bidder shall have an ongoing obligation to reasonably comply with the Debtors' further requests to provide additional information regarding such Bidder's ability to provide adequate assurances of future performance as that term is used in section 365 of the Bankruptcy Code.

## **G. Qualified Bids**

Unless such requirement is waived by the Debtors, only Bidders that have submitted "Qualified Bids" will be eligible to participate in the Auction (each, a "Qualified Bidder"). To be a Qualified Bid, the Bid must:

1. include each of the Required Bid Documents as set forth in subsections D and E, as applicable, and executed in form and substance acceptable to the Debtors, as applicable;
2. in the case of Landlord Bids, conform with the additional Landlord Bid procedures set forth in subsection E in form and substance acceptable to the Debtors; and
3. be actually received by the Bid Deadline.

## **H. Individual and Package Bids**

1. At the Bid Deadline, the Debtors will consider Bids for (a) an individual Lease, (b) the right to compel the Debtors to assume and assign an individual Lease to a party designated by the Bidder (each, a "Designation Right") and (c) Bids for a "package" of Leases or Designation Rights (each, a "Package Bid"); provided that an individual Lease included in a Package Bid may remain subject to individual Bids by Qualified Bidders, if any, at the Auction in the Debtors' sole discretion. The Debtors will have no obligation to consider Package Bids, if any, that were not submitted by the Bid Deadline.
2. Any individual Bid or Package Bid for the Debtors' Designation Rights must also conform to the requirements applicable to Qualified Bids for such Leases subject to such Designation Rights.
3. The submission of (a) Bids for individual Leases or Designation Rights or (b) Package Bids submitted by the Bid Deadline does not entitle such Bidder at the Auction to (x) submit additional Bids for additional Leases or Designation Rights or (y) create additional Package Bids that were not submitted by the Bid Deadline.

## **I. Deposit Requirements**

1. Each Deposit shall be remitted to an escrow agent (the “Escrow Agent”) as designated by Keen. The Escrow Agent will hold the Deposit of the Bidder that the Debtors believe has submitted the highest or otherwise best bid for each Lease at the Auction (each, a “Successful Bidder,” and each, a “Successful Bid”) and the Deposit of the Bidder that the Debtors believe has submitted the second-highest or otherwise second-best bid for each Lease at the Auction (each, a “Backup Bidder,” and each, a “Backup Bid”) at the Auction until the earlier to occur of (a) the Closing of a transaction for such Lease and (b) sixty days after the Auction.
2. The Debtors will cause the Escrow Agent to return the Deposits of all other Bidders no later than ten business days after the conclusion of the Sale Hearing. The Debtors’ sole obligation and liability to any Bidder will be to cause the Escrow Agent to refund the Deposit to such Bidder, if applicable.
3. Upon the failure of a Successful Bidder or Backup Bidder, as applicable, to consummate a sale of some or all of the Leases because of a breach or failure on the part of such Successful Bidder with respect to such Leases, the Debtors shall retain the entire Deposit as liquidated damages and, with respect to such a breach or failure on the part of the Successful Bidder, such Deposit will be deemed forfeited to the Debtors by such defaulting Successful Bidder, and no such Deposit will be credited against the purchase price paid by the Backup Bidder.

## **J. Cure Amounts**

Cure amounts, if any, shall be determined according to the Lease Cure Procedures authorized and approved by the Bankruptcy Court pursuant to the Order.

## **K. Auction**

1. Following the receipt of Qualified Bids, the Debtors will conduct an open Auction with respect to some or all of the Leases. The Auction shall commence on November 15, 2007 at 10:00 a.m. (prevailing Eastern Time) at the offices of Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York. The Debtors reserve the right to change the location of the Auction in their sole discretion. Qualified Bidders are required to attend the Auction in person or in a manner otherwise approved by the Debtors in their sole discretion.
2. Unless otherwise agreed to by the Debtors, only Qualified Bidders will be allowed to attend and participate at the Auction. Opening bid amounts for each Lease may be announced or posted at the Auction. Such opening bid amounts will be established or modified by the Debtors in their sole discretion. All bidding



shall be in increments determined by the Debtors in their sole discretion. At the conclusion of the Auction, the Debtors will announce, for each Lease, which Bidder is the Successful Bidder and which Bidder is the Backup Bidder.

3. If the Debtors receive only a single Qualified Bid for a particular Lease, such Lease may be, but need not be, subject to bidding at the Auction, and the Debtors may seek to assume and assign such Lease at the Sale Hearing, if such Qualified Bid is acceptable to the Debtors. If the Debtors receive multiple Qualified Bids for a particular Lease, such Lease, unless previously sold, otherwise disposed of or withdrawn, will be offered for sale at the Auction, either as part of a Package Bid or individually.
4. Formal acceptance of a Bid will not occur unless and until the Bankruptcy Court enters an order approving and authorizing the Debtors to consummate such Lease Termination Agreement, Sale Agreement, Designation Rights Agreement, or other such disposition contemplated thereby.

#### **L. Reservation of Rights**

The Debtors reserve the right, in their sole discretion, to (1) determine which Bid, if any, for any or all of the Leases is the Successful Bid or the Backup Bid, (2) reject at any time prior to entry of an order of the Bankruptcy Court approving a Bid, any Bid (including any Landlord Bid) that the Debtors, in their sole and absolute discretion deem to be: (a) inadequate, insufficient or otherwise unacceptable, (b) not in conformity with the requirements of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Bankruptcy Rules for the United States Bankruptcy Court for the Eastern District of Virginia (the “Local Bankruptcy Rules”) or the Auction Procedures or (c) contrary to the best interests of the Debtors, their estates and creditors and (3) withdraw any Lease from the Auction or enter into appropriate agreements respecting the sale of such Lease, including, without limitation, stalking horse agreements, and seek separate Bankruptcy Court approval for such sales. The Debtors will have no obligation to accept or submit for Bankruptcy Court approval any Bid. The Debtors, at or before the Auction, and in their sole discretion, may impose such other or additional terms and conditions and may modify the Auction Procedures, in their sole discretion, as they determine to be in the best interests of the Debtors, their estates and creditors.

#### **M. Notice to Landlords of Proposed Sale, Assignment and Assumption to Successful Bidder or Backup Bidder**

No later than two business days after the conclusion of the Auction, with respect to all Leases for which there is a Successful Bidder (other than where the Landlord is the Successful Bidder) and a Backup Bidder, if any, the Debtors will promptly provide notice to all affected Landlords with the following information: (1) the names of the Successful Bidder and the Backup Bidder, if any, for the particular Lease; (2) evidence of adequate assurance of future performance that was submitted by the Successful Bidder and the Backup Bidder, if any, as part

of the Required Bid Documents; and (3) the proposed use of the premises by the Successful Bidder and the Backup Bidder, if any. All affected Landlords and any objecting parties will be required to timely submit any objections with respect to the sale, assignment and assumption of such Leases by the Sale Objection Deadline (as defined herein), that shall be heard at the Sale Hearing (as defined herein).

#### **N. Sale Hearing**

1. The Sale Hearing for approval of the proposed disposition of any Lease, including the sale, assignment and assumption of Leases pursuant to Sale Agreements, Lease Termination Agreements, shall be held on November 28, 2007 at 2:00 p.m. (prevailing Eastern Time). Any objections to the sale, assignment, and assumption or other disposition of any Lease to a Successful Bidder or Backup Bidder, if any, shall be filed no later than November 26, 2007 at 4:00 p.m. (prevailing Eastern Time) (the "Sale Objection Deadline"). Unless an objection is filed and served by the Sale Objection Deadline, all such entities shall be forever barred from asserting any additional objections to the sale, assignment, assumption, termination or other disposition of any Lease contemplated by the Auction process.
2. The Debtors shall present for approval at the Sale Hearing both the Successful Bid and the Backup Bid. Subject to Bankruptcy Court approval, the Debtors shall effect the sale, assumption and assignment or the lease termination, where applicable, with the Successful Bidder. If, for any reason, the bid of the Successful Bidder is not approved by the Bankruptcy Court or the Successful Bid does not result in a Closing, then, without notice to any other party or further Bankruptcy Court order, the Debtors shall be authorized to close the sale, assumption and assignment or the lease termination, where applicable, with the Backup Bidder.

#### **O. Closing**

1. The closing of a sale, transfer, termination, assumption, assignment or other disposition such Lease, including the assumption and assignment of a Lease pursuant to a Sale Agreement, a Lease Termination Agreement or the sale of Designation Rights (each, a "Closing"), will take place at a location to be designated by the Debtors on or before the Sale Hearing within the later of five business days (or an earlier date as agreed to by the relevant parties) following (a) the entry of an order by the Bankruptcy Court approving the transaction with the Successful Bidder and (b) the conclusion of the Store Closing Sale at the premises subject to such Lease (or other location mutually acceptable to the relevant parties). If a Successful Bid does not result in a Closing, the Backup Bidder shall proceed to Closing no later than three business days following the date of notification by the Debtors of default by the Successful Bidder.

2. With respect to the Closing, time of performance by the Successful Bidder or Backup Bidder, if applicable, is of the essence. The purchase price for the Leases, minus the Deposit (which shall be released to the Debtors), shall be paid by the Successful Bidder or the Backup Bidder, if applicable, by wire transfer (to an account designated by the Debtors) or by a bank or certified check (made payable to the appropriate entity designated by the Debtors) at the Closing.
3. Except with respect to any unresolved Cure Amount, after the Closing, the Debtors and their estates shall have no further liabilities or obligations with respect to the Leases, including, but not limited to, rent, taxes, insurance and common area maintenance fees (the "Post-Closing Obligations"). The Successful Bidder or the Backup Bidder, if applicable (or its assignee), is expressly responsible for all such Post-Closing Obligations. Provided, further, the Successful Bidder or the Backup Bidder, if applicable, shall pay any and all obligations that accrue, arise, are due or owing or are associated with the time period under the Lease from and after the later of (a) the date next following the conclusion of the Auction or (b) the date the premises are vacated following the conclusion of the Store Closing Sales at such premise.
4. To the extent that any of the Debtors act as a guarantor of another Debtor's Lease obligations (a "Debtor-Guarantor"), the Debtor-Guarantor's obligations with respect to such Lease shall terminate upon the Sale Agreement or Lease Termination Agreement for that Lease becoming effective.

**P. Other Provisions**

Any sale, assignment or other disposition of each of the Leases shall be without representations or warranties of any kind, nature or description. Each of the Leases to be sold or assigned shall be transferred on an "as is" and "where is" basis. Unless otherwise agreed to by the parties and approved by the Bankruptcy Court or abandoned by the Debtors, assignments of any Lease shall not include any personal property, inventory, fixtures, trade fixtures or other furnishings or equipment located in or at the premises and owned by the Debtors. All sales, transfer and recording taxes, stamp taxes or similar taxes, if any, relating to the assignment of the Leases or the sale of real or personal property of the Debtors in connection therewith will be the sole responsibility of the Successful Bidder or the Backup Bidder, if applicable, and will be paid to the Debtors at the Closing of each transaction.

## OFFER AND BIDDER REGISTRATION FORM<sup>4</sup>

\_\_\_\_\_ (“Bidder”) hereby offers to purchase and take assignment of the following leaseholds on an all-cash basis for the consideration allocated below:

Property Number:	Property Location:	Purchase Price:	Proposed Use:

(attach additional pages as necessary)

By submitting a Bid, each Bidder shall be deemed to acknowledge and acknowledges that it shall be bound by the following terms and conditions as set forth in the Auction Procedures:

1. any sale, assignment or other disposition of each Lease is without representations or warranties of any kind, nature or description;
2. the Bidder had an opportunity to, or waived the right to, inspect and examine each premises subject to each Lease that is the subject of such Bid and to review each applicable Lease and all other pertinent documents relating thereto prior to making its Bid;
3. the Bidder relied exclusively upon its own investigation and inspection of such documents and the each premises subject to each Lease that is the subject of such Bid in making the Bid. Copies of Leases will be available for inspection prior to the Auction during regular business hours at the offices of Keen Consultants, the Real Estate Division of KPMG Corporate Finance Realty LLC (“Keen”) or will be provided to entities upon written request to Keen or are available on Keen’s website at <http://www.keenconsultants.com>;

---

<sup>4</sup> Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Auction Procedures.

4. the Debtors have retained Keen (the “Debtors’ Broker”) as their broker and if the Bidder uses a broker (each, a “Purchaser’s Broker”), Bidder shall pay any commission, fees and charges charged by the Purchaser’s Broker;
5. the Bidder shall indemnify the Debtors and the Debtors’ Broker and hold the Debtors and the Debtors’ Broker harmless from any claim, loss, liability, damage, cost and expense (including, without limitation, reasonable attorneys’ fees, disbursements and court costs) paid or incurred by the Debtors and the Debtors’ Broker by reason of any claim to any broker’s commission, finder’s fee or other fee asserted by the Purchaser’s Broker in connection with the Sale Agreement or any other transaction contemplated hereby;
6. the Bidder is not relying upon any written or oral statements, representations or warranties of the Debtors, Debtors’ Broker, their agents, representatives, consultants or attorneys; and
7. the Required Bid Documents may be provided by the Debtors to non-Debtor parties to such Leases (each, a “Landlord”) as evidence of such Bidders’ ability to provide adequate assurances of future performance by the Bidder.

AGREED & ACCEPTED this \_\_\_\_ day of \_\_\_\_\_, 2007.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Bidder’s Address: \_\_\_\_\_

Bidder’s Contact: \_\_\_\_\_

Bidder’s Phone: \_\_\_\_\_

Bidder’s Facsimile Number: \_\_\_\_\_

Bidder’s Email Address: \_\_\_\_\_

Bidder’s Tax I.D. Number: \_\_\_\_\_

Bidder’s Attorney: \_\_\_\_\_

Bidder’s Attorney’s Address: \_\_\_\_\_

Bidder’s Attorney’s Phone: \_\_\_\_\_

Bidder’s Attorney’s Facsimile Number: \_\_\_\_\_

Bidder’s Attorney’s Email Address: \_\_\_\_\_

Bidder's Bank Name: \_\_\_\_\_  
Bidder's Bank Contact: \_\_\_\_\_  
Bidder's Bank Address: \_\_\_\_\_  
Bidder's Bank Contact's Phone: \_\_\_\_\_  
Bidder's Bank Facsimile Number: \_\_\_\_\_  
Bidder's Bank Email Address: \_\_\_\_\_

## LEASES

## **EXHIBIT 2**

**[Auction Notice]**



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

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

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

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
MOVIE GALLERY, INC., et al., <sup>1</sup>	)	Jointly Administered
Debtors.	)	Chapter 11
	)	Hon. Douglas O. Tice, Jr.
	)	
	)	

**NOTICE OF AN AUCTION PROCESS AND SOLICITATION OF BIDS FOR THE  
DEBTORS' INTERESTS IN CERTAIN NONRESIDENTIAL REAL PROPERTY  
LEASES AND OF THE TERMS AND CONDITIONS OF SUCH AUCTION**

**PLEASE TAKE NOTICE** that on October 16, 2007, the above-captioned debtors (collectively, the "Debtors") filed with the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), a motion (the "Motion")<sup>2</sup> seeking the entry of an order authorizing an auction process and approving bid procedures for the disposition of the Debtors' interests in certain nonresidential real property leases (the "Auction Procedures and the "Leases"). A copy of the Auction Procedures is attached hereto as Attachment I. A list of all

---

<sup>1</sup> 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.

<sup>2</sup> Capitalized terms but not otherwise herein shall have the meanings set forth in the Order (as defined herein).

leases subject to the Auction are attached to the Auction Procedures. A copy of the Motion may be obtained at [www.kccllc.net/moviegallery](http://www.kccllc.net/moviegallery).

**PLEASE TAKE FURTHER NOTICE** that, on October \_\_\_\_, 2007, the Bankruptcy Court entered an Order Authorizing an Auction Process and Approving Bid Procedures for the Disposition of the Debtors' Interests in Certain Nonresidential Real Property Leases and Granting Related Relief (the "Order"), including the approval of the Auction Procedures [Docket No. ]. A copy of the Order may be obtained at [www.kccllc.net/moviegallery](http://www.kccllc.net/moviegallery).

**PLEASE TAKE FURTHER NOTICE** that, pursuant to the Order, commencing on November 15, 2007 at 10:00 a.m. (prevailing Eastern Time), the Debtors shall hold one or more auctions (collectively, the "Auction") for the Leases at the offices of Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York. Only Qualified Bidders (as defined in the Auction Procedures) may attend and participate in the Auction. Qualified Bidders must participate in the Auction in person or in a manner otherwise approved by the Debtors in their sole discretion.

**PLEASE TAKE FURTHER NOTICE** that the Auction will be subject to the attached Auction Procedures.

**PLEASE TAKE FURTHER NOTICE** that, as part of the Motion, the Debtors have also requested the entry of an order authorizing the Debtors to sell, assume, and assign the Leases, sell designation rights and enter into lease termination agreements, and that this further request for relief is scheduled to be heard (subject to possible adjournment) by the Bankruptcy Court on November 28, 2007 at 2:00 p.m. (prevailing Eastern Time).

**PLEASE TAKE FURTHER NOTICE** that, pursuant to the Order, objections to the transactions contemplated by the Auction (each, a "Sale Objection") must be filed with the Bankruptcy Court and served so as to be actually received by (a) counsel for the Debtors, Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois 60601, Attn: Anup Sathy, P.C. and Marc J. Carmel and Kutak Rock LLP, Bank of America Center, 1111 East Main Street, Suite 800, Richmond, Virginia 23219, Attn: Michael A. Condyles and Peter J. Barrett and (b) other parties as required by the Order Establishing Certain Notice, Case Management and Administrative Procedures [Docket No. ] on or before November 26, 2007 at 4:00 p.m. (prevailing Eastern Time) (the "Sale Objection Deadline").

**PLEASE TAKE FURTHER NOTICE** that unless a Sale Objection is filed and served by the Sale Objection Deadline, all such entities shall be forever barred from asserting any additional objections to the sale, assignment, assumption, termination or other disposition of any Lease contemplated by the Auction process.

**PLEASE TAKE FURTHER NOTICE** that you may obtain information with regard to the Leases and the Auction by contacting the Debtors' retained real estate consultants, Keen Consultants, the Real Estate Division of KPMG Corporate Finance Realty LLC, 60 Cutter Mill Road, Suite 214, Great Neck, New York 11021, Telephone: (516) 482-2700, Facsimile: (516) 482-5764, Attn: Matthew Bordwin.

Richmond, Virginia

Dated: October \_\_, 2007

/s/ Michael A. Condyles

---

Richard M. Cieri (NY 4207122)

KIRKLAND & ELLIS LLP

Citigroup Center

153 East 53rd Street

New York, New York 10022-4611

Telephone: (212) 446-4800

Facsimile: (212) 446-4900

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

Facsimile: (312) 861-2200

and

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

Facsimile: (804) 783-6192

Proposed Co-Counsel to the Debtors

## **EXHIBIT 3**

### **[Lease Cure Procedures]**

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

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

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

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., <sup>1</sup>	)	Chapter 11
	)	Hon. Douglas O. Tice, Jr.
Debtors.	)	
	)	

**LEASE CURE PROCEDURES RELATED TO THE ORDER AUTHORIZING AN  
AUCTION PROCESS AND APPROVING BID PROCEDURES FOR THE DISPOSITION  
OF THE DEBTORS' INTERESTS IN CERTAIN NONRESIDENTIAL REAL  
PROPERTY LEASES AND GRANTING RELATED RELIEF**

On October 17, 2007, the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court") entered the Order Authorizing an Auction Process and Approving Bid Procedures for the Disposition of the Debtors' Interests in Certain Nonresidential Real Property Leases and Granting Related Relief (the "Order") [Docket No. ]. Pursuant to the Order, the following Lease Cure Procedures were approved for the determination of cure amounts applicable to the Leases during the pendency of these chapter 11 cases.<sup>2</sup>

<sup>1</sup> The Debtors in the cases include: Movie Gallery, Inc.; Hollywood Entertainment Corp.; M.G. Digital, LLC; M.G.A. Realty I, LLC; MG Automation LLC; and Movie Gallery US, LLC.

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Order.

1. The Debtors will send notice by facsimile, e-mail, hand or overnight mail of the potential Disposition of the Leases (the “Notice of Disposition”) to Landlords no later than two business days following entry of the Order by the Bankruptcy Court. The Notice of Disposition will contain, among other things, (a) the amount of all the Debtors’ outstanding obligations under the Leases through the Commencement Date (the “Cure Amounts”) and (b) the date by which Landlords must file any objection to the Cure Amounts (each, a “Cure Objection”), on or before November 2, 2007, at 4:00 p.m. (prevailing Eastern Time) (the “Cure Objection Deadline”).
2. Cure Objections, if any, shall be filed with the Bankruptcy Court and served so as to be actually received by (a) counsel for the Debtors: Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois 60601, Attn: Anup Sathy, P.C. and Marc J. Carmel and Kutak Rock LLP, Bank of America Center, 1111 East Main Street, Suite 800, Richmond, Virginia 23219, Attn: Michael A. Condyles and Peter J. Barrett and (b) other parties as required by the Order Establishing Certain Notice, Case Management and Administrative Procedures [Docket No. ] on or before the Cure Objection Deadline.
3. Cure Objections must (a) be in writing, (b) identify the Leases to which the objector is a party, (c) to the extent applicable, describe with particularity the Landlord’s belief of the additional amounts due and owing under the relevant Lease in excess of the Cure Amounts (the “Excess Cure Amount”) and identify the bases of the Excess Cure Amount under the Lease and (d) include all relevant documents supporting or evidencing the Excess Cure Amount.
4. Unless a Cure Objection is filed and served by the Cure Objection Deadline with a demand for an Excess Cure Amount, all such Landlords shall be (a) forever barred from asserting any additional Cure Amounts with respect to such Lease and (b) forever barred and estopped from asserting or claiming against the Debtors or any Successful Bidder, Backup Bidder or any other assignee of the relevant Lease that any additional amounts are due or that any defaults exist, or that there are any conditions to assumption and assignment by the Debtors with respect to Cure Amounts that must be satisfied under such Lease unless otherwise ordered by the Bankruptcy Court.
5. Timely filed Cure Objections, if any, shall be heard by the Bankruptcy Court at a hearing scheduled for November 6, 2007, at 2:00 p.m. (prevailing Eastern Time) (the “Cure Hearing”).
6. No later than ten business days after the Closing of the sale, assignment and assumption of a Lease, all undisputed Cure Amounts owed to a Landlord will be paid to the Landlord. No dispute regarding Cure Amounts will delay any Closing, and Successful Bidders or Backup Bidders, where applicable, will be required to

consummate their respective Closings notwithstanding pending disputes, if any, regarding Cure Amounts.



## **EXHIBIT 4**

**[Notice of Disposition]**

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

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

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

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., <sup>1</sup>	)	Chapter 11
	)	Hon. Douglas O. Tice, Jr.
Debtors.	)	
	)	

**NOTICE OF DISPOSITION OF THE DEBTORS' INTERESTS IN  
CERTAIN NONRESIDENTIAL REAL PROPERTY LEASES**

---

**PLEASE TAKE NOTICE** that on October 16, 2007, the above-captioned debtors (collectively, the "Debtors") filed petitions commencing cases under the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court").<sup>2</sup>

**PLEASE TAKE FURTHER NOTICE** that on October 17, 2007, the Bankruptcy Court entered an Order Authorizing an Auction Process and Approving Bid Procedures for the Disposition of the Debtors' Interests in Certain Nonresidential Real Property

---

<sup>1</sup> The Debtors in the cases include: Movie Gallery, Inc.; Hollywood Entertainment Corp.; M.G. Digital, LLC; M.G.A. Realty I, LLC; MG Automation LLC; and Movie Gallery US, LLC.

<sup>2</sup> Capitalized terms but not otherwise herein shall have the meanings set forth in the Order or the Auction Procedures, where applicable.

Leases and Granting Related Relief (the “Order”) [Docket No. ] authorizing an auction (the “Auction”) and approving bid procedures for the disposition of the Debtors’ interests in certain nonresidential real property leases (the “Auction Procedures”). A copy of the Order is attached hereto as Attachment I. Pursuant to the Order, the Debtors hereby notify you that the Debtors intend to auction their rights under those unexpired leases identified by the Auction Procedures, set forth on Attachment II (collectively, the “Leases”).

**PLEASE TAKE FURTHER NOTICE** that the Debtors may seek to enter into lease termination agreements with the landlords for such Leases pursuant to the Auction (each, a “Landlord”).

**PLEASE TAKE FURTHER NOTICE** that, pursuant to the Order, the Bankruptcy Court authorized certain lease cure procedures for the determination of cure amounts applicable to the Leases during the pendency of these chapter 11 cases (the “Lease Cure Procedures”), set forth on Attachment III.

**PLEASE TAKE FURTHER NOTICE** that the Debtors have identified their outstanding obligations — i.e., the cost to cure such defaults, if any — on the relevant Leases (each, a “Cure Amount”). The Cure Amounts are set forth on Attachment II.

**PLEASE TAKE FURTHER NOTICE** that if any party objects to the Cure Amounts set forth on Attachment II, such objections, if any, shall be filed with the Bankruptcy Court and served so as to be actually received on or before November 2, 2007, at 4:00 p.m. (prevailing Eastern Time) (the “Cure Objection Deadline”) by (a) counsel for the Debtors: Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois 60601, Attn: Anup Sathy, P.C. and Marc J. Carmel and Kutak Rock LLP, Bank of America Center, 1111 East Main Street, Suite 800, Richmond, Virginia 23219, Attn: Michael A. Condyles and Peter J. Barrett and (b) other parties as required by the Order Establishing Certain Notice, Case Management and Administrative Procedures [Docket No. ] (each a “Cure Objection”).

**PLEASE TAKE FURTHER NOTICE** that Cure Objections must (a) be in writing, (b) identify the Leases to which the objector is a party, (c) to the extent applicable, describe with particularity the Landlord’s belief of the additional amounts due and owing under the relevant Lease in excess of the Cure Amounts (the “Excess Cure Amount”) and identify the bases of the Excess Cure Amount under the Lease and (d) include all relevant documents supporting or evidencing the Excess Cure Amount.

**PLEASE TAKE FURTHER NOTICE** that unless a Cure Objection objection is filed and served by the Cure Objection Deadline, any such party shall be (a) forever barred from asserting any additional Cure Amounts with respect to such Lease and (b) forever barred and estopped from asserting or claiming against the Debtors or any Successful Bidder, Backup Bidder or any other assignee of the relevant Lease that any additional amounts are due or that any defaults exist, or that there are any conditions to assumption and assignment with respect to Cure Amounts by the Debtors that must be satisfied under such Lease.

**PLEASE TAKE FURTHER NOTICE** that timely filed Cure Objections, if any, will be heard by the Bankruptcy Court at a hearing scheduled for November 6, 2007, at 2:00 p.m. (prevailing Eastern Time) (the “Cure Hearing”).

Richmond, Virginia

Dated: October \_\_, 2007

/s/ Michael A. Condyles

---

Richard M. Cieri (NY 4207122)

KIRKLAND & ELLIS LLP

Citigroup Center

153 East 53rd Street

New York, New York 10022-4611

Telephone: (212) 446-4800

Facsimile: (212) 446-4900

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

Facsimile: (312) 861-2200

and

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

Facsimile: (804) 783-6192

Proposed Co-Counsel to the Debtors

## **EXHIBIT 5**

**[Sale Agreement]**

### **Sale Agreement**

THIS SALE, ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT (the "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 2007, by and between \_\_\_\_\_ (the "Assignor"), and \_\_\_\_\_ a, \_\_\_\_\_, (the "Assignee," and collectively, the "Parties").

#### **WITNESSETH:**

WHEREAS, Assignor is a tenant under the lease (or sublease) and amendments, if any, set forth in Exhibit A (the "Lease"). The premises covered by said Lease are described in Exhibit B (the "Demised Premises"); and

WHEREAS, Assignor is a debtor in possession under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), consolidated under Case No. \_\_\_\_\_; and

WHEREAS, subject to the approval of the Bankruptcy Court, Assignor desires to sell, assume, assign, convey and transfer all of its rights, title and interests as tenant under the Lease; and

WHEREAS, Assignee desires to purchase and accept such assignment and assume all rights, title, interests and obligations of Assignor under the Lease, subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency of which is hereby reciprocally acknowledged, Assignor and Assignee agree as set forth below:

1. Bidding Procedures. This Agreement is made subject to, and in accordance with, those Auction Procedures for the Disposition of the Debtors' Interests in Certain Nonresidential Real Property Leases (the "Auction Procedures") approved by the Bankruptcy Court pursuant to the Order Authorizing an Auction Process and Approving Bid Procedures for the Disposition of the Debtors' Interests in Certain Nonresidential Real Property Leases and Granting Related Relief [Docket No. \_\_\_\_]. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Auction Procedures. In the event of a contradiction between this Agreement and the Auction Procedures, the Auction Procedures shall control.
2. Assignment and Assumption. As of the Effective Date (as defined herein), pursuant to sections 363 and 365 of the Bankruptcy Code, Assignor hereby sells, assumes and assigns to Assignee without representation or warranty of any kind

all of Assignor's right, title, interest, and obligations under the Lease and the security deposit under the Lease, if any, inclusive of any accrued but unpaid interest (the "Security Deposit"), to the extent the Security Deposit has not previously been applied against the obligations of Assignor under the Lease in consideration of which Assignee shall pay Assignor immediately, but not later than the Effective Date, without demand in good funds the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the "Lease Consideration"), and Assignee hereby purchases and assumes all of Assignor's right, title, interest, and obligations as tenant thereunder.

3. Property Consideration. Assignee shall pay to Assignor, without demand, in good funds the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the "Property Consideration") on or before the Effective Date. Such Property Consideration is for tenant improvements, trade fixtures, or personal property, if any, paid for by Assignor (the "Tenant Property"). A list of the Tenant Property is attached as Exhibit C. With respect to any Tenant Property listed on Exhibit C, Assignor does hereby sell, transfer and assign all its right, title and interest therein to Assignee as of the Effective Date.
4. Effective Date. The assignment, assumption and transfer in this Agreement shall take effect on \_\_\_\_\_, but in any event within the later of five (5) business days following the (a) entry of an order by the Bankruptcy Court approving the transaction contemplated herein or (b) conclusion of the Store Closing Sale(s) at the Demised Premises (the "Effective Date"), subject to satisfaction of the conditions precedent set forth in Section 5 below (the "Conditions Precedent"). If the Conditions Precedent are not satisfied on or before the Effective Date, this Agreement may be terminated by either of the Parties upon five (5) business days' written notice.
5. Conditions Precedent. The rights, obligations and duties of the Parties are expressly conditioned upon (a) the Bankruptcy Court entering an order approving this Agreement and the assumption, assignment and transfer contemplated under this Agreement on substantially the terms provided herein, (b) payment by Assignee to Assignor of the Lease Consideration and the Property Consideration, if any, (c) the payment by Assignee to Assignor of the amount of the Security Deposit and (d) the delivery of the Demised Premises and the Tenant Property, if any, by Assignor in the condition specified in Section 8 below.
6. Trade Name. Assignee shall not have the right to operate under the Movie Gallery, Hollywood Entertainment and Game Crazy trade names or to use the marks and other intellectual property of the Assignor or their related or affiliated entities (each, a "Proprietary Mark") absent such rights being granted pursuant to a separate agreement.



7. Notices.

- a. All notice demands required and desired to be given by Assignor or Assignee shall be in writing and served by (i) prepaid overnight courier services, (ii) prepaid United States registered mail or (iii) prepaid certified mail (each, a “Notice”).
- b. Each Notice shall be addressed as provided herein (or as otherwise agreed to in writing by the Parties).

i. **TO ASSIGNOR:**

Movie Gallery, Inc.  
Attn: Jeffry B. Gordon  
900 West Main Street  
Dothan, Alabama 36301  
Facsimile: (334) 836-3626

With a copy thereof, which shall not constitute notice to:

Kirkland & Ellis LLP  
Attn: Anup Sathy, P.C. and Marc J. Carmel  
200 East Randolph St.  
Chicago, Illinois 60601  
Facsimile: (312) 861-2200;

Kutak Rock LLP  
Attn: Michael A. Condyles and Peter J. Barrett  
Bank of America Center  
1111 East Main Street, Suite 800  
Richmond, Virginia 23219  
Facsimile: (804) 783-6192; and

Keen Consultants, the Real Estate Division of KPMG  
Corporate Finance Realty LLC  
Attn: Matthew Bordwin  
60 Cutter Mill Road, Suite 214  
Great Neck, New York 11021  
Facsimile: (516) 482-5764

ii. **TO ASSIGNEE:**

with a copy thereof, which shall not constitute notice, to:

- c. Notices shall be deemed given and served (i) upon receipt or refusal, if delivered personally or by certified or registered mail or (ii) one business day after deposit with an overnight courier service.

8. Delivery; "AS IS" Transaction.

- a. Assignee acknowledges that it has fully inspected or waived the right to inspect the Demised Premises prior to the execution of this Agreement and does hereby assume all of the risks, including, but not limited to, latent defects in the Demised Premises. Assignor shall not be obligated to do any pre-occupancy work or make any repairs in or to the Demised Premises, except that Assignor may remove all equipment and personal property from the Demised Premises that is not part of the Tenant Property, if any. If Assignor abandons any equipment or personal property at the Demised Premises, then Assignee shall remove, and shall not use, any such equipment or personal property that bears any Proprietary Marks. Any work (including demolition) which may be necessary to adapt the Demised Premises for Assignee's occupancy or for the operation of Assignee's business therein shall be the sole responsibility of Assignee and shall be performed by Assignee at its sole cost and expense, in accordance with the terms of the Lease. Immediately following the Effective Date, Assignee, at its sole cost and expense, shall remove any signs and fixtures identifying the Demised Premises that bear any of the Proprietary Marks, and Assignee shall not use any such signs or fixtures that bear any of the Proprietary Marks (the "Proprietary Signs and Fixtures") or use any Proprietary Marks in any advertising or promotions related to the Demised Premises. Assignor shall have the right to enter the Demised Premises after the Effective Date as necessary for Assignor to determine whether Assignee has complied with its obligations under this Section 8(a). If Assignee has not removed all Proprietary Signs and Fixtures, then Assignor shall have the right, at Assignee's cost and expense, to enter the Demised Premises and remove the Proprietary Signs and Fixtures.
- b. ASSIGNEE HEREBY ACKNOWLEDGES AND AGREES THAT ASSIGNOR MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY MATTER RELATED TO THE

LEASE OR THE DEMISED PREMISES OR THE TENANT PROPERTY, IF ANY (INCLUDING, WITHOUT LIMITATION, INCOME TO BE DERIVED FROM OR EXPENSES TO BE INCURRED IN CONNECTION WITH THE DEMISED PREMISES; THE PHYSICAL CONDITION OF THE DEMISED PREMISES; THE PRESENCE OR ABSENCE OF ANY HAZARDOUS MATERIALS IN, ON OR ABOUT THE DEMISED PREMISES OR ANY OTHER MATTER RELATED TO THE ENVIRONMENTAL CONDITION OF THE DEMISED PREMISES; THE ZONING OF THE DEMISED PREMISES; THE POSSIBILITY OF DEVELOPING OR USING THE DEMISED PREMISES IN THE MANNER CONTEMPLATED BY ASSIGNEE OR OBTAINING ANY CONSENTS, APPROVALS, PERMITS, AUTHORIZATIONS OR ENTITLEMENTS IN CONNECTION THEREWITH; THE VALUE OF THE LEASE OR THE DEMISED PREMISES OR THE TENANT PROPERTY, IF ANY; THE FITNESS OF THE DEMISED PREMISES OR THE TENANT PROPERTY, IF ANY, FOR ANY PARTICULAR PURPOSE OR USE; THE ACCURACY, COMPLETENESS, OWNERSHIP OR TRANSFERABILITY OF ANY DOCUMENTS OR OTHER MATERIALS FURNISHED TO ASSIGNEE WITH RESPECT TO THE DEMISED PREMISES OR THE TENANT PROPERTY, IF ANY (OR ANY PORTION THEREOF); TITLE TO THE DEMISED PREMISES OR THE TENANT PROPERTY, IF ANY; OR ANY OTHER MATTER OR THING RELATED TO THE LEASE OR THE DEMISED PREMISES OR THE TENANT PROPERTY, IF ANY). ASSIGNEE ALSO ACKNOWLEDGES THAT ASSIGNEE HAS CONDUCTED OR WAIVED THE RIGHT TO CONDUCT AN INDEPENDENT INSPECTION AND INVESTIGATION OF THE PHYSICAL AND ENVIRONMENTAL CONDITION OF THE DEMISED PREMISES AND ALL SUCH OTHER MATTERS RELATED TO OR AFFECTING THE DEMISED PREMISES AND/OR THE LEASE AND/OR THE TENANT PROPERTY, IF ANY, AS ASSIGNEE DEEMED NECESSARY OR APPROPRIATE AND ASSIGNEE IS ACQUIRING THE LEASE AND THE DEMISED PREMISES AND THE TENANT PROPERTY, IF ANY, BASED SOLELY UPON SUCH INDEPENDENT INSPECTIONS AND INVESTIGATIONS OR ASSIGNEE'S INDEPENDENT JUDGMENT. ACCORDINGLY, ASSIGNEE HEREBY ACCEPTS THE DEMISED PREMISES AND THE TENANT PROPERTY, IF ANY, "AS IS" AND "WITH ALL FAULTS."

9. Assumption by Assignee. In further consideration of the above assignment, Assignee, as and from the Effective Date, hereby accepts the assignment evidenced hereby and assumes and agrees (a) to make all of the payments and perform all of the covenants, conditions and agreements of the Lease as if the Assignee were the original tenant under the Lease and (b) that except as amended by the terms of this Agreement, the Lease shall remain in full force and effect. After the Effective Date, the Assignor shall have no further liabilities or obligations with respect to the Lease, including, but not limited to, rents, taxes, insurance and common area maintenance (the "Post Effective Date Obligations"). Assignee is expressly responsible for all Post Effective Date Obligations. Assignee shall pay any and all obligations that accrue, arise, are due or owing and/or are associated with the time period under the Lease from and after the Effective Date. Assignee shall receive the benefits and burdens for all year-end adjustments for calendar year 2007 and thereafter and shall indemnify and hold harmless Assignor with respect thereto. Assignee agrees that Assignor shall have no further liability whatsoever with respect to the Lease from and after the Effective Date.
10. Release; Indemnity. Pursuant to section 365(k) of the Bankruptcy Code, on and after the Effective Date, Assignee agrees to defend and indemnify Assignor against, and hold Assignor harmless from, any and all claims, actions, proceedings, suits, costs, liabilities, losses, damages or expenses arising or occurring after the Effective Date in connection with the Lease or the Demised Premises or the Tenant Property, if any, including, without limitation, the performance or observance or the failure or refusal to perform or observe any agreement or obligation of the tenant under the Lease or any term or provision thereof required to be performed by the tenant under the Lease after the Effective Date.
11. Successors. This Agreement shall be binding on and inure to the benefit of the Parties and their respective successors and assigns.
12. Ratification. Except as herein modified, the Lease is ratified and confirmed and shall remain in full force and effect.
13. Counterparts. This Agreement may be executed in any number of counterparts and all counterparts shall be construed together and shall constitute but one Agreement.
14. Applicable Law; Jurisdiction and Venue. This Agreement shall be construed under the laws of the Bankruptcy Court, and any disputes shall be resolved by the Bankruptcy Court which shall have exclusive jurisdiction at all times that the Assignor's bankruptcy case is pending. Each of the Parties irrevocably consents

for all purposes of this Agreement to the jurisdiction of the Bankruptcy Court and agrees that venue is proper in the Bankruptcy Court.

15. Brokerage. Assignee shall indemnify and hold Assignor harmless from and against any and all claims for brokerage fees. Any broker retained by or providing services to Assignee in connection with this transaction shall be compensated solely by Assignee without contribution from Assignor.
16. Assignor's Rights. Notwithstanding anything else contained in this Agreement to the contrary, Assignor retains, in its sole discretion, the right to terminate this Agreement without prior notice, without incurring any liability to Assignee with respect to such termination, at or prior to the Auction for any and all reasons. Assignee shall not object to such termination, but provided Assignee is not in default hereunder, shall be entitled to the return of its Deposit if otherwise entitled to the same under this Agreement.
17. Entire Agreement. Subject to Section 1, this Agreement represents the Parties' mutual understandings and supersedes all prior agreements whether in oral or written form.
18. Taxes. Any and all sales, transfer and recording taxes, stamp taxes or similar taxes, if any, relating to the sale, assignment and/or assumption of the Lease pursuant to this Agreement shall be the sole responsibility of Assignee and shall be paid, if applicable, to the proper governing body on the Effective Date.
19. Prevailing Party. If any action is brought by either of the Parties against the other, then the prevailing Party shall be entitled to recover from the other Party court costs and reasonable attorneys' fees and costs actually incurred.
20. Drafting. This Agreement is deemed to have been drafted jointly by the Parties, and any uncertainty or ambiguity shall not be construed for or against either of the Parties as an attribution of drafting to such Party.
21. Additional Instruments. The Parties agree to execute such additional instruments as may be reasonably necessary to carry out the provisions of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date and year first written above.

**ASSIGNOR**

**[Name]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**ASSIGNEE**

**[Name]**

a **[STATE OF INCORPORATION]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

[Add Witnesses if Necessary]

## **EXHIBIT 6**

### **[Lease Termination Agreement]**

### **Lease Termination Agreement**

THIS LEASE TERMINATION AGREEMENT (the "Agreement") is made as of this \_\_\_\_ day of \_\_\_\_\_, 2007, by and between \_\_\_\_\_ ("Landlord") and \_\_\_\_\_, a [STATE OF INCORPORATION] \_\_\_\_\_, as debtor and debtor in possession ("Tenant," and collectively, the "Parties").

#### **W I T N E S S E T H:**

WHEREAS, Landlord and Tenant entered into a certain lease dated \_\_\_\_\_ (as the same may have been amended from time to time, the "Lease"), covering certain premises commonly known as \_\_\_\_\_ (the "Premises"), on the terms and conditions set forth therein; and

WHEREAS, Tenant is a debtor in possession under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), consolidated under Case No. \_\_\_\_\_; and

WHEREAS, subject to the approval of the Bankruptcy Court, the Parties desire to terminate the Lease effective as of \_\_\_\_\_ or such later date as may be elected by Tenant (which election shall be made prior to such date), which in any event shall be within the later of five (5) business days following (a) the entry of an order by the Bankruptcy Court approving the transaction contemplated herein (the "Bankruptcy Order") or (b) the conclusion of the Store Closing Sale(s) at the Premises (the "Termination Date").

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency of which is hereby reciprocally acknowledged, Landlord and Tenant agree as set forth below:

1. **Bidding Procedures.** This Agreement is made subject to, and in accordance with, those Auction Procedures for the Disposition of the Debtors' Interests in Certain Nonresidential Real Property Leases (the "Auction Procedures") approved by the Bankruptcy Court pursuant to the Order Authorizing an Auction Process and Approving Bid Procedures for the Disposition of the Debtors' Interests in Certain Nonresidential Real Property Leases and Granting Related Relief [Docket No. \_\_\_\_]. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Auction Procedures. In the event of a contradiction between this Agreement and the Auction Procedures, the Auction Procedures shall control.
2. **Termination Date.** The Lease shall terminate on the Termination Date as if the Termination Date were set forth in the Lease as the expiration date of the term of the Lease.



3. Consideration. Within one (1) business day after the Termination Date, Landlord shall pay to Tenant the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_).
4. Trade Name. Landlord shall not have the right to operate under the Movie Gallery, Hollywood Entertainment and Game Crazy trade names or to use the marks and other intellectual property of the Tenant or their related or affiliated entities (each, a "Proprietary Mark") absent such rights being granted pursuant to a separate agreement.
5. Delivery; "AS IS" Transaction. As of the Termination Date, Tenant hereby surrenders the Premises to Landlord and does hereby give, grant and surrender unto Landlord all of Tenant's rights, title and interests in and to the Premises, including, without limitation, all of Tenant's rights, title and interests in, to and under the Lease, and Landlord hereby accepts such surrender. Landlord agrees to accept the Premises in "AS IS, WHERE IS" condition, with all faults, whether known or unknown. Landlord hereby acknowledges and agrees that Landlord is not relying on any representation of Tenant regarding the physical condition of the Premises, any environmental matters affecting the Premises or the suitability of the Premises for any particular purpose. Except as otherwise expressly provided herein, each of the Parties acknowledges performance of all obligations of the other party under the Lease or otherwise in connection with the Premises through and including the Termination Date. The Lease is hereby agreed to be null and void and of no further force and effect as of the Termination Date. In addition, any and all rights and obligations of the Parties to each other that may have arisen in connection with the Premises shall be deemed to have expired and terminated as of the Termination Date. Immediately following the Termination Date, Landlord, at its sole cost and expense, shall remove any signs and fixtures identifying the Premises that bear any of the Proprietary Marks, and Landlord shall not use any such signs or fixtures that bear any of the Proprietary Marks (the "Proprietary Signs and Fixtures") or use any Proprietary Marks in any advertising or promotions related to the Premises. Tenant shall have the right to enter the Premises after the Termination Date as necessary for Tenant to determine whether Landlord has complied with its obligations under this Section 5. If Landlord has not removed all Proprietary Signs and Fixtures, then Tenant shall have the right, at Landlord's cost and expense, to enter the Premises and remove the Proprietary Signs and Fixtures.
6. Release. As of the Termination Date, except as to the obligations of Tenant expressly set forth in this Agreement, Landlord, for itself, its successors and assigns, does hereby release and discharge Tenant, Tenant's affiliates, owners, parent companies and subsidiaries, and their respective past, present and future shareholders, officers, directors, employees, agents, attorneys, representatives, guarantors and predecessors (the "Released Parties") from all manner of actions, causes of action, suits, debts, sums of money, accounts, reckonings, bonds, bills,

specialties, covenants, controversies, agreements, promises, variances, trespasses, damages, judgments, claims and demands whatsoever, at law or in equity which Landlord ever had, now has or hereafter can, shall or may have against the Released Parties for, upon or by reason of any matter, cause or thing whatsoever relating to or arising out of the Lease, this Agreement or the Premises, or Tenant's use and occupancy of the Premises, including, but not limited to, all lease rejection claims (whether under section 502 of the Bankruptcy Code or otherwise), administrative expense claims, or claims relating to Tenant's prepetition or postpetition use and occupancy of the Premises.

7. Expungement. To the extent the Landlord has filed or files any proofs of claim with respect to the Lease or the Premises, Landlord consents to the expungement of such claims, with prejudice.
8. Successors. This Agreement and each of its provisions are binding upon and shall inure to the benefit of Tenant's successors and assigns, including, without limitation, a trustee, if any, subsequently appointed under chapter 7 or chapter 11 of the Bankruptcy Code.
9. Authority. Each of the parties hereto warrants and represents that it has the right and authority to enter into this Agreement, subject to the Bankruptcy Order.
10. Entire Agreement. Subject to Section 1, this Agreement represents the Parties' mutual understandings and supersedes all prior agreements whether in oral or written form.
11. Counterparts. This Agreement may be executed in any number of counterparts and all counterparts shall be construed together and shall constitute but one Agreement.
12. Applicable Law; Jurisdiction and Venue. This Agreement shall be construed under the laws of the Bankruptcy Court, and any disputes shall be resolved by the Bankruptcy Court which shall have exclusive jurisdiction at all times that the Assignor's bankruptcy case is pending. Each of the Parties irrevocably consents for all purposes of this Agreement to the jurisdiction of the Bankruptcy Court and agrees that venue is proper in the Bankruptcy Court.
13. Taxes. Any and all sales, transfer and recording taxes, stamp taxes or similar taxes, if any, relating to the termination of the Lease shall be the sole responsibility of Landlord and shall be paid, if applicable, to the proper governing body on the Termination Date.

14. Prevailing Party. If any action is brought by either Party against the other Party, then the prevailing Party shall be entitled to recover from the other Party court costs and reasonable attorneys' fees and costs actually incurred.
15. Drafting. This Agreement is deemed to have been drafted jointly by the Parties, and any uncertainty or ambiguity shall not be construed as an attribution of drafting to either Party.
16. Additional Instruments. The Parties agree to execute such additional instruments as may be reasonably necessary to carry out the provisions of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date and year first written above.

LANDLORD

TENANT

[Name]

[Name]

a [STATE OF INCORPORATION]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

[Add Witnesses if Necessary]

## **EXHIBIT 7**

### **[Notice of Sale Agreement]**

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

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

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

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., <sup>1</sup>	)	Chapter 11
	)	Hon. Douglas O. Tice, Jr.
Debtors.	)	
	)	

**NOTICE OF SALE AGREEMENT RELATED TO THE ORDER AUTHORIZING AN  
AUCTION PROCESS AND APPROVING BID PROCEDURES FOR THE DISPOSITION  
OF THE DEBTORS' INTERESTS IN CERTAIN NONRESIDENTIAL REAL  
PROPERTY LEASES**

**PLEASE TAKE NOTICE** that on October 16, 2007, the above-captioned debtors (collectively, the "Debtors") filed petitions commencing cases under the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court").<sup>2</sup>

---

<sup>1</sup> The Debtors in the cases include: Movie Gallery, Inc.; Hollywood Entertainment Corp.; M.G. Digital, LLC; M.G.A. Realty I, LLC; MG Automation LLC; and Movie Gallery US, LLC.

<sup>2</sup> Capitalized terms but not otherwise herein shall have the meanings set forth in the Order or the Auction Procedures, where applicable.

**PLEASE TAKE FURTHER NOTICE** that on October \_\_, 2007 the Bankruptcy Court entered an Order Authorizing an Auction Process and Approving Bid Procedures for the Disposition of the Debtors' Interests in Certain Nonresidential Real Property Leases and Granting Related Relief (the "Order") [Docket No. ] authorizing an auction (the "Auction") and approving bid procedures for the disposition of the Debtors' interests in certain nonresidential real property leases (the "Auction Procedures").

**PLEASE TAKE FURTHER NOTICE** that, pursuant to the Order, the Debtors conducted the Auction in accordance with the Auction Procedures on November 15, 2007.

**PLEASE TAKE FURTHER NOTICE** that, pursuant to the Order, the Debtors hereby notify you that the Debtors intend to sell, assume and assign their rights under their lease with you (as identified on Attachment I to this Notice, the "Lease"), its landlord (each, a "Landlord"), to the Successful Bidder or the Backup Bidder, where applicable. The identities of the Successful Bidder and the Backup Bidder are set forth on Attachment II to this notice.

**PLEASE TAKE FURTHER NOTICE** that, pursuant to the Order, the Debtors hereby provide you with information set forth on Attachment II demonstrating, among other things, the proposed use of the premises subject to the Lease by the Successful Bidder and the Backup Bidder, where applicable.

**PLEASE TAKE FURTHER NOTICE** that, pursuant to the Order, the Debtors hereby provide you with information set forth on Attachment II demonstrating adequate assurance of future performance under such Lease by the Successful Bidder and the Backup Bidder, where applicable, as that term is used in section 365 of the Bankruptcy Code.

**PLEASE TAKE FURTHER NOTICE** that a hearing is scheduled for November 28, 2007 at 2:00 p.m. (prevailing Eastern Time) for the Bankruptcy Court to consider entry of one or more orders authorizing and approving the transactions contemplated by the Auction with respect to the Lease (the "Sale Hearing").

**PLEASE TAKE FURTHER NOTICE** that objections to the Auction process or the transactions contemplated herein (each, a "Sale Objection"), if any, must have been filed with the Bankruptcy Court and actually have been received by (a) counsel for the Debtors: Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois 60601, Attn: Anup Sathy, P.C. and Marc J. Carmel and Kutak Rock LLP, Bank of America Center, 1111 East Main Street, Suite 800, Richmond, Virginia 23219, Attn: Michael A. Condyles and Peter J. Barrett and (b) other parties as required by the Order Establishing Certain Notice, Case Management and Administrative Procedures [Docket No. ] on November 26, 2007 at 4:00 p.m. (prevailing Eastern Time) (the "Sale Objection Deadline").

**PLEASE TAKE FURTHER NOTICE** that, pursuant to the Order, Sale Objections filed after the Sale Deadline will not be heard at the Sale Hearing, and any additional

objections to the sale, assignment, assumption, termination or other disposition of any Lease contemplated by the Auction process shall be forever barred.



Richmond, Virginia  
Dated: October \_\_ 2007

/s/ Michael A. Condyles

---

Richard M. Cieri (NY 4207122)  
KIRKLAND & ELLIS LLP  
Citigroup Center  
153 East 53rd Street  
New York, New York 10022-4611  
Telephone: (212) 446-4800  
Facsimile: (212) 446-4900

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  
Facsimile: (312) 861-2200

and

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  
Facsimile: (804) 783-6192  
Proposed Co-Counsel to the Debtors