

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:)	
)	
MOVIE GALLERY, INC., et al., ¹)	Chapter 11
)	Case No. 10-30696-DOT
Debtors.)	(Jointly Administered)
)	

**JOINT PLAN OF LIQUIDATION OF MOVIE GALLERY, INC.
AND ITS AFFILIATED DEBTORS AND DEBTORS IN POSSESSION**

John A. Bicks (NY 2032498)
Linda Bechutsky (NY 4642476)
Louis A. Curcio (NY 4016267)
SONNENSCHN NATH & ROSENTHAL LLP
1221 Avenue of the Americas
New York, NY 10020-1089
Telephone: (212) 768-6700

Michael A. Condyles (VA 27807)
Peter J. Barrett (VA 46179)
Jeremy S. Williams (VA 77469)
KUTAK ROCK LLP
Bank of America Center
1111 East Main Street, Suite 800
Richmond, Virginia 23219-3500
Telephone: (804) 644-1700

Attorneys for Debtors and Debtors in Possession

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¹ The Debtors in these cases are: Movie Gallery, Inc.; Hollywood Entertainment Corporation; Movie Gallery US, LLC; MG Real Estate, LLC; and HEC Real Estate, LLC.



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B-1	First Lien Term Lenders Liquidating Trust Agreement
B-2	GUC Liquidating Trust Agreement
C	List of Leases and Executory Contracts to Be Assumed

Note: To the extent that the foregoing Exhibits are not annexed to this Plan, such Exhibits will be filed with the Bankruptcy Court in Plan Supplement(s) filed on or before the date(s) set for the filing of such documents and forms of documents.

INTRODUCTION

Movie Gallery, Inc., Hollywood Entertainment Corporation; Movie Gallery US, LLC; MG Real Estate, LLC; and HEC Real Estate, LLC (each a “Debtor” and collectively, the “Debtors”) propose the following chapter 11 plan of liquidation. The Debtors are the proponents of the Plan within the meaning of Bankruptcy Code section 1129. Reference is made to the Disclosure Statement, distributed contemporaneously herewith, for a discussion of (i) the Debtors’ history, business and operations, (ii) a summary and analysis of this Plan, and (iii) certain related matters, including risk factors relating to the consummation of this Plan. All Holders of Claims who are eligible to vote on the Plan are encouraged to read the Plan and the accompanying Disclosure Statement (including all exhibits thereto) in their entirety before voting to accept or reject the Plan. Subject to certain restrictions and requirements set forth in Bankruptcy Code section 1127 and Bankruptcy Rule 3019, the Debtors reserve the right to alter, amend, modify, revoke, or withdraw this Plan prior to its substantial consummation.

The Plan is a liquidating plan. Pursuant to prior orders of the Bankruptcy Court, the Debtors have terminated their remaining business operations and have liquidated or are in the process of liquidating their remaining assets. The Plan provides for the continuation and completion of that liquidation process, and also provides some recovery for holders of unsecured claims against the Debtors, even though the claims of many of the Debtors’ prepetition secured creditors will not be paid in full. Subject to the rights of certain parties in interest to object to the allowance and/or priority of such claims as expressly set forth in the Plan, to the extent not inconsistent with the Term Sheet, the Plan also provides for the payment in full to holders of allowed administrative claims and priority claims and to other claimholders and the funding of two liquidating trusts, one for the benefit of secured creditors, and the other for unsecured creditors. The Plan further provides for the termination of all Interests in the Debtors, the substantive consolidation of the Debtors, the dissolution and wind-up of the affairs of the Debtors, the payment of the Revolver Effective Date Cash on the Effective Date, the transfer of \$5 million in cash to a liquidating trust established for the benefit of the Debtors’ general unsecured creditors on the Effective Date, and any remaining assets of the Debtors to a liquidating trust established for the benefit of certain of the Debtors’ secured creditors, and distributions from the respective liquidating trusts as further provided herein.

No solicitation materials, other than the Disclosure Statement and related materials transmitted therewith have been approved for use in soliciting acceptances and rejections of the Plan. Nothing in the Plan should be construed as constituting a solicitation of acceptances of the Plan unless and until the Disclosure Statement has been approved and distributed to all Holders of Claims and Interests to the extent required by Bankruptcy Code section 1125.

ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ CAREFULLY THE DISCLOSURE STATEMENT (INCLUDING ALL EXHIBITS THERETO) AND THE PLAN, EACH IN ITS ENTIRETY, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

ARTICLE I.

DEFINED TERMS AND RULES OF INTERPRETATION

A. *Rules of Construction*

For purposes of this Plan, except as expressly provided herein or unless the context otherwise requires, all capitalized terms not otherwise defined, including those capitalized terms used in the preceding Introduction, shall have the meanings ascribed to them in Article I of this Plan or any Exhibit hereto. Any term used in this Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable. To the extent that there is an inconsistency between a definition in this Plan and a definition set forth in the Bankruptcy Code, the definition set forth herein shall control. Whenever the context requires, such terms shall include the plural as well as the singular number, the masculine gender shall include the feminine, and the feminine gender shall include the masculine.

B. *Definitions*

1.1 Adequate Provision has the meaning given such term in Article III.C.1 hereof.

1.2 Administrative Claim means a Claim for unpaid administrative expenses as provided in sections 330, 503(b) and 507(a)(2) of the Bankruptcy Code incurred prior to the Effective Date, including without limitation the following: (a) all allowed compensation Claims for legal, financial advisory, accounting and other services and reimbursement of expenses awarded under sections 330(a), 331 or 503 of the Bankruptcy Code (including, for the avoidance of doubt, all allowed section 503(b)(9) claims, if any, and all allowed reclamation claims, if any); (b) all Claims for payments required to be made to the Studios by the Debtors under the Accommodation Agreement (as defined in and to the extent provided by the Term Sheet); (c) Claims for other amounts payable to the Studios or to Warner Home Video as set forth in the Term Sheet in connection with new release titles rented or sold through store closing sales; (d) all other Claims arising from the purchase of goods by the Debtors or the rendition of services to the Debtors post-petition (including, without limitation, payments due to movie suppliers other than the Studios) on account of movies sold or rented by the Debtors after the Commencement Date; (e) all Claims for cure amounts, if any, owed under section 365(b); (f) all Claims for payments to lessors of non-residential real property required under section 365(d)(3) of the Bankruptcy Code, and all Claims for postpetition payment obligations accruing under any nonresidential real property lease related to the period from the Commencement Date through the effective date of the rejection of such lease, including without limitation to the extent they are allowable as administrative expenses under section 503(b) of the Bankruptcy Code, taxes, common area maintenance, utilities and similar charges, each of which (if it constitutes an Allowed Claim) shall be timely paid (i) in the ordinary course of business as required by the terms of the leases; (ii) with respect to February 2010 post-petition rent, on or before July 7, 2010, as required by the Stub Rent Order; and (iii) for any amounts that will not come due in the ordinary course of business or that are not subject to the Stub Rent Order, as required by any previously entered order, docket entry or oral ruling of the Bankruptcy Court or pursuant to the

Confirmation Order confirming the Plan; and (g) Claims for all other administrative expense obligations incurred by the Debtors through the Effective Date.

1.3 Administrative Claims Objection Deadline means the last day for filing an objection to any request for the payment of an Administrative Claim, which shall be the later of (a) one hundred twenty (120) days after the Effective Date or (b) such other date specified in this Plan or ordered by the Bankruptcy Court. The filing of a motion to extend the Administrative Claims Objection Deadline shall automatically extend the Administrative Claims Objection Deadline until a Final Order is entered on such motion; *provided that* any hearing on said motion is held on or before the date that is no more than thirty (30) days after the Administrative Claims Objection Deadline. In the event that such motion to extend the Administrative Claims Objection Deadline is denied by the Bankruptcy Court, the Administrative Claims Objection Deadline shall be the later of the current Administrative Claims Objection Deadline (as previously extended, if applicable) or thirty (30) days after the Bankruptcy Court's entry of an order denying the motion to extend the Administrative Claims Objection Deadline. After the Effective Date of the Plan, no Person other than the First Lien Term Lenders Liquidating Trustee shall be authorized to file objections (to the extent not inconsistent with the Term Sheet) to Administrative Claims in good faith on any grounds to the validity, amount, or administrative priority of any such Administrative Claims.

1.4 Affiliate Debtor(s) means, individually or collectively Hollywood Entertainment Corporation; Movie Gallery US, LLC; MG Real Estate, LLC; and HEC Real Estate, LLC.

1.5 Allowed Claim means a Claim or any portion thereof (a) that has been allowed by a Final Order of the Bankruptcy Court (or such court as the applicable Liquidating Trustee against whom enforcement of such Claim is being sought and the Holder of any such Claim agree may adjudicate such Claim and any objections thereto), (b) that either (x) has been Scheduled as a liquidated, non-contingent, and undisputed Claim in an amount greater than zero on the Schedules, or (y) is the subject of a timely filed Proof of Claim as to which either (i) no objection to its allowance has been filed (either by way of objection or amendment to the Schedules) within the periods of limitation fixed by the Plan, the Bankruptcy Code or by any order of the Bankruptcy Court or (ii) any objection to its allowance has been settled, waived through payment, or withdrawn, or has been denied by a Final Order, or (c) that is expressly allowed in a liquidated amount in the Plan; provided, however, that with respect to an Administrative Claim, "Allowed Claim" means an Administrative Claim as to which a timely written request for payment has been made on or prior to the applicable Bar Date (if such written request is required) in each case as to which the First Lien Term Lenders Liquidating Trustee (x) has not interposed a timely objection or (y) has interposed a timely objection and such objection has been settled, waived through payment, or withdrawn, or has been denied by a Final Order; provided, further, however, that for purposes of determining the status (i.e., Allowed or Disputed) of a particular Claim prior to the expiration of the period fixed for filing objections to the allowance or disallowance of Claims, any such Claim which has not been previously allowed or disallowed by a Final Order of the Bankruptcy Court or the Plan shall be deemed a Disputed Claim unless such Claim is specifically identified by the Debtors and/or the applicable Liquidating Trustee as being an Allowed Claim.

1.6 Allowed ... Claim means an Allowed Claim of the particular type or Class described.

1.7 Available Cash means all Cash held by a Liquidating Trustee as of the date ten (10) Business Days prior to a Distribution Date; *provided, for the avoidance of doubt*, that: (i) with respect to the First Lien Term Lenders Liquidating Trust, Available Cash does not include the Revolver Effective Date Cash; and (ii) with respect to the GUC Liquidating Trust, Available Cash is limited to the net proceeds of the Creditor Funds and does not include the Other Assets or the products or proceeds thereof.

1.8 Avoidance Actions means any and all avoidance, recovery, or subordination actions or remedies that may be brought by or on behalf of any Debtor, the Estate and/or Liquidating Trust under the Bankruptcy Code or applicable non-bankruptcy law, including, without limitation, actions or remedies arising under sections 502, 510, or 542-553 of the Bankruptcy Code.

1.9 Ballot means each of the ballot forms distributed to each Holder of a Claim or Interest entitled to vote to accept or reject this Plan.

1.10 Bankruptcy Code means title 11 of the United States Code, as now in effect or hereafter amended and as applicable to the Chapter 11 Cases.

1.11 Bankruptcy Court means the United States Bankruptcy Court for the Eastern District of Virginia, or any other court with jurisdiction over the Chapter 11 Cases.

1.12 Bankruptcy Rules means, collectively, the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as amended and as applicable to the Chapter 11 Cases on proceedings therein, as the case may be, and the Local Rules, as now in effect or hereafter amended.

1.13 Bar Date means, as applicable, the Final Administrative Claims Bar Date, the General Bar Date, the Governmental Bar Date, the Initial Administrative Claims Bar Date, and any other date established by the Bankruptcy Court for filing Proofs of Claim, including, without limitation, the Final Order Approving (I) Rejection of Unexpired Leases and Executory Contracts, (II) Expedited Procedures for Rejecting Executory Contracts and Unexpired Leases and (III) Abandonment of Personal Property.

1.14 B Studios means the movie studios, other than the Studios or Warner Home Video, that supplied movies to the Debtors prior to the Effective Date.

1.15 Business Day means any day, other than a Saturday, Sunday or “Legal holiday” (as defined in Bankruptcy Rule 9006(a)).

1.16 Case Interest Rate means the federal judgment rate provided in 28 U.S.C. § 1961 in effect on the Commencement Date, which is .33%.

1.17 Cash means legal tender of the United States of America and equivalents thereof, which may be conveyed by check or wire transfer.

1.18 Cash Collateral Order means the *Final Order (A) Authorizing the Use of Cash Collateral, (B) Granting Adequate Protection to Certain Pre-Petition Secured Parties, and (C) Granting Related Relief, as amended by the Order Amending Final Order (A) Authorizing the Use of Cash Collateral, (B) Granting Adequate Protection to Certain Pre-Petition Secured Parties, and (C) Granting Related Relief* [Docket No. 1151] and as the same may be further amended by order of the Bankruptcy Court.

1.19 Causes of Action means any and all claims, actions, proceedings, causes of action (including Avoidance Actions), demands, suits, obligations, liabilities, cross-claims, counter-claims, offsets, accounts, controversies, agreements, promises, rights of action, rights to legal remedies, rights to equitable remedies, rights to payment and Claims, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, existing or hereafter arising, whether asserted or assertable directly or derivatively, in law, equity or otherwise, whether arising under the Bankruptcy Code or federal, state, common or other law, and based in whole or in part upon any act or omission or other event occurring at any time prior to the Effective Date.

1.20 Chapter 11 Case(s) means, (a) when used with reference to a particular Debtor, the case under chapter 11 of the Bankruptcy Code commenced by such Debtor on the Commencement Date in the Bankruptcy Court and (b) when used with reference to all Debtors, the jointly administered cases under chapter 11 of the Bankruptcy Code commenced by the Debtors on the Commencement Date in the Bankruptcy Court. For the avoidance of doubt, “Chapter 11 Case(s)” does not mean, include, or refer to the 2007 Bankruptcy Cases, as such term is defined in the Disclosure Statement.

1.21 Claim has the meaning set forth in Bankruptcy Code section 101(5).

1.22 Claimholder means the Holder of a Claim.

1.23 Claims Agent means Kurtzman Carson Consultants, LLC, or any duly appointed successor or assign thereof.

1.24 Claims Objection Deadline means the last day for filing objections to Priority Claims and General Unsecured Claims, which day shall be the later of (a) ninety (90) days after the Effective Date or (b) such other date as the Bankruptcy Court may order. The filing of a motion to extend the Claims Objection Deadline shall automatically extend the Claims Objection Deadline until a Final Order is entered on such motion; *provided that* any hearing on said motion is held on or before the date that is no more than thirty (30) days after the Claims Objection Deadline. In the event that such motion to extend the Claims Objection Deadline is denied, the Claims Objection Deadline shall be the later of the current Claims Objection Deadline (as previously extended, if applicable) or thirty (30) days after the Bankruptcy Court’s entry of an order denying the motion to extend the Claims Objection Deadline. For the avoidance of doubt, after the Effective Date, no Person other than the GUC Liquidating Trustee shall be authorized to file objections to General Unsecured Claims and no Person other than the First Lien Term Lenders Liquidating Trustee shall be authorized to file objections to Priority Claims.

1.25 Class means a category of Holders of Claims or Interests, as described in Article II hereof pursuant to sections 1122(a) and 1123(a) of the Bankruptcy Code.

1.26 Collateral means any property or interest in property of a Debtor's Estate or a Liquidating Trust subject to a Lien to secure the payment or performance of a Claim, which Lien has not been avoided by the Bankruptcy Court under the Bankruptcy Code or declared by the Bankruptcy Court to be otherwise invalid under the Bankruptcy Code or applicable state law.

1.27 Commencement Date means the date on which the Debtors filed their petitions for relief commencing the Chapter 11 Cases, which date was February 2, 2010.

1.28 Committee means the Official Committee of Unsecured Creditors of Movie Gallery, Inc., *et al.*, appointed by the United States Trustee in the Chapter 11 Cases pursuant to Bankruptcy Code section 1102.

1.29 Confirmation means entry by the Bankruptcy Court of the Confirmation Order.

1.30 Confirmation Date means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the Bankruptcy Court docket in the Chapter 11 Cases.

1.31 Confirmation Hearing means the hearing held by the Bankruptcy Court to consider confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

1.32 Confirmation Order means the order entered by the Bankruptcy Court confirming the Plan under Bankruptcy Code section 1129, which order shall be reasonably satisfactory in form and substance to the Debtors, the Committee, and the respective Requisite Lenders under the Prepetition First Lien Credit Facilities.

1.33 Consummation or Consummate means the occurrence of or to achieve the Effective Date.

1.34 Contingent means, with reference to a Claim, a Claim that has not accrued or is not otherwise payable and the accrual of which, or the obligation to make payment on which, is dependent upon a future event that may or may not occur.

1.35 Creditor means any Person who holds a Claim against one or more of the Debtors.

1.36 Creditor Funds means funds in the amount of five million dollars (\$5,000,000) transferred to the GUC Liquidating Trust on, and subject to the occurrence of, the Effective Date pursuant to the terms of this Plan.

1.37 Creditor Funds Payment Events means each of the following: (i) the Effective Date of the Plan has occurred in accordance with and subject to the Term Sheet, (ii) the Prepetition First Lien Term Lenders and the Prepetition First Lien Revolver Lenders shall have received treatment of their secured claims, including principal payments under the Prepetition First Lien Credit Agreements, substantially in accordance with the treatment of their secured

claims as contemplated herein, including without limitation the payment of the Revolver Effective Date Cash on the Effective Date and the making of an initial Distribution to the First Lien Term Loan Secured Parties on the Initial Distribution Date, (iii) each of the Debtor Releases by each of the Debtor Releasers and Third Party Releases by each of the Third Party Releasers in favor of each of the Prepetition Secured Parties First Lien Term Lenders and the Prepetition First Lien Revolver Lenders shall be in full force and effect and legally enforceable against the Debtor Releasers and Third Party Releasers as set forth in the Plan, and subject to no objection, challenge, or appeal by any Person which has not been overruled or denied, (iv) neither the Committee (or any Person acting on the Committee's behalf or instruction or on any Committee member's behalf or instruction) has commenced or threatened to commence any adversary proceeding against any Prepetition Secured Party or the First Lien Term Lenders Liquidating Trust or First Lien Term Lenders Liquidating Trustee in the Bankruptcy Court or any other court or tribunal (other than any adversary proceeding concerning any Claim arising as a result of a material breach of the Term Sheet by any Prepetition Secured Party or any Related Party thereto to the extent any such proceeding (or the remedies sought therein) are consistent with the Plan), (v) none of the Committee, any member of the Committee (or any Person acting on the Committee's behalf or any constituent member of the Committee), the Studios, or Warner Home Video has taken, since the date of the Term Sheet, any action which would impede or oppose the Debtors', the Estates', or the Term Loan Liquidating Trustee's store closing and inventory liquidation efforts; and (vi) none of the Committee, any member of the Committee (or any Person acting on the Committee's behalf or any constituent member of the Committee) has taken any action materially inconsistent with the Term Sheet.

1.38 Debtor means any of Movie Gallery, Inc. or the Affiliate Debtors in their individual capacity.

1.39 Debtor Release means the release given by the Debtor Releasers to the Debtor Releasees as set forth in Article X.D of the Plan.

1.40 Debtor Releasees means, collectively, (a) all current and former members (including ex officio members), officers and directors of the Debtors, their affiliates and subsidiaries and the Committee; (b) all attorneys, financial advisors, accountants, investment bankers, investment advisors, actuaries, professionals and affiliates of the Debtors, their subsidiaries and the Committee and the members of the Committee (provided that any such Person is not an employee of the Debtors); and (c) each of their respective predecessors and successors in interest, and all of their respective current and former members (including ex officio members), officers, directors, employees, partners, attorneys, financial advisors, accountants, managed funds, investment bankers, investment advisors, actuaries, professionals and affiliates, each in their respective capacities as such.

1.41 Debtor Releasers means the Debtors, the Estates, the Liquidating Trusts, the Liquidating Trustees, any of their respective predecessors or successors in interest, and any Person claiming through any of the foregoing.

1.42 Debtors means, collectively, Movie Gallery, Inc. and all of the Affiliate Debtors.

1.43 Disallowed means, with respect to a Claim, or any portion thereof, that such Claim is not an Allowed Claim and (a) has been disallowed by a Final Order, (b) is Scheduled at zero or as contingent, disputed or unliquidated and as to which no Proof of Claim has been filed by the applicable Bar Date or deemed timely filed pursuant to either the Bankruptcy Code or any Final Order (including the Cash Collateral Order) or under applicable law, (c) is not Scheduled, and as to which (i) with respect to Claims arising prior to the Commencement Date, no Proof of Claim has been filed by the applicable Bar Date or deemed timely filed pursuant to either the Bankruptcy Code or any Final Order (including the Cash Collateral Order) or under applicable law, or (ii) with respect to Claims arising on or after the Commencement Date, no request for payment of an Administrative Claim has been filed by the Initial or Final Administrative Claims Bar Date, as appropriate, or deemed timely filed pursuant to either the Bankruptcy Code or any Final Order (including the Cash Collateral Order) or under applicable law, or (d) has been withdrawn, in whole or in part, by the Holder thereof or by agreement between such Holder and the Debtors or the applicable Liquidating Trustee.

1.44 Disclosure Statement means the disclosure statement (including all exhibits and schedules thereto) dated [], 2010, relating to this Plan, distributed contemporaneously herewith in accordance with Bankruptcy Code sections 1125 and 1126(b) and Bankruptcy Rule 3018.

1.45 Disputed Claim means a Claim, or any portion thereof, that is not an Allowed Claim pursuant to the Plan or a Final Order, and:

- (a) if a Proof of Claim has been filed, or deemed to have been filed, by the applicable Bar Date (i) a Claim for which a corresponding Claim has been listed on the Schedules as unliquidated, contingent or disputed; (ii) a Claim for which a corresponding Claim has been listed on the Schedules as other than unliquidated, contingent or disputed, but the amount of such Claim as asserted in the corresponding Proof of Claim is greater than the amount of such Claim as listed in the Schedules; or (iii) a Claim as to which the applicable Liquidating Trustee against whom enforcement of such Claim is being sought has timely filed an objection or request for estimation in accordance with the Plan, the Bankruptcy Code, the Bankruptcy Rules and any orders of the Bankruptcy Court, or which is otherwise disputed by the applicable Liquidating Trustee against whom enforcement of such Claim is sought in accordance with applicable law, which objection, request for estimation or dispute has not been withdrawn, or determined by a Final Order;
- (b) if a request for payment of an Administrative Claim has been filed or deemed to have been filed by the Initial or Final Administrative Claims Bar Date, as appropriate, an Administrative Claim as to which the First Lien Term Lenders Liquidating Trustee has timely filed an objection or request for estimation in accordance with the Plan, the Bankruptcy Code, the Bankruptcy Rules, and any orders of the Bankruptcy Court, or which is otherwise disputed by the First Lien Term Lenders Liquidating Trustee in accordance with applicable law, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order; or

(c) that is disputed in accordance with the provisions of this Plan.

1.46 Disputed ... Claim means a Disputed Claim of the particular type or Class described.

1.47 Disputed Claim Amount means (a) if a liquidated amount is set forth in the Proof of Claim relating to a Disputed Claim, (i) the liquidated amount set forth in the Proof of Claim relating to the Disputed Claim; (ii) an amount agreed to by a Debtor (prior to the Effective Date) or the applicable Liquidating Trustee against whom enforcement of such Claim is being sought and the Holder of such Disputed Claim; or (iii) if a request for estimation is filed by any party, the amount at which such Claim is estimated by the Bankruptcy Court; or (b) if no liquidated amount is set forth in the Proof of Claim relating to a Disputed Claim, (i) an amount agreed to by a Debtor or the applicable Liquidating Trustee against whom enforcement of such Claim is being sought and the Holder of such Disputed Claim or (ii) the amount estimated by the Bankruptcy Court with respect to such Disputed Claim.

1.48 Distribution means any payment of Cash or other property pursuant to the Plan or the applicable Liquidating Trust Agreement to the Holders of Allowed Claims.

1.49 Distribution Date means either the Initial Distribution Date or a Periodic Distribution Date.

1.50 Distribution Record Date means the record date for purposes of making Distributions under the Plan on account of Allowed Claims, which date shall be the Confirmation Date or such other date designated in the Confirmation Order.

1.51 Effective Date means the Business Day this Plan becomes effective as provided in Article VIII hereof.

1.52 Estate(s) means, individually, the bankruptcy estate of Movie Gallery, Inc. or any of the Affiliate Debtors and, collectively, the bankruptcy estates of all of the Debtors created under Bankruptcy Code section 541 on the Commencement Date.

1.53 Exculpated Parties means, collectively: (a) the Debtors; (b) the Liquidating Trusts; (c) the Liquidating Trustees; (d) the Debtor Releasees; (d) the Prepetition Secured Parties; (e) Lenado; (f) the Committee and its members; (g) the First Lien Term Lenders Liquidating Trust Oversight Board and its members; (h) the GUC Liquidating Trust Oversight Committee and its members; and (i) all of their respective Related Parties.

1.54 Exculpation means the exculpation provision set forth in Article X.E hereof.

1.55 Exhibit means an exhibit annexed to either this Plan or as an appendix to the Disclosure Statement.

1.56 Exhibit Filing Date means the date on which Exhibits to the Plan or the Disclosure Statements shall be filed with the Bankruptcy Court, which date shall be at least five (5) days prior to the Voting Deadline or such later date as may be approved by the Bankruptcy Court without further notice to parties in interest.

1.57 Existing D&O Insurance Policies means (i) each of the insurance policies in favor of the directors and officers of the Debtors more particularly described on Exhibit A attached hereto and (ii) any other insurance policy in favor of a director or officer of the Debtors which is in full force and effect on the Effective Date and about which any such director or officer notifies the Prepetition First Lien Liquidating Trustee in writing, together with a copy of such policy; *provided, however*, that the Prepetition First Lien Liquidating Trustee shall be under no obligation to pay any premium or incur any expense to amend, modify, extend, or renew any Existing D&O Insurance Policy and with respect to insurance policies specified in clause (ii) of this definition, the Prepetition First Lien Liquidating Trustee shall be under no obligation to pay any premium or incur any other expense or liability with respect to any such policy.

1.58 Face Amount means (a) when used in reference to a Disputed Claim, the Disputed Claim Amount and (b) when used in reference to an Allowed Claim, the allowed amount of such Claim.

1.59 Final Administrative Claims Bar Date means the last date by which a request for payment of an Administrative Claim that arises after _____, 2010 up to and through the Effective Date, may be filed, which date is thirty (30) days after the Effective Date.

1.60 Final Decree means the decree contemplated under Bankruptcy Rule 3022.

1.61 Final Fee Applications means the final requests for payment of Professional Fee Claims.

1.62 Final Order means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket in any Chapter 11 Case, the operation or effect of which is not stayed and/or has not been reversed, or amended and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal or seek review or rehearing has expired and as to which no appeal or petition for review or rehearing was filed or, if filed, remains pending. Notwithstanding and in lieu of the foregoing, insofar as the Confirmation Order is concerned, Final Order means only such order or judgment of the Bankruptcy Court which has been entered on the docket in any Chapter 11 Case, the operation or effect of which is not stayed.

1.63 Final Trust Distribution Date means, with respect to a Liquidating Trust, the date of the last Distribution from such Liquidating Trust under the Plan for and on account of an Allowed Claim.

1.64 First Lien Term Lenders Liquidating Trust means the trust established on the Effective Date pursuant to Article V.D of this Plan for the benefit of the Holders of Allowed Class 4 Claims and to make Distributions to the Holders of Allowed Priority Claims, Allowed Administrative Claims, Allowed Class 3 Claims arising after the Effective Date and Allowed Class 4 Claims.

1.65 First Lien Term Lenders Liquidating Trust Agreement means the agreement, in form and substance satisfactory to the Requisite Lenders under the Prepetition

First Lien Term Credit Facility and consistent in all material respects with the terms of this Plan, the Confirmation Order, and the Cash Collateral Order, to be executed as of the Effective Date establishing the First Lien Term Lenders Liquidating Trust pursuant to the Plan in substantially the form attached as Exhibit B-1 hereto.

1.66 First Lien Term Lenders Liquidating Trustee means the Person appointed pursuant to Article V.D.5(a) hereof selected by the Requisite Lenders under the Prepetition First Lien Term Credit Facility to act as the trustee of and administer the First Lien Term Lenders Liquidating Trust, which Person shall be _____.

1.67 First Lien Term Lenders Liquidating Trust Oversight Board means the oversight board of the First Lien Term Lenders Liquidating Trust described in Article V.D.5(l), the rights and duties of which shall be set forth with specificity in the First Lien Term Lenders Liquidating Trust Agreement.

1.68 General Bar Date means June 14, 2010, as the bar date for filing Proofs of Claim for Claims arising prior to the Commencement Date, including, without limitation, claims arising under Section 503(b)(9) of the Bankruptcy Code, Miscellaneous Secured Claims, and Non-Tax Priority Claims, against any and/or all of the Debtors in the Chapter 11 Cases, other than those Claims expressly excluded from the General Bar Date pursuant to a Final Order of the Bankruptcy Court.

1.69 General Unsecured Claim means a Claim that is not an Administrative Claim, Priority Tax Claim, Non-Tax Priority Claim, Miscellaneous Secured Claim, Prepetition First Lien Term Loan Secured Claim, Revolver Secured Claim or Intercompany Claim.

1.70 Global Plan Settlement has the meaning given such term in Article V.A.1 hereof.

1.71 Governmental Bar Date means August 1, 2010, as the bar date for Governmental Units to file Proofs of Claim for Claims arising prior to the Commencement Date against any and/or all of the Debtors.

1.72 Governmental Unit has the meaning set forth in Bankruptcy Code section 101(27).

1.73 GUC Liquidating Trust means the trust established on the Effective Date pursuant to Article V.D of this Plan for the benefit of the Holders of Allowed General Unsecured Claims.

1.74 GUC Liquidating Trust Agreement means the agreement to be executed as of the Effective Date establishing the GUC Liquidating Trust pursuant to the Plan in substantially the form attached as Exhibit B-2 hereto.

1.75 GUC Liquidating Trust Oversight Committee means the oversight committee of the GUC Liquidating Trust described in Article V.D.5(m), the rights and duties of which shall be set forth with specificity in the GUC Liquidating Trust Agreement.

1.76 GUC Liquidating Trustee means the Person appointed pursuant to Article V.D.5(a) hereof to act as the trustee of and administer the GUC Liquidating Trust, which Person shall be [].

1.77 Holdback Amount means the amount equal to fifteen percent (15%) of fees billed to the Debtors for a given month that were retained by the Debtors as a holdback on payment of Professional Fee Claims.

1.78 Holder means an entity holding a Claim against, or Interest in, any Debtor.

1.79 Impaired means, when used in reference to a Claim, Interest or Class, a Claim, Interest or Class that is impaired within the meaning of Bankruptcy Code section 1124.

1.80 Initial Administrative Claims Bar Date means _____, 2010, as the date for filing requests for payment of Administrative Claims, other than those Administrative Claims excluded from the Initial Administrative Claims Bar Date pursuant to a Final Order of the Bankruptcy Court, arising from and after the Commencement Date through and including [], 2010.

1.81 Initial Distribution Date means, with respect to a Liquidating Trust, a Business Day, as determined by the Liquidating Trustee of such Liquidating Trust, as soon as practicable after the Effective Date, that is at least [()] Business Days after the funding of such Liquidating Trust pursuant to Article III.C.1 hereof.

1.82 Intercompany Claim means any Claim held by a Debtor against another Debtor, including, without limitation: (a) any account reflecting intercompany book entries by a Debtor with respect to another Debtor, (b) any Claim not reflected in such book entries that is held by a Debtor against another Debtor, and (c) any derivative Claim asserted by or on behalf of one Debtor against another Debtor.

1.83 Interests means any “equity security”, within the meaning of section 101(16) of the Bankruptcy Code, issued by a Debtor, and any legal, equitable, contractual, and other rights of any Person with respect to any capital stock or other ownership interest in any Debtor, whether or not transferable, and all options, warrants, call rights, puts, awards, or rights or agreements to purchase, sell, or subscribe for an ownership interest or other equity security in any Debtor.

1.84 IRS means the Internal Revenue Service.

1.85 Lenado means, collectively, Lenado Capital Advisors, LLC, Aspen Advisors, LLC, and Owl Creek Capital Management LLC, Trendex Capital Management, LLC, and the funds and accounts that each of the foregoing individually or jointly own, manage or control and Neil Subin.

1.86 Lien has the meaning set forth in section 101(37) of the Bankruptcy Code, and shall include, without limitation, any security interest, pledge, title retention agreement, encumbrance, charge, mortgage, or hypothecation to secure payment of a debt or performance of

an obligation, other than, in the case of securities and any other equity ownership interests, any restrictions imposed by applicable United States or foreign securities laws.

1.87 Liquidating Trust(s) means the First Lien Term Lenders Liquidating Trust and/or the GUC Liquidating Trust, as applicable.

1.88 Liquidating Trust Agreement(s) means the GUC Liquidating Trust Agreement and/or the First Lien Term Lenders Liquidating Trust Agreement, as applicable.

1.89 Liquidating Trustee(s) means the GUC Liquidating Trustee and/or the First Lien Term Lenders Liquidating Trustee, as applicable.

1.90 Liquidating Trustee Professionals means, as to a Liquidating Trustee, the agents, financial advisors, attorneys, consultants, independent contractors, representatives, and other professionals of such Liquidation Trustee (in their capacities as such).

1.91 Local Rules means the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Eastern District of Virginia.

1.92 MG Canada means Movie Gallery Canada, Inc.

1.93 Miscellaneous Secured Claim means a Claim that is (a) secured by a valid and perfected Lien on property of a Debtor's Estate, which Lien is senior by operation of law or Final Order of the Bankruptcy Court to the Lien of the Prepetition Secured Parties or (b) a right of setoff under Bankruptcy Code section 553 which (i) has not been waived by the Holder of such Claim, (ii) is property and timely asserted under applicable law, and (iii) is senior by operation of law or Final Order to the Lien of the Prepetition Secured Parties, as such Claim under clause (a) or (b) hereof may be limited to the extent of the value of the Claimholder's interest in the applicable Estate's interest property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to Bankruptcy Code section 506(a) or, in the case of setoff, pursuant to Bankruptcy Code section 553.

1.94 Net Proceeds means the cash proceeds received by the First Lien Term Lenders Liquidating Trustee from the sale or liquidation of Other Assets after payment of all actual duly documented and invoiced or reasonably estimated costs and expenses of such sale or liquidation, including, without limitation, reasonable attorneys' fees and all Taxes.

1.95 Non-Tax Priority Claim means a Claim, other than and without duplication of an Administrative Claim or Priority Tax Claim, which is entitled to priority in payment pursuant to Bankruptcy Code section 507(a)(3), (4), (5), (6), or (7).

1.96 Other Assets means all tangible and intangible assets of every kind and nature of the Debtors and their Estates, and all of the products and proceeds thereof, existing as of the Effective Date or at any time thereafter, other than the Creditor Funds and the Revolver Effective Date Cash.

1.97 Periodic Distribution Date means each of the dates determined by the applicable Liquidating Trustee for the distribution of Available Cash to the Holders of Allowed

Claims payable by such Liquidating Trustee as described in the Plan and the applicable Liquidating Trust Agreement.

1.98 Person has the meaning set forth in Bankruptcy Code section 101(41) and also includes any natural person, corporation, general or limited partnership, limited liability company, firm, trust, association, government, governmental agency or other entity, whether acting in an individual, fiduciary, or other capacity.

1.99 Plan means this chapter 11 plan, including the Exhibits, and all supplements, appendices, and schedules hereto, either in its current form or as the same may be altered, amended, or modified from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules, and this plan.

1.100 Plan Document means the Plan, together with any contract, instrument, release, or other agreement or document entered in connection with Plan as any such contract, instrument, release or other agreement or document may be altered, amended, or modified from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules, and this Plan.

1.101 Plan Supplement means the compilation(s) of documents and forms of documents, specified in the Plan, that the Debtors will file with the Bankruptcy Court on or before the date that is (a) ten (10) days prior to the Voting Deadline or (b) set by the Bankruptcy Court for the filing of such documents and forms of documents.

1.102 Prepetition First Lien Credit Agreements mean collectively the Prepetition First Lien Revolving Credit Agreement and the Prepetition First Lien Term Credit Agreement.

1.103 Prepetition First Lien Credit Documents mean collectively the Prepetition First Lien Revolving Credit Documents and the Prepetition First Lien Term Credit Documents.

1.104 Prepetition First Lien Credit Facilities mean collectively the Prepetition First Lien Revolving Credit Facility and the Prepetition First Lien Term Credit Facility.

1.105 Prepetition First Lien Revolver Administrative Agent means BNYMellon, together with its permitted successors, in its capacity as administrative agent under the First Lien Revolving Credit Facility.

1.106 Prepetition First Lien Revolver Lenders means the Lenders as defined in Prepetition First Lien Revolving Credit Agreement.

1.107 Prepetition First Lien Revolver Secured Parties means, collectively, the Prepetition First Lien Revolver Lenders, the Prepetition First Lien Revolver Administrative Agent and the Prepetition Joint Collateral Agent.

1.108 Prepetition First Lien Revolving Credit Agreement means the Revolving Credit and Guaranty Agreement, dated as of May 20, 2008, as amended by Amendment No. 1 thereto, dated as of July 21, 2009, by and among the Debtors and the Prepetition First Lien Revolver Secured Parties.

1.109 Prepetition First Lien Revolving Credit Documents means the “Credit Documents” as defined in the Prepetition First Lien Revolving Credit Agreement.

1.110 Prepetition First Lien Revolving Credit Facility means the Prepetition First Lien Revolving Credit Agreement and the Prepetition First Lien Revolving Credit Documents.

1.111 Prepetition First Lien Secured Claims mean collectively the Revolver Secured Claims and the Prepetition First Lien Term Loan Secured Claims.

1.112 Prepetition First Lien Term Administrative Agent means Wilmington Trust Company and its permitted successors in its capacity as administrative agent under the Prepetition First Lien Term Credit Facility.

1.113 Prepetition First Lien Term Credit Documents mean the “Credit Documents” as defined in the Prepetition First Lien Term Credit Agreement.

1.114 Prepetition First Lien Term Credit Facility means the Prepetition First Lien Term Credit Agreement and the Prepetition First Lien Term Credit Documents.

1.115 Prepetition First Lien Term Credit Agreement means the Amended and Restated First Lien Credit and Guaranty Agreement, dated as of May 20, 2008, as amended by Amendment No. 1 thereto, dated as of July 21, 2009 by and among the Debtors and the Prepetition First Lien Term Secured Parties.

1.116 Prepetition First Lien Term Lenders means the lenders party from time to time to the Prepetition First Lien Term Credit Agreement.

1.117 Prepetition First Lien Term Loan Secured Claims means the secured Claims held by the Prepetition First Lien Term Secured Parties arising from or under the Prepetition First Lien Term Credit Facility in an aggregate amount equal to (i) the aggregate amount of \$407,963,869.11 and (ii) any and all fees, expense reimbursements, outstanding and unpaid indemnification obligations arising under, and to the extent provided in, the Prepetition First Lien Term Credit Documents or the Cash Collateral Order, or other amounts owed by the Debtors under the Prepetition First Lien Term Credit Facility or the Cash Collateral Order as of the Effective Date, all of which Claims shall be Allowed Class 4 Claims.

1.118 Prepetition First Lien Term Secured Parties means collectively the Prepetition First Lien Term Lenders, the Prepetition First Lien Term Administrative Agent and the Prepetition Joint Collateral Agent.

1.119 Prepetition Joint Collateral Agent means Deutsche Bank Americas, as collateral agent for the Prepetition First Lien Revolver Lenders and the Prepetition First Lien Term Lenders, together with its permitted successors.

1.120 Prepetition Second Lien Term Loan Claim means any and all Claims of Wells Fargo Bank, N.A., as administrative agent and collateral agent, arising from or under the Amended and Restated Second Lien Credit and Guaranty Agreement, dated as of May 20, 2008, as amended by Amendment No 1 thereto, dated as of July 21, 2009, by and among the Debtors,

the lenders party thereto from time to time, Wells Fargo Bank, N.A., as administrative agent and collateral agent and the “Credit Documents” as defined therein, which Claim is Allowed under the Plan in Class 5 in the amount of \$151,623,195.20.

1.121 Prepetition Secured Parties means the Prepetition First Lien Revolver Secured Parties and the Prepetition First Lien Term Secured Parties.

1.122 Priority Claims means, collectively, all Priority Tax Claims and Non-Tax Priority Claims.

1.123 Priority Tax Claim means a Claim of a Governmental Unit of the kind specified in Bankruptcy Code sections 502(i) or 507(a)(8).

1.124 Professional means (a) any professional employed in these Chapter 11 Cases pursuant to Bankruptcy Code sections 327, 328, or 1103 or otherwise, and (b) any professional or other entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Cases pursuant to Bankruptcy Code section 503(b)(4).

1.125 Professional Fee Claim means a Claim of a Professional for compensation for services rendered or reimbursement of costs, expenses, or other charges incurred after the Commencement Date and prior to and including the Effective Date.

1.126 Proof of Claim means a proof of claim filed on or before the General Bar Date, the date set forth in any order rejecting an executory contract or unexpired lease, or the Governmental Bar Date, as applicable, or such other date as may be ordered by the Bankruptcy Court.

1.127 Pro Rata means, at any time, the proportion that the Face Amount of an Allowed Claim in a particular Class bears to the aggregate Face Amount of all Allowed Claims in such Class, unless the Plan provides otherwise.

1.128 Related Parties means all predecessors and successors in interest, current and former members (including ex officio members), principals, limited liability company managers or similar managerial agents, officers, directors, stockholders, “controlling persons” (within the meaning of the United States federal securities laws), affiliates, subsidiaries, partners, investors, administrators, managed funds and/or accounts, attorneys, financial advisors, accountants, consultants, independent contractors, investment bankers, investment advisors, agents, actuaries, and other professionals, each in their respective capacities as such.

1.129 Released Claims means the claims or Causes of Actions released or waived under this Plan, including the claims and Causes of Action described in Article X.C hereof, and any claims or Causes of Action specifically released in the Confirmation Order, the Cash Collateral Order, or any other Final Order of the Bankruptcy Court.

1.130 Releasing Parties means all current and former Prepetition Secured Parties, Lenado, the Committee, the Committee Members, the Studios, Warner Home Video and all other Holders of Claims and Interests, each of their Related Parties, and any Person claiming through any of the foregoing.

1.131 Requisite Lenders means, as applicable, the “Requisite Lenders” as such term is defined in the Prepetition First Lien Revolving Credit Agreement or the “Requisite Lenders” as such term is defined in the Prepetition First Lien Term Credit Agreement.

1.132 Respective Liquidating Trust Parties has the meaning ascribed to such term in Article V.D.5.n hereof.

1.133 Revolver Effective Date Cash has the meaning ascribed to such term in Article III.B.3 hereof.

1.134 Revolver Pre-Effective Date Secured Claims means any Revolver Secured Claims arising, accruing, invoiced, liquidated, calculated, or quantified prior to the Effective Date, in an aggregate amount equal to the sum of (i) the aggregate principal amount of \$100,000,000 in “Revolving Loans” (as defined in the Prepetition First Lien Revolving Credit Agreement), (ii) interest pursuant to the Prepetition First Lien Revolving Credit Agreement (which interest shall be calculated at the non-default rate otherwise applicable to “Base Rate Loans”, as such term is defined in the Prepetition First Lien Revolving Credit Agreement and as provided in the Cash Collateral Order), and (iii) any and all fees, expense reimbursements, outstanding and unpaid indemnification obligations arising under, and to the extent provided in, the Prepetition First Lien Revolver Credit Documents or the Cash Collateral Order, or other amounts owed by the Debtors under the Prepetition First Lien Revolving Credit Facility or the Cash Collateral Order as of the Effective Date, all of which Claims shall be Allowed Class 3 Claims.

1.135 Revolver Post-Effective Date Secured Claims means, without duplication of any Revolver Pre-Effective Date Secured Claims, any Revolver Secured Claims arising, accruing, invoiced, liquidated, calculated, or quantified on or after the Effective Date, including, without limitation and for the avoidance of doubt, outstanding and unpaid indemnification obligations arising under, and to the extent provided in and secured by, the Prepetition First Lien Credit Documents or the Cash Collateral Order, fees and expenses of the Prepetition First Lien Revolver Administrative Agent and its professionals arising under the Prepetition First Lien Revolver Credit Documents or the Cash Collateral Order, and fees and expenses of the Prepetition First Lien Revolver Lenders’ professionals arising under the Prepetition First Lien Revolver Credit Documents or the Cash Collateral Order, which Claims, subject to the First Lien Term Lenders Liquidating Trustee’s right to review and object under Article III.B.3 hereof, shall be Allowed Class 3 Claims.

1.136 Revolver Secured Claims means all Claims held by the Prepetition First Lien Revolver Secured Parties arising from or under the Prepetition First Lien Revolving Credit Facility, including the Revolver Pre-Effective Date Secured Claims and the Revolver Post-Effective Date Secured Claims.

1.137 Scheduled means, with respect to any Claim, the status, priority and amount, if any, of such Claim as set forth in the Schedules.

1.138 Schedules means the schedules of assets and liabilities, the list of Holders of Interests, and the statements of financial affairs filed by the Debtors pursuant to Bankruptcy Code section 521 and the Bankruptcy Rules, as such schedules have been or may be further

modified, amended or supplemented in accordance with Bankruptcy Rule 1009 or orders of the Bankruptcy Court.

1.139 Securities Act means the Securities Act of 1933, 15 U.S.C. §§ 77a-77aa, as now in effect or hereafter amended.

1.140 Security shall have the meaning ascribed to it in Bankruptcy Code section 101(49).

1.141 Solicitation means the solicitation by the Debtors of acceptances of the Plan.

1.142 Solicitation Procedures Order means the order entered by the Bankruptcy Court establishing procedures for Solicitation of votes for or against the Plan under Bankruptcy Code sections 105, 1125, 1126 and 1128 and Bankruptcy Rules 2002, 3017, 2018 and 3020.

1.143 Stub Rent Order means the Bankruptcy Court's March 8, 2010 Order, docket entry and oral ruling of the Bankruptcy Court requiring the payment of February post-petition rent.

1.144 Studios means Paramount Home Entertainment Inc., Sony Pictures Home Entertainment Inc., Universal Studios Home Entertainment LLC, V.P.D. IV, Inc. (d/b/a VPD) ("VPD"), and Twentieth Century Fox Home Entertainment LLC.

1.145 Substantial Contribution Claim means a Claim under Bankruptcy Code subsections 503(b)(3), (b)(4), or (b)(5) for compensation or reimbursement of expenses incurred in making a substantial contribution in the Chapter 11 Cases.

1.146 Tail Coverage means liability insurance coverage for the Debtors' current and former directors and officers obtained by the Debtors extending the Debtors' existing coverage for a term of not less than six (6) years after the Effective Date.

1.147 Tax Items has the meaning ascribed to such term in Article V.D.6(a) hereof.

1.148 Taxes means any and all taxes, levies, imposts, assessments, or other charges of whatever nature imposed at any time by a Governmental Unit or by any political subdivision or taxing authority thereof or therein and all interest, penalties, or similar liabilities with respect thereto.

1.149 Term Sheet means that certain Term Sheet for Joint Plan of Liquidation of Movie Gallery, Inc. and Its Affiliated Debtors dated May 6, 2010 and annexed to the Stipulation by and Between the Debtors, Lenado Capital Advisors and Affiliates (on Behalf of Certain Prepetition First Lien Revolving Lenders), the Prepetition First Lien Term Agent (on Behalf of the Prepetition First Lien Term Lenders), the Official Committee of Unsecured Creditors and Certain Movie Studios and Suppliers Regarding Final Cash Collateral Order and Plan Term Sheet filed with the Bankruptcy Court on May 7, 2010 [Docket No. 1093].

1.150 Third Party Release means the release given by the Releasing Parties to the Third Party Releasees as set forth in Article X.D of the Plan.

1.151 Third Party Releasees means, collectively, the Prepetition Secured Parties, Lenado, the Studios, Warner Home Video and each of their respective Related Parties.

1.152 Unclassified Claims means Administrative Claims and Priority Tax Claims.

1.153 Unimpaired means, when used in reference to a Claim, Interest or Class, a Claim, Interest or Class that is not impaired within the meaning of Bankruptcy Code section 1124.

1.154 U.S. Trustee means the Office of the United States Trustee for the Eastern District of Virginia.

1.155 Voting Classes means those Impaired Classes of Claims that are entitled to Vote under the Plan.

1.156 Voting Deadline means the date and time, as fixed by an order of the Bankruptcy Court and set forth in the Disclosure Statement, by which all Ballots to accept or reject the Plan must be received in order to be counted.

1.157 Warner Home Video means Warner Home Video, a division of Warner Bros. Home Entertainment, Inc.

C. *Rules of Interpretation*

For purposes of the Plan (a) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions, (b) any reference in the Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified, or supplemented, (c) unless otherwise specified, all references in the Plan to sections, articles, Schedules and Exhibits are references to sections, articles, Schedules and Exhibits of or to the Plan, (d) the words “herein” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan, (e) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan, and (f) to the extent not modified herein, the rules of construction set forth in Bankruptcy Code section 102 and in the Bankruptcy Rules shall apply.

D. *Computation of Time*

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

E. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) and except as otherwise provided herein or therein, the laws of (i) the State of New York shall govern the construction and implementation of the Plan and any agreements, documents, and instruments executed in connection with the Plan and (ii) the laws of the state of incorporation of each Debtor shall govern corporate governance matters with respect to such Debtor, in either case without giving effect to the principles of conflicts of law thereof.

F. Exhibits

All Exhibits are incorporated into and are a part of this Plan as if set forth in full herein, and, to the extent not annexed hereto, such Exhibits shall be filed with the Bankruptcy Court on or before the Exhibit Filing Date. After the Exhibit Filing Date, copies of Exhibits can be obtained upon written request to the Claims Agent to the Debtors, at Movie Gallery Claims Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, CA 90245, or by downloading such Exhibits from the Bankruptcy Court's website at <http://www.vaeb.uscourts.gov> (registration and password required) or the Claims Agent's website at www.kccllc.net/moviegallery. To the extent any Exhibit is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-Exhibit portion of the Plan shall control.

ARTICLE II.

CLASSIFICATION OF CLAIMS AND INTERESTS

A. Introduction

All Claims and Interests, except Unclassified Claims are placed in the Classes set forth below. In accordance with Bankruptcy Code section 1123(a)(1), Unclassified Claims have not been classified.

A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class, and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving Distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released or otherwise settled prior to the Effective Date.

The Plan provides for substantive consolidation of the Debtors' assets and liabilities for voting and distribution purposes, pursuant to the Global Plan Settlement, as described in Article V.A.3 of this Plan.

The Debtors have set forth the Classes below.

B. *Unsolicited and Unclassified Claims (Unclassified Claims are not entitled to vote on the Plan.)*

1. Administrative Claims
2. Priority Tax Claims

C. *Unimpaired Classes of Claims (Classes 1, 2 and 3 are deemed to have accepted the Plan and, therefore, are not entitled to vote on the Plan.)*

1. Class 1: Non-Tax Priority Claims
Class 1 consists of Non-Tax Priority Claims.
2. Class 2: Miscellaneous Secured Claims
Class 2 consists of all Miscellaneous Secured Claims.
3. Class 3: Revolver Secured Claims
Class 3 consists of all Revolver Secured Claims.

D. *Impaired Classes of Claims (Classes 4 and 5 are entitled to vote on the Plan. Class 6 is deemed to have rejected the Plan and, therefore, is not entitled to vote on the Plan.)*

1. Class 4: Prepetition First Lien Term Loan Secured Claims
Class 4 consists of all Prepetition First Lien Term Loan Secured Claims.
2. Class 5: General Unsecured Claims
Class 5 consists of all General Unsecured Claims.
3. Class 6: Intercompany Claims
Class 6 consists of all Intercompany Claims.

E. *Impaired Classes of Interests (Class 7 is deemed to have rejected the Plan and, therefore, is not entitled to vote on the Plan.)*

1. Class 7: Interests
Class 7 consists of all Interests.

F. *Elimination of Classes*

Any Class of Claims that does not consist, as of the date of the Confirmation Hearing, of at least one Allowed Claim, Disputed Claim or Claim temporarily Allowed under Rule 3018 of the Bankruptcy Rules, shall be deemed deleted from this Plan for all purposes.

ARTICLE III.

TREATMENT OF CLAIMS AND INTERESTS

A. *Unclassified Claims*

In accordance with Bankruptcy Code section 1123(a)(1) of the Bankruptcy Code, certain Claims have not been classified, and the respective treatment of such Unclassified Claims is set forth immediately below.

1. Administrative Claims

Except as otherwise provided herein, and subject to the requirements of this Plan, on, or as soon as reasonably practicable after, the date that is fifteen (15) days after the date on which such Administrative Claim becomes an Allowed Administrative Claim, a Holder of an Allowed Administrative Claim shall receive, to be paid out of the First Lien Term Lenders Liquidating Trust, in full and final satisfaction, settlement and release of and in exchange for such Allowed Administrative Claim, (i) Cash equal to the unpaid portion of such Allowed Administrative Claim or (ii) such other treatment as to which such Holder and the Debtors and/or the First Lien Term Lenders Liquidating Trustee shall have agreed upon in writing; provided, however, that Allowed Administrative Claims with respect to liabilities incurred by a Debtor in the ordinary course of business during the Chapter 11 Cases may be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto (a) prior to the Effective Date, by the Debtors and (b) subsequent to the Effective Date, by the First Lien Term Lenders Liquidating Trustee. Notwithstanding the foregoing, the payment of Administrative Claims shall be subject, if prior to the Effective Date, to Lenado's and/or the Prepetition First Lien Term Administrative Agent's rights to object (to the extent not inconsistent with the Term Sheet), and if after the Effective Date, the First Lien Term Lenders Liquidating Trustee's right to object (to the extent not inconsistent with the Term Sheet), in good faith on any grounds to the validity, amount or administrative priority of any such Claims.

2. Priority Tax Claims

Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Distribution Date, a Holder of an Allowed Priority Tax Claim shall be entitled to receive, to be paid out of the First Lien Term Lenders Liquidating Trust, in full and final satisfaction, settlement and release of and in exchange for such Allowed Priority Tax Claim, (i) regular installment Cash payments, occurring not less frequently than quarterly over a period not exceeding five (5) years after the Commencement Date, in an aggregate principal amount equal to the unpaid portion of such Allowed Priority Tax Claim, plus interest on the unpaid portion thereof at the Case Interest Rate from the Effective Date through the date of payment thereof or (ii) such other treatment as to which such Holder and the First Lien Term Lenders Liquidating Trustee shall have agreed upon in writing; provided, however, that the First Lien Term Lenders Liquidating Trustee shall have the right to pay any Allowed Priority Tax Claim, or any remaining balance of any Allowed Priority Tax Claim, in full at any time on or after the Effective Date without premium or penalty. Priority Tax Claimholders will be paid in full on account of their Allowed Priority Tax Claims and are not entitled to vote on the Plan. Notwithstanding the foregoing, the payment of Priority Tax Claims shall be subject, if prior to

the Effective Date, to Lenado's and/or the Prepetition First Lien Term Lender Administrative Agent's rights to object, and if after the Effective Date, the First Lien Term Lenders Liquidating Trustee's rights to object, in good faith on any grounds to the validity, amount or priority of any such Claims.

B. Unimpaired Claims

1. Class 1: Non-Tax Priority Claims

On, or as soon as reasonably practicable after, the date that is ninety (90) days after the date on which a Non-Tax Priority Claim becomes an Allowed Non-Tax Priority Claim, a Holder of an Allowed Non-Tax Priority Claim shall receive, to be paid out of the First Lien Term Lenders Liquidating Trust, in full and final satisfaction, settlement and release of and in exchange for such Allowed Non-Tax Priority Claim, (i) Cash equal to the unpaid portion of such Allowed Non-Tax Priority Claim or (ii) such other treatment as to which such Holder and the Debtor and/or the First Lien Term Lenders Liquidating Trustee shall have agreed upon in writing. Notwithstanding the foregoing, the payment of Non-Tax Priority Claims shall be subject, if prior to the Effective Date, to Lenado's and/or the Prepetition First Lien Term Lender Administrative Agent's rights to object, and if after the Effective Date, the First Lien Term Lenders Liquidating Trustee's right to object, in good faith on any grounds to the validity, amount or priority of any such Claims. Class 1 is presumed to have accepted the Plan and, therefore, Holders of Class 1 Claims are not entitled to vote to accept or reject the Plan.

The Debtors reserve their right, whether of their own accord or upon the request of the Requisite Lenders under both Prepetition First Lien Credit Agreements, to delete this Class in accordance with Article II.F.

2. Class 2: Miscellaneous Secured Claims

On, or as soon as reasonably practicable after, the date that is sixty (60) days after the date on which a Miscellaneous Secured Claim becomes an Allowed Miscellaneous Secured Claim, a Holder of an Allowed Miscellaneous Secured Claim shall receive, at the Debtors' option (if prior to the Effective Date) and at the First Lien Term Lenders Liquidating Trustee's option (if after the Effective Date) in full and final satisfaction, settlement and release of and in exchange for, such Allowed Miscellaneous Secured Claim, (i) Cash equal to the unpaid portion of such Allowed Miscellaneous Secured Claim, to be paid out of the First Lien Term Lenders Liquidating Trust, (ii) a return of the Holder's Collateral securing the Miscellaneous Secured Claim, or (iii) such other treatment as to which such Holder and the First Lien Term Lenders Liquidating Trustee shall have agreed upon in writing. Any Holder of a Miscellaneous Secured Claim shall retain its Lien in the Collateral or the proceeds of the Collateral (to the extent that such Collateral is sold by the Debtors or the First Lien Term Lenders Liquidating Trustee free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Commencement Date (after giving effect to the Cash Collateral Order) until such time as (a) such Miscellaneous Secured Claim has been satisfied pursuant to the preceding sentence; or (b) such purported Lien has been determined by an order of the Bankruptcy Court to be invalid or otherwise avoidable. Notwithstanding the foregoing, or anything to the contrary in the Plan, no Distributions shall be made to the Holder of any Allowed Miscellaneous Secured Claim unless either (a) the First Lien Term Lenders Liquidating Trust has sufficient Available Cash to pay, or

reserve for, as the case may be, the Face Amount of all Miscellaneous Secured Claims or (b) the First Lien Term Lenders Liquidating Trustee consents to all or any portion of such Distribution. Notwithstanding the foregoing, the payment of Miscellaneous Secured Claims shall be subject to the First Lien Term Lenders Liquidating Trustee's right to object, in good faith on any grounds to the validity, amount or priority of any such Claims or the validity, perfection, enforceability or priority of the Lien purported to secure any such Claim or portion thereof. Class 2 is presumed to have accepted the Plan and, therefore, Holders of Class 2 Claims are not entitled to vote to accept or reject the Plan.

To the extent any Holder of a Claim that is secured by a valid and perfected Lien on property of a Debtor's estate which Lien is, whether by operation of law, contract, court order, or otherwise, junior and subordinate to the Lien of the Prepetition Secured Parties and/or the Claims of the Revolver Secured Claims or the First Lien Term Loan Claims, then such Claim shall be treated as a Class 5 Claim under this Plan.

The Debtors reserve their right, whether of their own accord or upon the request of the Requisite Lenders under both Prepetition First Lien Credit Agreements, to delete this Class in accordance with Article II.F.

3. Class 3: Revolver Secured Claims

On the Effective Date, the Debtors shall pay Cash equal to the full amount of the then unpaid and outstanding Revolver Secured Claims to the Prepetition First Lien Revolver Administrative Agent (such Cash, the "**Revolver Effective Date Cash**") without prejudice to the Holder of any Revolver Post-Effective Date Secured Claim. As soon as practicable upon receipt of the Revolver Effective Date Cash, the Prepetition First Lien Revolver Administrative Agent shall distribute the Revolver Effective Date Cash on a Pro Rata basis to the Prepetition First Lien Revolver Lenders net of fees and expenses payable to the Prepetition First Lien Revolver Agent, its professionals and professionals of the Prepetition First Lien Revolver Lenders, which fees and expenses the Prepetition First Lien Revolver Administrative Agent shall apply or remit based on invoices presented to the Prepetition First Lien Revolver Administrative Agent. The payment of the Revolver Effective Date Cash by the Debtors to the Prepetition First Lien Revolver Administrative Agent on the Effective Date shall be in full and final satisfaction, settlement and release of and in exchange for all Revolver Pre-Effective Date Secured Claims paid on the Effective Date and the portion of any other Revolver Secured Claims paid on the Effective Date; *provided, however*, that if and to the extent any Revolver Pre-Effective Date Secured Claim is not paid in full in Cash on the Effective Date, such Revolver Pre-Effective Date Secured Claim, or any portion thereof, shall retain the applicable priority under the Prepetition First Lien Credit Documents and shall be paid in full in Cash by the First Lien Term Lenders Liquidating Trustee from the Available Cash held by the First Lien Term Lenders Liquidating Trust promptly upon presentation of such Revolver Pre-Effective Date Secured Claim by any Prepetition First Lien Revolving Secured Party. Revolver Post-Effective Date Secured Claims, if any, shall be paid by the First Lien Term Lenders Liquidating Trustee from the Available Cash held by the First Lien Term Lenders Liquidating Trust promptly upon presentation of such Revolver Pre-Effective Date Secured Claim and shall retain the applicable priority under the Prepetition First Lien Credit Documents and the payment of any Revolver Post-Effective Date Secured Claim by the First Lien Term Lenders Trustee to the Prepetition First Lien Revolver Administrative Agent thereafter shall be in full and final satisfaction, settlement and release of and in exchange for that

portion of the Revolver Post-Effective Date Secured Claims so paid on such date; *provided, however,* that the First Lien Term Lenders Liquidating Trustee may review such Revolver Post-Effective Date Secured Claims and reserves the right to object in good faith in whole or part to the payment thereof.

Except as provided in the Plan with respect to the Creditor Funds, the Prepetition Joint Collateral Agent, on its own behalf and on behalf of any Holder of a Revolver Secured Claim shall retain its Lien in the Collateral or the proceeds of the Collateral (to the extent that such Collateral is sold by the Debtors or the Liquidating Trustee free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Commencement Date until the termination of the First Lien Term Lenders Liquidating Trust. Nothing in this Plan or the Confirmation Order shall, or shall be deemed to reduce any payment due to or adversely affect any right of the Prepetition First Lien Revolver Secured Parties under the Cash Collateral Order including, without limitation under Section 7(d) of the Cash Collateral Order.

All Distributions paid by the Debtors, on or prior to the Effective Date, or the First Lien Term Lenders Liquidating Trustee after the Effective Date to the Prepetition First Lien Revolver Administrative Agent shall be final, absent manifest error, shall immediately vest in and become the property of the Holders of Revolver Secured Claims.

Class 3 is presumed to have accepted the Plan and, therefore, Holders of Class 3 Claims are not entitled to vote to accept or reject the Plan.

C. Impaired Claims

1. Class 4: Prepetition First Lien Term Loan Claims

Subject to the occurrence of the Effective Date and the transfer of the Creditor Funds to the GUC Liquidating Trust as provided in this Plan, each Holder of a Prepetition First Lien Term Loan Claim shall receive its Pro Rata share of the beneficial interests in the First Lien Term Lenders Liquidating Trust, which shall make distributions to the Holders of such beneficial interests all Available Cash and other property held by the First Lien Term Lenders Liquidating Trust in installments on the Initial Distribution Date and on each Periodic Distribution Date thereafter, after making adequate provision for: (i) the expenses of administering the First Lien Term Lenders Liquidating Trust; (ii) after two (2) Business Days receipt of written notice from Lenado or the Prepetition First Lien Revolver Administrative Agent of the existence of any Revolver Post-Effective Date Secured Claim, the amount of any such Revolver Post-Effective Date Secured Claim to the extent not paid in full in Cash to the Prepetition First Lien Revolver Administrative Agent on the Effective Date or any Distribution Date; (iii) the payment in full of all Allowed Administrative Claims that have not been paid and any Disputed Administrative Claims that have not been Disallowed; and (iv) the payment in full of all Allowed Priority Claims and any Disputed Claims that have not been Disallowed (collectively, the “**Adequate Provision**”). Any payment of an Allowed Claim by the First Lien Term Lenders Liquidating Trustee will reduce the amount of Adequate Provision on a dollar for dollar basis equal to the amount of such payment. The First Lien Lenders Liquidating Trustee may, but shall not be required to, request that the Bankruptcy Court review and approve the First Lien Term Lenders Liquidating Trustee’s Adequate Provision. Nothing in this Plan or the Confirmation Order shall, or shall be deemed to, reduce any payment due to or adversely affect any right of the Prepetition

First Lien Term Secured Parties under the Cash Collateral Order, including, without limitation under Section 7(d) of the Cash Collateral Order, except as set forth in the Term Sheet.

Except as provided in the Plan with respect to the Creditor Funds, the Prepetition Joint Collateral Agent, on its own behalf and on behalf of any Holder of a Prepetition First Lien Term Secured Claim shall retain its Lien in the Collateral or the proceeds of the Collateral (to the extent that such Collateral is sold by the Debtors or the First Lien Term Lenders Liquidating Trustee free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Commencement Date until the termination of the First Lien Term Lenders Liquidating Trust.

All Distributions paid by the First Lien Term Lenders Liquidating Trustee to the Holders of a Prepetition First Lien Term Loan Secured Claim shall be final, absent manifest error, shall immediately vest in and become the property of such Holders.

Class 4 is Impaired and is entitled to vote on the Plan.

2. Class 5: General Unsecured Claims

Each Holder of an Allowed General Unsecured Claim shall receive from the GUC Liquidating Trust, in full and final satisfaction, settlement and release of and in exchange for such Allowed General Unsecured Claim, its Pro Rata share of the beneficial interests in the GUC Liquidating Trust, which shall make distributions to the Holders of such beneficial interests all of the Creditor Funds held by the GUC Liquidating Trust, after making adequate provision for: (i) the expenses of administering the GUC Liquidating Trust; and (ii) Disputed General Unsecured Claims, if any.

Upon the occurrence of the Effective Date, the Prepetition Joint Collateral Agent, on its own behalf and on behalf of the Holders of Revolver Secured Claims and Prepetition First Lien Term Loan Claims shall be deemed to release its Lien on the Creditor Funds.

Upon the occurrence of Effective Date, the Holders of Prepetition First Lien Term Loan Claims shall be deemed to have waived their rights to receive any distribution on account of their unsecured deficiency claims under the Prepetition First Lien Term Credit Facility or any other General Unsecured Claims arising from the Prepetition First Lien Term Credit Facility that they may assert against the Debtors (without prejudice to any other General Unsecured Claims or other Claims that any such Holder may have).

All Distributions paid by the GUC Liquidating Trustee to the Holders of Allowed General Unsecured Claims shall be final, absent manifest error, shall immediately vest in and become the property of such Holders.

Class 5 is Impaired and is entitled to vote on the Plan.

3. Class 6: Intercompany Claims

In connection with, to the extent of and as a result of, the substantive consolidation of the Debtors' Estates and the Chapter 11 Cases, on the Confirmation Date or such other date as may be set by an order of the Bankruptcy Court, but subject to the occurrence

of the Effective Date, all Intercompany Claims shall be deemed eliminated, cancelled and/or extinguished and the Holders of Class 6 Claims shall not be entitled to, and shall not receive or retain any property or interest in property on account of such Claims. Class 6 is deemed to have rejected the Plan and, therefore, Holders of Class 6 Claims are not entitled to vote to accept or reject the Plan.

D. Impaired Interests

1. Class 7: Interests

On the Effective Date, all Interests shall be cancelled and each Holder thereof shall not be entitled to, and shall not receive or retain any property or interest in property on account of, such Interests. Class 7 is deemed to have rejected the Plan and, therefore, Holders of Interests are not entitled to vote to accept or reject the Plan.

E. Allowed Claims

Except as set forth in Article III.C above and in this Article III.E, (i) the First Lien Term Lenders Liquidating Trustee shall only make Distributions to Holders of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Class 1 Claims, Allowed Class 2 Claims, Allowed Class 3 Claims, and Allowed Class 4 Claims and (ii) the GUC Liquidating Trustee shall only make Distributions to Holders of Allowed Class 5 Claims. No Holder of a Disputed Claim will receive any Distribution on account thereof until (and then only to the extent that) its Disputed Claim becomes an Allowed Claim; *provided, however*, that if the only dispute regarding a Disputed Claim is to the amount of the Disputed Claim, the Holder of a Disputed Claim shall be entitled to receive a Distribution on account of that portion of the Disputed Claim which the applicable Liquidating Trustee does not dispute, which Distribution shall be made by the applicable Liquidating Trustee at the same time and in the same manner that such Liquidating Trustee makes Distributions to Holders of Allowed Claims pursuant to the provisions of the Plan. Each Liquidating Trustee may, in its respective discretion, withhold Distributions otherwise due and payable by such Liquidating Trustee hereunder to any applicable Claimholder until the Claims Objection Deadline, to enable a timely objection thereto to be filed. Any Holder of a Claim that becomes an Allowed Claim after the Effective Date will receive its Distribution in accordance with the terms and provisions of this Plan and the applicable Liquidating Trust Agreement.

ARTICLE IV.

ACCEPTANCE OR REJECTION OF THE PLAN

A. Impaired Classes of Claims Entitled to Vote

Classes 4 and 5 are Impaired by the Plan. Subject to Article III of the Plan, the votes of Holders of Claims in Class 4 and Class 5 and who are entitled to vote under the Solicitation Procedures Order will be solicited for acceptance or rejection of the Plan.

B. Acceptance by an Impaired Class

In accordance with Bankruptcy Code section 1126(c) and except as provided in

Bankruptcy Code section 1126(e), each of Class 4 and Class 5, as Impaired Classes, shall have accepted the Plan if the Plan is accepted by the Holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Claims of such Class that are entitled to vote and have timely and properly voted to accept or reject the Plan.

C. Presumed Acceptances by Unimpaired Classes

Classes 1, 2 and 3 are Unimpaired by the Plan. Under Bankruptcy Code section 1126(f), Holders of Claims in Classes 1, 2 and 3 are conclusively presumed to accept the Plan, and the votes of such Claimholders will not be solicited.

D. Classes Deemed to Reject Plan

Claimholders in Class 6 and Interest Holders in Class 7 are not entitled to receive or retain any property under the Plan. Under Bankruptcy Code section 1126(g), Holders of Claims in Class 6 and Holders of Interests in Class 7 are deemed to reject the Plan, and the votes of such Claimholders or Interest Holders will not be solicited.

E. Summary of Classes Voting on the Plan

As a result of the provisions of Article IV of this Plan, the votes of Holders of Claims in Class 4 and Class 5 that are not subject to an objection or who have filed a motion under Bankruptcy Rule 3018(a) and obtained temporary allowance of their Claims for voting purposes, all as further set out in the Solicitation Procedures Order, will be solicited with respect to the Plan.

F. Confirmation Pursuant to Bankruptcy Code Section 1129(b)

The Debtors will seek confirmation of the Plan from the Court by employing the “cramdown” procedures set forth in section 1129(b) of the Bankruptcy Code.

G. Amendment of the Plan

Subject to the prior written consent of the Requisite Lenders under both Prepetition First Lien Credit Agreements, the Debtors reserve the right to alter, amend, modify, revoke, or withdraw the Plan or any Plan Exhibit or schedule, including to amend or modify the Plan or such Exhibits or schedules to satisfy the requirements of Bankruptcy Code section 1129(b), if necessary. To the extent any such alteration, amendment, modification, revocation, or withdrawal of the Plan or any Plan Exhibit or schedule would be inconsistent with rights of and the benefits conferred upon the Committee, Holders of General Unsecured Claims, Holders of Administrative Claims, the Studios, or Warner Home Video pursuant to the Global Plan Settlement or would adversely effect the payment of General Unsecured Claims or Administrative Claims, then the Committee (if prior to the Effective Date) or the GUC Liquidating Trustee (if after the Effective Date) shall be entitled to consent in writing.

ARTICLE V.

MEANS FOR IMPLEMENTATION OF THE PLAN

A. *Global Plan Settlement and Substantive Consolidation*

1. Global Plan Settlement

The Plan is predicated upon the agreements entered into among the Debtors, the Committee, certain of the Prepetition Secured Parties, the Studios and Warner Home Video as set forth in the Term Sheet (the “Global Plan Settlement”). In accordance with the Global Plan Settlement: (i) the Prepetition Secured Parties shall (a) release their Liens upon the Creditor Funds upon the occurrence of the Effective Date, and (b) without prejudice to the rights of certain parties in interest to object to Administrative Claims to the extent provided in the Plan, to consent to the payment of Allowed Administrative Claims incurred prior to the Effective Date, all as set forth in the Term Sheet, (ii) the Studios and Warner Home Video shall waive or amend certain obligations owed to them by the Debtors pursuant the terms of various revenue sharing agreements, and to forbear from taking certain other actions, all as set forth in the Term Sheet, and (iii) the Committee shall suspend and, subject to the Confirmation Order becoming a Final Order, terminate the Committee Investigation, as defined in, and subject to, the terms of the Term Sheet and the Cash Collateral Order. In addition, on and subject to the occurrence of the Effective Date: (a) the Revolver Pre-Effective Date Secured Claims will be paid in full in Cash; (b) the GUC Liquidating Trustee shall take possession of the Creditor Funds; and (c) all of the Debtors’ Other Assets will be deemed transferred to the First Lien Term Lenders Liquidating Trust. Thereafter, the GUC Liquidating Trustee shall be responsible for administering the GUC Liquidating Trust including distributing the Creditor Funds in accordance with this Plan. The First Lien Term Lenders Liquidating Trustee shall be responsible for administering the First Lien Term Lenders Liquidating Trust and liquidating the Debtors’ Other Assets and distributing Cash in accordance with this Plan and resolving all Claims other than General Unsecured Claims.

The Plan also contemplates, and is predicated upon, the entry of an order substantively consolidating the Debtors’ Estates and the Chapter 11 Cases. Accordingly, on the Effective Date: (i) all Intercompany Claims by, between and among the Debtors shall be deemed eliminated, (ii) all assets and liabilities of the Affiliate Debtors shall be merged or treated as if they were merged with the assets and liabilities of Movie Gallery, Inc., (iii) any obligation of a Debtor and all guarantees thereof by one or more of the other Debtors shall be deemed to be one obligation of Movie Gallery, Inc., (iv) the Interests shall be cancelled, and (v) each Claim filed or to be filed against any Debtor shall be deemed filed only against the consolidated Movie Gallery, Inc. and shall be deemed a single Claim against and a single obligation of the consolidated Movie Gallery, Inc. On the Effective Date, in accordance with the terms of the Plan, all Claims based upon guarantees of collection, payment, or performance made by the Debtors as to the obligations of another Debtor shall be released and of no further force and effect. The Debtors’ subsidiary, MG Canada, shall not be subject to substantive consolidation with the other Debtors and, after the Effective Date, all of the Debtors’ right, title and interest in and to MG Canada shall be deemed and considered to be and constitute Other Assets; provided, however, that the First Lien Term Lenders Liquidating Trust shall not be liable in any way for any liabilities, obligations, or guarantees of the Debtors, whether contingent or actual, express or implied, in and to or arising from the Debtors’ relationship with MG Canada.

2. Approval of the Global Plan Settlement

The Plan and Disclosure Statement, jointly, shall serve as, and shall be deemed to be, a motion for entry of an order under Bankruptcy Rule 9019 approving the Global Plan Settlement and the substantive consolidation of the Debtors' Chapter 11 Cases. If no objection to the Global Plan Settlement or to substantive consolidation is timely filed and served by any Holder of an Impaired Claim affected by the Plan as provided herein on or before the Voting Deadline or such other date as may be established by the Bankruptcy Court, the Global Plan Settlement and substantive consolidation may be approved by the Bankruptcy Court; *provided, however*, that, pursuant to the terms of the Term Sheet, no party thereto may object to the Global Plan Settlement. If any objections are timely filed and served, a hearing with respect to the Global Plan Settlement and/or substantive consolidation and the objections thereto shall be scheduled by the Bankruptcy Court, which hearing may, but is not required to, coincide with the Confirmation Hearing.

3. Substantive Consolidation

Substantive consolidation of the estates of multiple debtors in bankruptcy effectuates a combination of the assets and liabilities of the involved debtors for certain purposes. The common effects of consolidation are (i) the pooling of the assets of, and claims against, the consolidated debtors; (ii) satisfying liabilities from a common fund; and (iii) combining the creditors of the debtors for purposes of voting on plans of reorganization or liquidation. The Plan contemplates and is predicated upon entry of an order substantively consolidating the Debtors' Estates and the Chapter 11 Cases consistent with the Global Plan Settlement.

Substantive consolidation of multiple debtors under a plan is expressly permitted by section 1123(a)(5)(C) of the Bankruptcy Code. *See, e.g., In re Stone & Webster, Inc.*, 286 B.R. 532, 546 (Bankr. D. Del. 2002) (“§ 1123(a)(5)(C) clearly authorizes a bankruptcy court to confirm a Chapter 11 plan containing a provision that substantively consolidates the estates of two or more debtors.”); *see also Schnellling v. Crawford (In re James River Coal Co., Inc.)*, 360 B.R. 139, 148, n.1 (Bankr. E.D. Va. 2007) (Huennekens, J.) (noting that “it is not unusual for bankruptcy courts to confirm plans of reorganization to call for the ‘substantive consolidation’ of the different corporate entities comprising the corporate group”).

Accordingly, the Debtors seek Bankruptcy Court approval of the Global Plan Settlement. Through the Global Plan Settlement, the Plan will effect a consensual substantive consolidation of the Chapter 11 Cases. Specifically, the Global Plan Settlement provides that the Debtors' Estates and Chapter 11 Cases will be substantively consolidated and all Claims based upon guarantees of collection, payment, or performance made by the Debtors as to the obligations of another Debtor shall be released and of no further force and effect.

B. Corporate Action

1. Transfer of Estate Assets

Upon the Effective Date; (a) the members of the board of directors or managers, as the case may be, of each of the Debtors shall be deemed to have resigned; (b) each of the Debtors shall cause all of its Other Assets and the Other Assets of its Estate to be transferred to

the First Lien Term Lenders Liquidating Trust in accordance with this Plan; and (c) each of the Debtors shall cause the Creditor Funds to be transferred to the GUC Liquidating Trust in accordance with the Plan.

Upon the payment of the Revolver Effective Date Cash to the Prepetition First Lien Revolver Administrative Agent, the transfer of the Other Assets to the First Lien Term Lenders Liquidating Trust in accordance with the Plan and the transfer of the Creditor Funds to the GUC Liquidating Trust in accordance with the Plan, the Debtors shall have no further duties or responsibilities in connection with the implementation of the Plan.

2. Dissolution of the Debtors

On the Effective Date, each of the Debtors shall be deemed dissolved for all purposes without the necessity for any other or further actions to be taken by or on behalf of the Debtors or payments to be made in connection therewith.

As soon as practicable after the payment of the Revolver Effective Date Cash to the Prepetition First Lien Revolver Administrative Agent and the transfer of the Other Assets to the First Lien Term Lenders Liquidating Trust and the Creditor Funds to the GUC Liquidating Trust, the First Lien Term Lenders Liquidating Trustee shall provide for the retention and storage of the books, records and files that shall have been delivered to the First Lien Term Lenders Liquidating Trust until such time as all such books, records and files are no longer required to be retained under applicable law, or otherwise as determined by the First Lien Term Lenders Liquidating Trustee. The First Lien Term Lenders Liquidating Trustee shall provide the GUC Liquidating Trustee with reasonable access during normal business hours to the Debtors' books, records and files to the extent necessary to carry out the GUC Liquidating Trustee's obligations under the Plan and the GUC Liquidating Trust Agreement.

The Professionals employed by the Debtors and the Committee shall be entitled to reasonable and necessary compensation and reimbursement by the First Lien Term Lenders Liquidating Trust of actual, documented, necessary expenses for post-Effective Date activities, related to the preparation, filing, and prosecution of Final Fee Applications, upon the submission of invoices to the First Lien Term Lenders Liquidating Trustee. Any time or expenses incurred in the preparation, filing, and prosecution of Final Fee Applications shall be disclosed by each Professional in its Final Fee Application and shall be subject to approval of the Bankruptcy Court. Notwithstanding the foregoing, the First Lien Term Lenders Liquidating Trustee reserves the right to object, in good faith, to any Final Fee Application.

3. Legal Representation of the Debtors and the Committee after the Effective Date

Upon the Effective Date, the attorney-client relationship between the Debtors and their current counsel, Sonnenschein Nath & Rosenthal LLP and Kutak Rock, LLP, and between the Committee and its current counsel, Pachulski Stang Ziehl & Jones LLP, Kelley Drye & Warren LLP, and Hunton & Williams LLP, shall be deemed terminated on a going forward basis. Upon the Effective Date, none of the Debtors' or the Committee's current counsel shall have any further obligation or responsibility with respect to the Bankruptcy Cases.

4. Cancellation of Existing Securities and Agreements

Except as otherwise provided in the Plan, and in any contract, instrument or other agreement or document created in connection with the Plan, on the Effective Date, the Interests in the Debtors and any other promissory notes, share certificates, whether for preferred or common stock (including treasury stock), other instruments evidencing any Claims against or payable by the Debtors or Interests in the Debtors shall be deemed cancelled and of no further force and effect, without any further act or action under any applicable agreement, law, regulation, order, or rule, and the obligations and liabilities of the Debtors under the notes, share certificates, and other agreements and instruments governing such Claims and Interests shall be released and forever discharged; *provided, however*, that certain instruments, documents, and credit agreements related to Claims shall continue in effect solely for the purposes of allowing the applicable Liquidating Agent to make Distributions to the Holders of such Claims. The holders of or parties to such canceled notes, share certificates and other agreements and instruments shall have no rights arising from or relating to such notes, share certificates and other agreements and instruments or the cancellation thereof, except the rights provided pursuant to the Plan, the Confirmation Order, the Cash Collateral Order, and the Global Plan Settlement. Notwithstanding anything in the foregoing to the contrary, the Global Plan Settlement, the Prepetition First Lien Revolving Credit Documents, and the Prepetition First Lien Term Credit Documents shall remain in full force and effect and shall not be cancelled until the entry of the Final Decree. In the event of any conflict between the terms of the Global Plan Settlement and the Plan, the Plan shall govern.

5. No Further Action

Each of the matters provided for under the Plan involving the corporate or limited liability company structure of the Debtors or corporate or limited liability company action to be taken by or required of the Debtors shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement of further action by any Person, including but not limited to, the Liquidating Trusts, the Liquidating Trustees, Holders of Claims or Interests against or in the Debtors, or directors or officers of the Debtors.

C. Sources for Plan Distributions

Subject to and only to the extent provided in the Global Plan Settlement, all Cash necessary for the Debtors and/or the Liquidating Trustees to make payments of Cash pursuant to the Plan shall be obtained from the following sources: (a) Cash on hand as of the Effective Date, with respect to the payment by the Debtors of the Revolver Effective Date Cash and Distributions to be made by the Debtors to the Holders of Administrative Claims or Priority Claims that are Allowed Claims as of the Effective Date; (b) the Creditor Funds, with respect to the Distributions to be made by the GUC Liquidating Trustee to the Holders of Allowed Class 5 Claims or to pay the costs and expenses of the GUC Liquidating Trustee and the GUC Liquidating Trust; or (c) the Other Assets (to the extent reduced to Cash) with respect to the Distributions to be made by the First Lien Term Lenders Liquidating Trustee to the Holders of Allowed Priority Claims, Allowed Class 2 Claims, Allowed Class 3 Claims to the extent not paid in full in Cash on the Effective Date, Allowed Class 4 Claims, Administrative Claims that become Allowed Claims on or after the Effective Date or to pay the costs and expenses

(including the costs and fees of professionals) of the First Lien Term Lenders Liquidating Trustee and the First Lien Term Lenders Liquidating Trust.

D. Liquidating Trusts

1. Establishment of the Liquidating Trusts

On the Effective Date, the First Lien Term Lenders Liquidating Trustee shall execute and deliver the First Lien Term Lenders Liquidating Trust Agreement and accept the Other Assets on behalf of and for the benefit of the Prepetition First Lien Term Secured Parties and any other beneficiaries thereof pursuant to the Prepetition First Lien Liquidating Trust Agreement and for the other uses provided in this Plan, and shall be authorized to obtain, liquidate, and collect all of the Other Assets of the Estates not in its possession and pursue all of the Causes of Action (except to the extent waived or released by this Plan). The First Lien Term Lenders Liquidating Trust will upon such execution and delivery be deemed created and effective without any further action by the Bankruptcy Court or any other Person. All Distributions to the Holders of Allowed Priority Claims, Allowed Class 2 Claims, Allowed Class 3 Claims to the extent not paid in full in Cash on the Effective Date, Allowed Class 4 Claims and Administrative Claims that become Allowed Claims on or after the Effective Date shall be from Available Cash on hand at the First Lien Term Lenders Liquidating Trust on the date any such Distribution is made. The beneficiaries and transferees of the First Lien Term Lenders Liquidating Trust, including without limitation, the Prepetition Secured Parties and Lenado and their respective Related Parties, shall not be personally liable, or otherwise deemed to be liable, in any manner whatsoever, for any obligation, liability, action, or omission of the First Lien Term Lenders Liquidating Trust or First Lien Term Lenders Liquidating Trustee, and the sole recourse for any liabilities of the First Lien Term Lenders Liquidating Trust shall be limited to the assets of the First Lien Term Lenders Liquidating Trust.

On the Effective Date, the GUC Liquidating Trustee shall execute and deliver the GUC Liquidating Trust Agreement and accept the Creditor Funds on behalf of the and for the benefit of the Holders of General Unsecured Claims as beneficiaries thereof. The GUC Liquidating Trust will upon such execution and delivery be deemed created and effective without any further action by the Bankruptcy Court or any party. All Distributions to the Holders of Allowed Class 5 Claims shall be from the GUC Liquidating Trust. The beneficiaries and transferees of the GUC Liquidating Trust shall not be personally liable, or otherwise deemed to be liable, in any manner whatsoever, for any obligation, liability, action, or omission of the GUC Liquidating Trust or GUC Liquidating Trustee, and the sole recourse for any liabilities of the GUC Liquidating Trust shall be limited to the assets of the GUC Liquidating Trust.

The Liquidating Trusts shall hold and administer the following assets:

- A. The First Lien Term Lenders Liquidating Trust shall hold and administer the Debtors' Other Assets and the product and proceeds thereof.
- B. The GUC Liquidating Trust shall hold and administer the Creditor Funds.

The Prepetition First Lien Term Lenders Liquidating Trust is created for the primary purpose of liquidating the Other Assets, with no objective to conduct a trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purposes of the Prepetition First

Lien Term Lenders Liquidating Trust.

2. Trust Distributions

Each Liquidating Trustee shall distribute any Cash in their respective Liquidating Trust, and shall liquidate their respective assets (to the extent that such assets are other than Cash) and shall distribute such Cash and the Net Proceeds of such liquidation from the applicable Liquidating Trust in accordance with this Plan and the applicable Liquidating Trust Agreement.

3. Duration of Trust

Each Liquidating Trust shall have an initial term of five (5) years; *provided, however,* that, if warranted by the facts and circumstances, and subject to the approval of the Bankruptcy Court with jurisdiction over the Chapter 11 Cases, upon a finding that an extension of the term of a Liquidating Trust is necessary to accomplish the liquidating purpose of such Liquidating Trust, the Liquidating Trust's term may be extended for a finite term based on facts and circumstances. Each extension of the term of a Liquidating Trust must be approved by the Bankruptcy Court within six (6) months of the beginning of the extended term. A Liquidating Trust may be terminated earlier than its scheduled termination if (a) the Bankruptcy Court has entered a Final Order closing the Chapter 11 Cases pursuant to Bankruptcy Code section 350(a) and (b) the applicable Liquidating Trustee has administered all assets of the applicable Liquidating Trust and performed all other duties required by the Plan and the applicable Liquidating Trust Agreement. As soon as practicable after the Final Trust Distribution Date, the applicable Liquidating Trustee shall seek entry of a Final Order closing the Chapter 11 Cases pursuant to Bankruptcy Code section 350.

4. Liquidation of Causes of Action

The Debtors shall have, prior to the Effective Date and in consultation with the Prepetition Secured Parties, and the First Lien Term Lenders Liquidating Trustee shall have, on and after the Effective Date, sole authority and responsibility for investigating, analyzing, commencing, prosecuting, litigating, compromising, collecting, and otherwise administering the Causes of Action that are not released or waived under the Plan, the Confirmation Order, the Cash Collateral Order, or any other Final Order of the Bankruptcy Court; *provided, however,* that all Avoidance Actions and Released Claims are released and waived, and neither the Debtors nor any Liquidating Trustee shall pursue any such Avoidance Actions or Released Claims.

5. Liquidating Trustees

(a) Appointment

The appointment of each Liquidating Trustee shall be effective as of the Effective Date. Successor Liquidating Trustee(s) shall be appointed as set forth in the applicable Liquidating Trust Agreement.

(b) Term

Unless a Liquidating Trustee resigns or dies earlier, each Liquidating Trustee's term shall expire upon termination of the applicable Liquidating Trust pursuant to the Plan and/or the applicable Liquidating Trust Agreement.

(c) Powers and Duties

Each Liquidating Trustee shall have the rights and powers set forth in the applicable Liquidating Trust Agreement including, but not limited to, the powers of a debtor-in-possession under Bankruptcy Code sections 1107 and 1108. Each Liquidating Trustee shall be governed in all things by the terms of the applicable Liquidating Trust Agreement and the Plan. Each Liquidating Trustee shall administer their respective Liquidating Trust, and its assets, and make Distributions from the proceeds of their respective Liquidating Trust in accordance with the Plan and the applicable Liquidating Trust Agreement. In the event a provision of this Plan or the Confirmation Order conflicts with a provision of the applicable Liquidating Trust Agreement, the provision of this Plan or the Confirmation Order, as applicable, shall control. In addition, the First Lien Term Lenders Liquidating Trustee shall, in accordance with the terms of the Plan, take all actions (other than the Distributions of the Creditor Funds) necessary to wind down the affairs of the Debtors consistent with the Plan and applicable non-bankruptcy law. Without limitation, each Liquidating Trustee shall file final federal, state, foreign and, to the extent applicable, local, tax returns. Subject to the limitations set forth in the following clauses (i) through (xvii) and any other limitations, releases, or waivers set forth in this Plan, each Liquidating Trustee shall be authorized, empowered and directed to take all actions necessary with respect to their Liquidating Trust to comply with the Plan and exercise and fulfill the duties and obligations arising thereunder, including, without limitation, to:

- (i) employ, retain, and replace one or more attorneys, accountants, auctioneers, brokers, managers, consultants, other professionals, agents, investigators, expert witnesses, consultants, and advisors as necessary to discharge the duties of the Liquidating Trustee under the Plan and the applicable Liquidating Trust Agreement;
- (ii) solely with respect to the First Lien Term Lenders Liquidating Trustee, object to the allowance of Administrative Claims, Priority Claims, and Miscellaneous Secured Claims in accordance with the terms of the Term Sheet and this Plan;
- (iii) solely with respect to the GUC Liquidating Trustee, object to the allowance of General Unsecured Claims in accordance with the terms of the Term Sheet and this Plan;
- (iv) open, maintain and administer bank accounts as necessary to discharge the duties of the Liquidating Trustee under the Plan and the applicable Liquidating Trust Agreement;
- (v) pay reasonable and necessary professional fees, costs, and expenses of the Liquidating Trust as set forth in the Plan; *provided* that no Liquidating Trust is liable for the professional fees, costs, and expenses of the other Liquidating Trust's professionals;

- (vi) solely with respect to the First Lien Term Lenders Liquidating Trustee, investigate, analyze, commence, prosecute, litigate, compromise, and otherwise administer the Causes of Action, other than the Avoidance Actions and the Released Claims, and all related Liens for the benefit of the First Lien Term Lenders Liquidating Trust and the Prepetition First Lien Term Secured Parties, as set forth in the Plan, and take all other necessary and appropriate steps to collect, recover, settle, liquidate, or otherwise reduce to Cash such Causes of Action, including all receivables, and to negotiate and effect settlements and lien releases with respect to all related Claims and all related Liens; *provided, that for the avoidance of doubt*, the First Lien Term Lenders Liquidating Trustee shall not be empowered and shall have not right to investigate, analyze, commence, prosecute, litigate, compromise, or otherwise administer any Cause of Action or Lien covered by a release or waiver in favor of any Debtor Releasee or Third Party Releasee under this Plan, the Confirmation Order, the Cash Collateral Order, or any other Final Order of the Bankruptcy Court;
- (vii) solely with respect to the First Lien Term Lenders Liquidating Trustee and the Other Assets transferred to the First Lien Term Lenders Liquidating Trust, administer, sell, liquidate, or otherwise dispose of the Other Assets (including, without limitation, all Collateral) of the Estates in accordance with the terms of the Term Sheet and this Plan;
- (viii) solely with respect to the First Lien Term Lenders Liquidating Trustee: (a) exercise all of the Debtors' rights as the owner of the equity interests of Movie Gallery Canada Inc., including, without limitation, the right to direct counsel to Movie Gallery Canada Inc. with regard to the voluntary bankruptcy proceedings filed in the District of Ontario, Toronto Division (Estate No. 31-1357202), (b) act as the successor to the Debtors with regard to any of the Debtors' rights as a secured creditor of Movie Gallery Canada Inc.; and (c) act as the successor to the Debtors with regard to any other rights or interests that the Debtors may possess with respect to Movie Gallery Canada Inc.;
- (ix) solely with respect to the First Lien Term Lenders Liquidating Trust, represent the Estate before the Bankruptcy Court and other courts of competent jurisdiction with respect to matters concerning the Estate, other than with regard to General Unsecured Claims, including any Disputed General Unsecured Claims, and the payment and Distributions of the Creditors Funds, with respect to which the GUC Liquidating Trust may represent the Estate before the Bankruptcy Court and other courts of competent jurisdiction;
- (x) seek, at the sole cost and expense of such Liquidating Trust so seeking, the examination of any entity under and subject to the provisions of Bankruptcy Rule 2004 except in connection with or concerning a Cause of

Action released or waived under this Plan, the Confirmation Order, the Cash Collateral Order, or any other Final Order of the Bankruptcy Court;

- (xi) comply with applicable orders of the Bankruptcy Court and any other court of competent jurisdiction over the matters set forth herein;
 - (xii) solely with respect to the First Lien Term Lenders Liquidating Trustee, follow the written instructions of the Requisite Lenders under the Prepetition First Lien Term Credit Agreement; provided that such written instructions are not inconsistent with the terms of the Plan or the Confirmation Order;
 - (xiii) comply with all applicable laws and regulations concerning the matters set forth herein;
 - (xiv) exercise such other powers as may be vested in a Liquidating Trustee pursuant to the applicable Liquidating Trust Agreement, the Plan, or other Final Orders of the Bankruptcy Court;
 - (xv) execute any documents, instruments, contracts, and agreements necessary and appropriate to carry out the powers and duties of the applicable Liquidating Trust;
 - (xvi) solely with respect to the First Lien Term Lenders Liquidating Trustee, stand in the shoes of the Debtors for all purposes consistent with the administration of the First Lien Term Lenders Liquidating Trustees and the Plan; and
 - (xvii) solely with respect to the GUC Liquidating Trustee, stand in the shoes of the Debtors for all purposes consistent with the administration of the GUC Liquidating Trust and the Plan.
- (d) Fees and Expenses

Except as otherwise provided in the Plan, compensation of each Liquidating Trustee and the costs and expenses of each Liquidating Trustee and their respective Liquidating Trust (including, without limitation, Professional fees and expenses including attorneys' fees and expenses) shall be paid solely from the particular Liquidating Trust's assets. For the avoidance of doubt: (i) compensation of the First Lien Term Lenders Liquidating Trustee and the costs and expenses of the First Lien Term Lenders Liquidating Trustee and the First Lien Term Lenders Liquidating Trust (including, without limitation, professional fees and expenses including attorneys' fees and expenses) shall be paid solely from the Other Assets; and (ii) compensation of the GUC Liquidating Trustee and the costs and expenses of the GUC Liquidating Trustee and the GUC Liquidating Trust (including, without limitation, professional fees and expenses including attorneys' fees and expenses) shall be paid solely from the Creditor Funds. Each Liquidating Trustee shall pay, without further order, notice, or application to the Bankruptcy Court, the reasonable fees and expenses of the Liquidating Trustee professionals, as necessary to discharge the Liquidating Trustee's duties under the Plan and the applicable Liquidating Trust Agreement to the extent provided in the applicable Liquidating Trust Agreement. Payments to

the applicable Liquidating Trustee, or to the Liquidating Trustee professionals, shall not require notice to any party, or an order of the Bankruptcy Court approving such payments except as required in the Global Plan Settlement and/or the applicable Liquidating Trust Agreement.

(e) Retention of Professionals and Compensation Procedure

On and after the Effective Date, subject to the terms of the applicable Liquidating Trust Agreement, each Liquidating Trustee may engage such professionals and experts as may be deemed necessary and appropriate by the Liquidating Trustee to assist the Liquidating Trustee in carrying out the provisions of the Plan and the applicable Liquidating Trust Agreement, including, but not limited to, Professionals retained prior to the Effective Date by the Debtors, the Prepetition Secured Parties or the Committee. Subject to the terms of the applicable Liquidating Trust Agreement, for services performed from and after the Effective Date, the Liquidating Trustee Professionals shall receive compensation and reimbursement of expenses in a manner to be determined by agreement between the applicable Liquidating Trustee and such Liquidating Trustee Professional consistent with the applicable Liquidating Trust Agreement. For the avoidance of doubt: (i) compensation of the First Lien Term Lenders Liquidating Trustee and the costs and expenses of the First Lien Term Lenders Liquidating Trustee and the First Lien Term Lenders Liquidating Trust (including, without limitation, professional fees and expenses including attorneys' fees and expenses) shall be paid solely from the Other Assets; and (ii) compensation of the GUC Liquidating Trustee and the costs and expenses of the GUC Liquidating Trustee and the GUC Liquidating Trust (including, without limitation, professional fees and expenses including attorneys' fees and expenses) shall be paid solely from the Creditor Funds.

(f) First Lien Term Lenders Liquidating Trustee as Successor

Pursuant to Bankruptcy Code section 1123(b), the First Lien Term Lenders Liquidating Trustee shall be the successor to the Debtors for all purposes consistent with the Plan, the Global Plan Settlement and the First Lien Term Lenders Liquidating Trust Agreement; *provided, however*, that solely for purposes of objecting to the allowance of, or making Distributions with respect to, General Unsecured Claims, the GUC Liquidating Trustee shall be deemed to be the successor to the Debtors. For the avoidance of doubt, upon the Effective Date, the First Lien Term Lenders Liquidating Trustee shall have all rights and remedies of the Debtors under the Global Plan Settlement.

(g) Compromising Claims

Pursuant to Bankruptcy Rule 9019(b), the Plan and the Liquidating Trust Agreements, as of the Effective Date, each of the Liquidating Trustees are authorized to approve compromises of Claims, Disputed Claims, and Liens relating to their respective Liquidating Trust and to execute necessary documents, including Lien releases and stipulations of settlement or release, without notice to any party (except, to the other Liquidating Trustee or to the extent required by the Plan) and without further order of the Bankruptcy Court, except as otherwise provided in the Liquidating Trust Agreement; *provided, however*, that (1) the First Lien Term Lenders Liquidating Trustee shall have the sole authority to compromise and settle all Claims other than Class 5 Claims; and (2) the GUC Liquidating Trustee shall have the sole authority to compromise and settle Class 5 Claims.

(h) Investment Powers

The powers of a Liquidating Trustee to invest any Cash that is held by the applicable Liquidating Trust, other than those powers reasonably necessary to maintain the value of the assets and to further such Liquidating Trust's liquidating purposes, shall be limited to powers to invest in demand and time deposits, such as short-term certificates of deposit, in banks or other savings institutions, or other temporary liquid investments, such as treasury bills. Each Liquidating Trustee is prohibited from continuing or engaging in the conduct of a trade or business, except to the extent reasonably necessary to and consistent with the liquidating purpose of the applicable Liquidating Trust.

(i) Distributions

Except as otherwise provided in the Plan, each Liquidating Trustee is required to distribute at least annually to beneficiary Claimholders qualifying for Distributions from the applicable Liquidating Trust under the Plan the applicable Liquidating Trust's Available Cash, net income and all net proceeds from the sale of any non-Cash assets held by the applicable Liquidating Trust, except that the Liquidating Trust shall retain an amount of Cash, Net Proceeds or net income reasonably necessary to maintain the value of its assets or to meet Claims and contingent liabilities (including Disputed Claims). The First Lien Term Lenders Trust shall be in compliance with the requirements of the foregoing sentence so long as it has made Adequate Provision pursuant to Article III.C.1 of the Plan. The First Lien Term Lenders Liquidating Trustee shall make continuing efforts to liquidate any non-Cash assets held by the First Lien Term Lenders Liquidating Trust. Each Liquidating Trustee shall make timely Distributions and not unduly prolong the duration of the applicable Liquidating Trust. All Distributions to the Holders of Allowed Class 2 Claims, Allowed Class 3 Claims to the extent not paid in full in Cash on the Effective Date, Allowed Class 4 Claims, Administrative Claims and Priority Claims that become Allowed Claims on or after the Effective Date shall be from the First Lien Term Lenders Liquidating Trust. All Distributions to the Holders of Allowed Class 5 Claims shall be from the GUC Liquidating Trust and solely from Creditor Funds.

(j) Transfer and Vesting of Assets

On the Effective Date, the Other Assets, including any minutes, and general corporate records of Debtors, and any books and records relating to the foregoing not otherwise treated by the Plan, shall be transferred to and vest in the First Lien Term Lenders Liquidating Trust subject only to the Liens created by the Prepetition First Lien Credit Facilities and free and clear of all other Liens, Claims (other than Allowed Claims payable by the First Lien Term Lenders Liquidating Trust pursuant to the Plan), encumbrances, and other interests and shall thereafter be administered, liquidated by sale, collection, recovery, or other disposition and distributed by the First Lien Term Lenders Liquidating Trustee in accordance with the terms of the First Lien Term Lenders Liquidating Trust Agreement and the Plan; *provided, however*, that the First Lien Term Lenders Liquidating Trustee shall make the Debtors' books and records reasonably available during business hours on a Business Day to the GUC Liquidating Trustee as provided in Article V.D.5.k of the Plan. In addition, on the Effective Date, the Creditor Funds shall vest in the GUC Liquidating Trust free and clear of all Liens, Claims (other than Allowed Class 5 Claims), encumbrances, and other interests and shall thereafter be administered and distributed by the GUC Liquidating Trustee in accordance with the terms of the GUC

Liquidating Trust Agreement and the Plan. The property of the Debtors' Estates shall not be vested in the Debtors following the Effective Date. On the Effective Date, and following payment of the Revolver Effective Date Cash to the Prepetition First Lien Revolver Administrative Agent pursuant to Article __ hereof, the Other Assets shall be distributed to and vested in the First Lien Term Lenders Liquidating Trust as set forth in the Plan and shall continue to be subject to the jurisdiction of the Bankruptcy Court until such property is distributed to Holders of Allowed Claims payable by the First Lien Term Lenders Liquidating Trust in accordance with the provisions of the Plan, the First Lien Term Lenders Liquidating Trust Agreement, and the Confirmation Order. On the Effective Date, the Creditor Funds shall be distributed to and vested in the GUC Liquidating Trust as set forth in the Plan and shall continue to be subject to the jurisdiction of the Bankruptcy Court until such property is distributed to Holders of Allowed Claims in accordance with the provisions of the Plan, the GUC Liquidating Trust Agreement, and the Confirmation Order.

(k) Cooperation Among Liquidating Trustees

Each of the Liquidating Trustees shall reasonably cooperate with the other in connection with the administration of such Liquidating Trustee's Liquidating Trust including, without limitation, sharing information regarding Claims. The First Lien Term Lenders' Liquidating Trustee shall make the Debtors' books and records reasonably available to the GUC Liquidating Trustee during business hours on a Business Day to the extent necessary to administer the GUC Liquidating Trust.

(l) First Lien Term Lenders Liquidating Trust Oversight Board.

The First Lien Term Lenders Liquidating Trust Oversight Board shall be comprised of [5] members consisting of representatives of the Prepetition First Lien Term Lenders chosen pursuant to the terms of the First Lien Term Lenders Liquidating Trust Agreement. The rights and duties of the First Lien Term Lenders Trust Oversight Board shall be set forth with specificity in the First Lien Term Lenders Liquidating Trust Agreement. The First Lien Term Lenders Liquidating Trustee shall consult regularly with the First Lien Term Lenders Liquidating Trust Oversight Board when carrying out the implementation of this Plan. The members of the First Lien Term Lenders Liquidating Trust Oversight Board shall not receive compensation, but shall be reimbursed for their reasonable and necessary expenses by the First Lien Term Lenders Liquidating Trustee.

(m) GUC Liquidating Trust Oversight Committee

The GUC Liquidating Trust Oversight Committee shall be comprised of [] members consisting of representatives of the Committee chosen pursuant to the terms of the GUC Liquidating Trust Agreement. The rights and duties of the GUC Liquidating Trust Oversight Committee shall be set forth with specificity in the GUC Liquidating Trust Agreement.

(n) Liability, Indemnification

Neither of the Liquidating Trustees, the First Lien Term Lenders Liquidating Trust Oversight Board, the GUC Liquidating Trust Oversight Committee, their respective members, designees or professionals, or any duly designated agent or representative of the

Liquidating Trustees, the First Lien Term Lenders Liquidating Trust Oversight Board, or the GUC Liquidating Trust Oversight Committee or any of the respective employees of any of the foregoing (all of the foregoing, individually and collectively, the “Respective Liquidating Trust Parties”) shall be liable for the acts or omissions of any other Respective Liquidating Trust Party, nor shall Respective Liquidating Trust Party be liable for any act or omission taken or omitted to be taken in its capacity as Respective Liquidating Trust Party, respectively, other than for specific acts or omissions resulting from such Respective Liquidating Trust Party’s willful misconduct, gross negligence or fraud. Each Liquidating Trustee, the First Lien Term Lenders Liquidating Trust Oversight Board, or the GUC Liquidating Trust Oversight Committee may, in connection with the performance of its functions, and in its sole and absolute discretion, consult with its attorneys, accountants, financial advisors and agents, and shall not be liable for any act taken, omitted to be taken, or suffered to be done in accordance with advice or opinions rendered by such Persons, regardless of whether such advice or opinions are provided in writing. Notwithstanding such authority, neither of the Liquidating Trustees, the First Lien Term Lenders Liquidating Trust Oversight Board and its individual members, or the GUC Liquidating Trust Oversight Committee and its individual members shall be under any obligation to consult with its attorneys, accountants, financial advisors or agents, and their determination not to do so shall not result in the imposition of liability on such Liquidating Trustee, First Lien Term Lenders Liquidating Trust Oversight Board, or GUC Liquidating Trust Oversight Committee or their respective members and/or designees, unless such determination is based on willful misconduct, gross negligence, or fraud. Each Liquidating Trust shall indemnify and hold harmless its Liquidating Trustee and its designees and professionals, and all duly designated agents and representatives thereof (in their capacity as such), the First Lien Term Lenders Liquidating Trust shall indemnify and hold harmless the First Lien Term Lenders Liquidating Trust Oversight Board and its members, designees and professionals, and all duly designated agents and representatives thereof (in their capacity as such), and the GUC Liquidating Trust shall indemnify and hold harmless the GUC Liquidating Trust Oversight Committee and its members, designees and professionals, and all duly designated agents and representatives thereof (in their capacity as such), in each case, from and against and in respect of all liabilities, losses, damages, claims, costs and expenses (including, without limitation, reasonable attorneys’ fees, disbursements, and related expenses) which such parties may incur or to which such parties may become subject in connection with any action, suit, proceeding or investigation brought by or threatened against such parties arising out of or due to their acts or omissions, or consequences of such acts or omissions, with respect to the implementation or administration of the applicable Liquidating Trust or the Plan or the discharge of their duties hereunder; provided, however, that no such indemnification will be made to such persons for actions or omissions as a result of willful misconduct, gross negligence, or fraud.

6. Federal Income Taxation of Liquidating Trusts

(a) Treatment of Liquidating Trusts and Asset Transfers

For federal income tax purposes, the Debtors, the Liquidating Trusts, the Liquidating Trustees and the beneficiary Claimholders shall treat the Liquidating Trusts as liquidating trusts within the meaning of Treasury Income Tax Regulation Section 301.7701-4(d) and IRS Revenue Procedure 94-45, 1994-2 C.B. 684. For federal income tax purposes, the applicable transfer of assets to a Liquidating Trust under the Plan is treated as a deemed transfer to the beneficiary Claimholders of such Liquidating Trust in satisfaction of their Claims followed

by a deemed transfer of the assets by the beneficiary Claimholders to such Liquidating Trust. For federal income tax purposes, the beneficiary Claimholders of an applicable Liquidating Trust will be deemed to be the grantors and owners of such Liquidating Trust and its assets. For federal income tax purposes, each Liquidating Trust, with respect to the assets of the Debtors and the Estates transferred to it under the Plan, will be taxed as a grantor trust within the meaning of IRC Sections 671-677 (a non-taxable pass-through tax entity) owned by the beneficiary Claimholders of such Liquidating Trust. Each Liquidating Trust will file federal income tax returns as a grantor trust under IRC Section 671 and Treasury Income Tax Regulation Section 1.671-4 and report, but not pay tax on, such Liquidating Trust's tax items of income, gain, loss deductions and credits ("Tax Items"). The beneficiary Claimholders of a Liquidating Trust will report such Tax Items on their federal income tax returns and pay any resulting federal income tax liability. The Debtors, each Liquidating Trustee and the beneficiary Claimholders of each Liquidating Trust will use consistent valuations of the assets transferred to the applicable Liquidating Trust for all federal income tax purposes, such valuations to be determined by the applicable Liquidating Trustee owning such assets.

(b) Reserves that may be Established by the Liquidating Trustees

The Plan permits each Liquidating Trustee to create separate reserves for Disputed Claims for which the applicable Liquidating Trust may be liable. Each Liquidating Trustee may, at its sole discretion, file a tax election to treat any such reserve as a Disputed Ownership Fund ("DOF") within the meaning of Treasury Income Tax Regulation Section 1.468B-9 for federal income tax purposes rather than to tax such reserve as a part of its applicable Liquidating Trust. If such an election is made, the applicable Liquidating Trust shall comply with all federal and state tax reporting and tax compliance requirements of the DOF, including but not limited to the filing of a separate federal income tax return for the DOF and the payment of federal and/or state income tax due.

E. Accounts

Each Liquidating Trustee shall, with respect to the assets of its Liquidating Trust, (a) establish one or more general accounts into which shall be deposited all funds not required to be deposited into any other account or reserve and (b) create, fund, and withdraw funds from, as appropriate, any reserves or other accounts maintained or established by the Liquidating Trustees.

F. Release of Liens

Except as otherwise provided in the Plan, the Confirmation Order, or in any document, instrument, or other agreement created in connection with the Plan, on the Effective Date, all mortgages, deeds of trust, liens, or other security interests against the property of the Estates shall be released; *provided, however*, that, except with respect to the Creditor Funds, the Liens established pursuant to the Prepetition First Lien Credit Facilities shall not be released unless and until the Prepetition First Lien Secured Claims are satisfied in full; *provided, further*, that with respect to the Creditor Funds, the Liens established pursuant to the Prepetition First Lien Credit Facilities shall not be released unless and until the Effective Date has occurred.

G. Exemption from Certain Transfer Taxes

Pursuant to Bankruptcy Code section 1146(c), any transfers from any of the Debtors or the Liquidating Trustees to the Liquidating Trusts or to any other Person pursuant to the Plan and/or the Liquidating Trust Agreements in the United States shall not be subject to any stamp tax or similar tax, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

H. Preservation of Causes of Action; Settlement of Causes of Action

1. Preservation of Causes of Action

In accordance with section 1123(b)(3) of the Bankruptcy Code or any corresponding provision of similar federal or state laws, and except as otherwise provided in the Plan, the Confirmation Order, the Cash Collateral Order, or other Final Order of the Bankruptcy Court on and after the Effective Date, (a) the First Lien Term Lenders Liquidating Trustee shall be deemed to be a representative of the Debtors as the party in interest in the Chapter 11 Cases and any adversary proceeding in the Chapter 11 Cases, under the Plan or in any judicial proceeding or appeal as to which any of the Debtors is a party and (b) the First Lien Term Lenders Liquidating Trustee shall retain all of the Causes of Action of the Debtors and their Estates that are not waived or released hereunder. For the avoidance of doubt and subject to the provisions of and priorities established by Article VI.H of the Plan, the First Lien Term Lenders Liquidating Trustee and the GUC Liquidating Trustee shall have standing to assert all of the Debtors' setoff rights as provided in the Plan. The First Lien Term Lenders Liquidating Trustee and/or the First Lien Term Lenders Liquidating Trust may, in accordance with the First Lien Term Lenders Liquidating Trust Agreement, enforce, sue on, settle or compromise (or decline to do any of the foregoing) any or all of the Causes of Action that are not waived or released under this Plan, the Confirmation Order, the Cash Collateral Order, or other Final Order of the Bankruptcy Court.

In connection with the Global Plan Settlement, the Debtors, the Prepetition Secured Parties, the Committee, the Studios and Warner Home Video have agreed that all Avoidance Actions and Released Claims shall be waived as of the Effective Date. With respect to any Causes of Action that are not waived or released hereunder, the substantive consolidation of the Debtors and their Estates as set forth in Article V.A.3 of this Plan shall not, and shall not be deemed to, prejudice any of such Causes of Action, which shall survive entry of the Confirmation Order for the benefit of the Debtors and their Estates, and, upon the Effective Date, for the benefit of the First Lien Term Lenders Liquidating Trust.

2. Settlement of Causes of Action

Subject to the terms of the First Lien Term Lenders Liquidating Trust Agreement, at any time after the Confirmation Date but before the Effective Date, notwithstanding anything in this Plan to the contrary, the Debtors may settle Causes of Action with the approval of the Court pursuant to Bankruptcy Rule 9019. After the Effective Date, the First Lien Term Lenders Liquidating Trustee, in accordance with the terms of this Plan and the First Lien Term Lenders

Liquidating Trust Agreement, will determine whether to bring, settle, release, compromise, enforce or abandon such rights (or decline to do any of the foregoing) in accordance with Article V.D.1(g) hereof, and may do so without any further required action by, or Order of, the Court.

I. Effectuating Documents; Further Transactions

Subject to the terms and conditions of the Plan, the Prepetition First Lien Credit Facilities, and the Cash Collateral Order and other Final Orders of the Bankruptcy Court, prior to the Effective Date, any appropriate officer of the applicable Debtor shall, in consultation with the Prepetition Secured Parties, be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. Subject to the terms and conditions of the Plan and the Liquidating Trust Agreements, after the Effective Date, the Liquidating Trusts shall be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

ARTICLE VI.

PROVISIONS GOVERNING DISTRIBUTIONS

A. Distributions for Claims Allowed as of the Effective Date

Except as otherwise provided herein or as ordered by the Bankruptcy Court, all Distributions to be made on account of Claims that are Allowed Claims as of the Effective Date shall be made on the applicable Distribution Date by the applicable Liquidating Trustee. Distributions on account of Claims that first become Allowed Claims after the Effective Date shall be made pursuant to the terms and conditions of this Plan. Notwithstanding any other provision of the Plan to the contrary, no Distribution shall be made on account of any Claim or portion thereof that (i) has been (and remains) satisfied after the Commencement Date pursuant to an order of the Bankruptcy Court; (ii) is listed in the Schedules as contingent, unliquidated, disputed or in a zero amount, and for which a Proof of Claim has not been timely filed or deemed filed; or (iii) is evidenced by a Proof of Claim that has been amended by a subsequently filed Proof of Claim that purports to amend the prior Proof of Claim (provided that the foregoing shall have no effect on such amended Proof of Claim).

B. Liquidating Trustee as Disbursing Agent

Each Liquidating Trustee shall make all Distributions required under this Plan to their respective beneficiaries and Holders of Allowed Claims, subject to the terms and provisions of this Plan and the Liquidating Trust Agreements. Each Liquidating Trustee shall be required to post a bond or surety or other security for the performance of its duties to the extent required by, and consistent with the respective Liquidating Trust Agreement. The Liquidating Trustees shall be authorized and directed to rely upon the Debtors' books and records and its representatives and professionals in determining those Claims not entitled to Distribution under the Plan in accordance with the terms of the Plan.

C. Delivery of Distributions and Undeliverable or Unclaimed Distributions

1. Delivery of Distributions in General

Distributions to Holders of Allowed Claims shall be made by the respective Liquidating Trustees (a) at the addresses set forth on the Proofs of Claim filed by such Holders, (b) at the addresses set forth in any written notices of address changes delivered to the respective Liquidating Trustee after the date of any related Proof of Claim, (c) at the addresses reflected in the Schedules if no Proof of Claim has been filed and the respective Liquidating Trustee has not received a written notice of a change of address, (d) at the addresses set forth in the other records of the Debtors or the respective Liquidating Trustee at the time of the Distribution or (e) in the case of the Holder of a Claim that is governed by an agreement and is administered by an agent or servicer, at the addresses contained in the official records of such agent or servicer.

Distributions shall be made from the Liquidating Trusts in accordance with the terms of this Plan and the Liquidating Trust Agreements.

In making Distributions under the Plan, the Liquidating Trustees may rely upon the accuracy of the claims register maintained by the Claims Agent in the Chapter 11 Cases, as modified by any Final Order of the Bankruptcy Court disallowing Claims in whole or in part.

2. Undeliverable and Unclaimed Distributions

If the Distribution to any Holder of an Allowed Claim is returned to either Liquidating Trustee as undeliverable or is otherwise unclaimed, no further Distributions shall be made to such Holder unless and until the applicable Liquidating Trustee is notified in writing of such Holder's then-current address, at which time all missed Distributions shall be made to such Holder without interest. Amounts in respect of undeliverable Distributions made by the Liquidating Trustees shall be returned to the applicable Liquidating Trustee until such Distributions are claimed. Each Liquidating Trustee shall, with respect to Cash, maintain in the applicable Liquidating Trust Cash on account of undeliverable and unclaimed Distributions until such time as a Distribution becomes deliverable, is claimed or is forfeited.

Any Holder of an Allowed Claim that does not assert a Claim pursuant to this Plan for an undeliverable or unclaimed Distribution within six (6) months after the last Distribution Date shall be deemed to have forfeited its Claim for such undeliverable or unclaimed Distribution and shall be forever barred and enjoined from asserting any such Claim for an undeliverable or unclaimed Distribution against the Debtors and their Estates, the Liquidating Trustees, the Liquidating Trusts, and their respective agents, attorneys, representatives, employees or independent contractors, and/or any of its and their property. In such cases, any Cash otherwise reserved for undeliverable or unclaimed Distributions shall become the property of the Liquidating Trusts free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary and shall be distributed in accordance with the terms of this Plan and the Liquidating Trust Agreements. Nothing contained in this Plan or the Liquidating Trust Agreements shall require the Debtors, or the Liquidating Trustees to attempt to locate any Holder of an Allowed Claim; *provided, however*, that in their sole discretion, each Liquidating Trustee may periodically publish notice of unclaimed Distributions.

D. Prepayment

Except as otherwise provided in this Plan or the Confirmation Order, at any time after the Effective Date and after appropriate reserves have been created for unpaid Allowed Administrative Claims and Disputed Administrative Claims that have not been Disallowed, the First Lien Term Lenders Liquidating Trustee shall have the right to prepay, without penalty, all or any portion of an Allowed Administrative Claim, an Allowed Revolver Secured Claim to the extent not paid in full in Cash on the Effective Date, Allowed Miscellaneous Secured Claim, or Allowed Priority Claim.

E. Means of Cash Payment

Except with respect to the payment of the Revolver Effective Date Cash, Cash payments made pursuant to this Plan shall be in U.S. dollars and shall be made, on and after the Effective Date, at the option and in the sole discretion of the Liquidating Trustees by (i) checks drawn on or (ii) wire transfers from a domestic bank selected by the Liquidating Trustee. The Revolver Effective Date Cash shall be paid by the Debtors to the Prepetition First Lien Revolver Administrative Agent on the Effective Date in U.S. dollars by wire transfer from a domestic bank selected by the Debtors. In the case of foreign creditors, Cash payments may be made, at the option of the Liquidating Trustees, in such funds and by such means as are necessary or customary in a particular jurisdiction.

F. Interest on Claims

Unless otherwise specifically provided for in this Plan, the Cash Collateral Order or the Confirmation Order, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims, and no Claimholder shall be entitled to interest accruing on or after the Commencement Date on any Claim, *provided, however*, that interest shall continue to accrue on the Prepetition First Lien Revolving Credit Facility, pursuant to the Cash Collateral Order, until the Revolver Effective Date Cash has been paid in full. Interest shall not accrue or be paid upon any Disputed Claim in respect of the period from the Commencement Date to the date a final Distribution is made thereon if and after such Disputed Claim becomes an Allowed Claim.

G. Withholding and Reporting Requirements

In connection with this Plan and all Distributions under this Plan, each Liquidating Trustee shall, to the extent applicable, comply with all tax withholding, payment, and reporting requirements (including the filing of grantor trust returns on behalf of their respective Liquidating Trust pursuant to Treasury Income Tax Regulation Section 1.671-4(a)) imposed by any federal, state, provincial, local, or foreign taxing authority, and all Distributions under this Plan shall be subject to any such withholding, payment, and reporting requirements. Each Liquidating Trustee shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding, payment, and reporting requirements. All amounts properly withheld from Distributions to a Holder as required by applicable law and paid over to the applicable taxing authority for the account of such Holder shall be treated as part of the Distributions to such Holder. All Persons holding Claims shall be required to provide any information necessary to effect information reporting and withholding of such taxes.

Notwithstanding any other provision of this Plan, (a) each Holder of an Allowed Claim that is to receive a Distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution, and (b) no Distribution shall be made to or on behalf of such Holder pursuant to this Plan unless and until such Holder has made arrangements satisfactory to the Liquidating Trustees for the payment and satisfaction of such withholding tax obligations or such tax obligation that would be imposed upon the Liquidating Trustees in connection with such Distribution. Any property to be distributed pursuant to this Plan shall, pending the implementation of such arrangements, be treated as an undeliverable Distribution pursuant to Article VI.C.2 of this Plan.

H. Setoffs

1. By a Debtor

Except as otherwise provided in the Plan, the Debtors, prior to the Effective Date, may, pursuant to Bankruptcy Code section 553 or applicable nonbankruptcy laws, but shall not be required to, set off against any Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, Claims of any nature whatsoever (excluding Released Claims and Avoidance Actions) that the Debtors may have against the Holder of such Claim. As of the Effective Date, each Liquidating Trustee, solely to the extent and in the order of priority provided below, may, pursuant to Bankruptcy Code section 553 or applicable nonbankruptcy laws, but shall not be required to, setoff against any Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, Claims of any nature whatsoever (excluding Released Claims and Avoidance Actions) that the Debtors may have against the Holder of such Claim; *provided, however*, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors, the Liquidating Trusts or the Liquidating Trustees of any such Claim (other than a Released Claim that the Debtors may have against such Holder) that the Debtors may have against such Holder. Notwithstanding the foregoing, set off rights with respect to a particular Holder shall be exercised by the Liquidating Trustees after the Effective Date in the following order of priority: (i) first, by the First Lien Lenders Liquidating Trustee to the extent of any affirmative recovery against a Holder or setoff against any Claim; and (ii) second, if and only if not exhausted by the First Lien Lenders Liquidating Trustee, by the GUC Liquidating Trustee to the extent of any Claims asserted by such Holder against the GUC Liquidating Trust. For the avoidance of doubt, the GUC Liquidating Trust shall not be entitled to any recovery on account of any setoff rights and such recovery shall constitute Other Assets and shall be the property of the First Lien Lenders Liquidating Trust.

2. By Non-Debtors

The Debtors and each Liquidating Trustee reserves all of their rights to assert that any Person seeking to exercise any setoff rights, right of subrogation, or recoupment of any kind against the Debtors and/or the applicable Liquidating Trust has waived such rights on the grounds that such Person has not properly or timely asserted such rights under the Bankruptcy Code or other applicable law or that such rights are not otherwise enforceable under any applicable law. Without limiting the preceding sentence, and except as otherwise expressly provided in this Plan: (i) a Claimholder may seek the liquidation of an unliquidated Claim in

connection with an objection to such Claim filed by the applicable Liquidating Trustee; (ii) a Claimholder may assert a setoff or recoupment as a defense or counterclaim in accordance with the Bankruptcy Rules and/or any other applicable rules in connection with any Cause of Action or other proceeding commenced by the First Lien Term Lenders Liquidating Trustee (subject to, prior to the Effective Date, the Debtors' right, and after the Effective Date, the First Lien Term Lenders Liquidating Trustee's right, to object in good faith to such assertion); and (iii) any Person that is named as an additional insured or loss payee or is otherwise expressly entitled to receive payment from the Debtors' insurers directly under the Debtors' insurance policies, but only to the extent of such coverage payable to such Person in such capacities, may seek recovery from any insurer of the Debtors but without duplication of any Distribution such Person would otherwise receive under the Plan in lieu of such insurance policy; *provided however*, that: (a) other than with respect to claims asserted under the Existing D&O Insurance Policies, such Person may not recover under any such insurance policy if it would not be entitled to receive a Distribution on account of its Claim and (b) other than with respect to insurance coverage of any former or current director or officer of the Debtors under the Existing D&O Insurance Policies (and the proceeds thereof paid to, for the benefit of, or on behalf of any such director or officer), (x) prior to the Effective Date, the Debtors do not waive, and expressly reserve their rights to assert that any insurance coverage (and the proceeds thereof) is property of the Estates to which they are entitled; (y) after the Effective Date, the First Lien Term Lenders Liquidating Trustee does not waive, and expressly reserves its right to assert that any insurance coverage (and the proceeds thereof) is property of the First Lien Term Lenders Liquidating Trust to which it is entitled; and (z) both before and after the Effective Date, the Prepetition Secured Parties pursuant to and in accordance with the Prepetition First Lien Credit Documents and the Cash Collateral Order, do not waive and expressly reserve the right to assert, that any such insurance policies, and the proceeds thereof, are and remain subject to a first priority Lien in favor of the Prepetition Secured Parties and all other rights and interests in such insurance policies (and the proceeds thereof) granted to the Prepetition Secured Parties under the Prepetition First Lien Credit Documents and the Cash Collateral Order.

For the avoidance of doubt, (i) landlords which have filed Claims on or before the applicable Bar Date may assert claims for year-end adjustments and reconciliations of such Claims that were contained or reserved for in such Claims; and (ii) Creditors may assert any valid right of setoff or recoupment that it may have, subject to the rights of the Debtors and each Liquidating Trustee to assert that any Person seeking to exercise any setoff rights or recoupment of any kind against the Debtors and/or the applicable Liquidating Trust has waived such rights on the grounds that such Person has not properly or timely asserted such rights under the Bankruptcy Code or other applicable law or that such rights are not otherwise enforceable under any applicable law.

I. Procedure for Treating and Resolving Disputed, Contingent and/or Unliquidated Claims

1. Objection Deadline; Prosecution of Objections

Except as set forth in the Plan with respect to Administrative Claims, all objections to Claims must be filed and served on the Holders of such Claims by the Claims Objection Deadline, as the same may be extended by the Bankruptcy Court. If an objection has not been filed to a Proof of Claim or the Schedules have not been amended with respect to a

Claim that (i) was Scheduled by the Debtors but (ii) was not Scheduled as contingent, unliquidated, and/or disputed, by the Claims Objection Deadline, as the same may be extended by order of the Bankruptcy Court, the Claim to which the Proof of Claim or Scheduled Claim relates will be treated as an Allowed Claim if such Claim has not been allowed earlier. Notice of any motion for an order extending the Claims Objection Deadline shall be required to be given only to those persons or entities that have requested notice in the Chapter 11 Cases, or to such persons as the Bankruptcy Court shall order.

From the Confirmation Date through the Effective Date: (i) the Debtors may file objections, settle, compromise, withdraw, or litigate to judgment objections to Claims; (ii) the Committee may file objections, settle, compromise, withdraw or litigate to judgment objections to General Unsecured Claims; (iii) the Prepetition Secured Parties may file objections, settle, compromise, withdraw or litigate to judgment objections to Administrative Claims and/or Priority Claims; *provided, however*, that the Committee, the Debtors, the Liquidating Trustees and the Prepetition Secured Parties shall not file any objection to any Claim to the extent such objection is inconsistent with the Global Plan Settlement. Subject to the terms of the Liquidating Trust Agreements, from and after the Effective Date, a Liquidating Trustee may settle or compromise any Disputed Claim which, if such Claim were an Allowed Claim would be payable by such Liquidating Trust under the Plan, without approval of the Bankruptcy Court; *provided, however*, that (1) the First Lien Term Lenders Liquidating Trustee shall have the sole authority to assert, settle, compromise, withdraw, or litigate to judgment objections to (a) all Claims other than Class 5 Claims and (2) the GUC Liquidating Trustee shall have the sole authority to assert, settle, compromise, withdraw, or litigate to judgment objections to Class 5 Claims.

2. No Distributions on Disputed Claims

Notwithstanding any other provision of the Plan or the Liquidating Trust Agreements, no payments or Distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim; *provided, however*, that if the only dispute regarding a Disputed Claim is to the amount of the Disputed Claim, the Holder of a Disputed Claim shall be entitled to a Distribution on account of that portion of the Disputed Claim which the Debtors or the applicable Liquidating Trustee does not dispute at the time and in the manner that the applicable Liquidating Trustee makes Distributions to Holders of Allowed Claims pursuant to the provisions of the Plan.

The First Lien Term Lenders Liquidating Trustee (with respect to Administrative Claims and/or Priority Claims) and the GUC Liquidating Trustee (with respect to General Unsecured Claims) may, in their discretion and consistent with each of their respective Liquidating Trust Agreements, seek an Order of the Bankruptcy Court seeking approval of a maximum reserve with regard to a Disputed Claim for which their respective Liquidating Trust is responsible in order to facilitate Distributions to the Holders of Allowed Claims in such Liquidating Trust.

3. Distributions on Allowed Claims

Except as otherwise provided in the Plan, on the earlier of (a) the Distribution Date following the date when a Disputed Claim becomes an Allowed Claim or (b) sixty (60) days after such Disputed Claim becomes an Allowed Claim, the applicable Liquidating Trustee will distribute to the Claimholder any Cash from the applicable Liquidating Trust that would have been distributed on the dates Distributions were previously made to Claimholders had such Allowed Claim been an Allowed Claim on such dates.

All Distributions made under this Article of the Plan on account of an Allowed Claim will be made together with any dividends, payments, or other Distributions made on account of, as well as any obligations arising from, the distributed property as if such Allowed Claim had been an Allowed Claim on the dates Distributions were previously made to Holders of other Allowed Claims included in the applicable Class.

4. De Minimis Distributions

Except as otherwise provided in the Plan, the Liquidating Trustees shall not have any obligation to make a Distribution on account of an Allowed Claim if the amount to be distributed to the specific Holder of the Allowed Claim on the particular Distribution Date does not constitute a final Distribution to such Holder and such Distribution has a value less than \$25.00. The Liquidating Trustees shall have no obligation to make any Distribution on Claims Allowed in an amount less than \$500.00. Any undistributed Cash will vest in the applicable Liquidating Trust and become Available Cash for Distribution on the final Distribution.

Notwithstanding any other provision of this Plan, if and to the extent that either Liquidating Trustees has Available Cash remaining of no more than \$50,000 after a Distribution has been made, that Liquidating Trustee, may in lieu of making further Distributions donate such Available Cash to a charitable organization designated by the beneficiaries of the applicable Liquidating Trust.

J. Fractional Dollars

Any other provision of this Plan notwithstanding, the Liquidating Trustees shall not be required to make Distributions or payments of fractions of dollars. Whenever any payment of a fraction of a dollar under this Plan would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down.

K. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a Distribution under this Plan is composed of indebtedness and accrued but unpaid interest thereon, such Distribution shall, for all income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

L. Distribution Record Date

The Liquidating Trustees will have no obligation to recognize the transfer of or sale of any participation in any Allowed Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes herein to recognize, deal with and distribute only to those Holders of Allowed Claims who are record Holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date, as stated on the official claims register.

M. Allowance of Certain Claims

The Revolver Secured Claims shall be deemed by the Plan to be Allowed Class 3 Claims in the aggregate amount equal to the sum of (i) the Revolver Pre-Effective Date Secured Claims and (ii) the Revolver Post-Effective Date Secured Claims. Without limitation of the foregoing, it is acknowledged that, as of the filing of the Plan, the outstanding principal balance of the loans extended to the Debtors by the Prepetition First Lien Revolver Lenders under the Prepetition First Lien Revolving Credit Facility is \$55,000,000.

The Prepetition First Lien Term Loan Secured Claims shall be deemed by the Plan to be Allowed Class 4 Claims.

The Prepetition Second Lien Term Loan Claim shall be deemed by the Plan to be an Allowed Class 5 Claim in the aggregate amount of \$151,623,195.20.

ARTICLE VII.

**TREATMENT OF EXECUTORY CONTRACTS
AND UNEXPIRED LEASES**

A. Rejected Contracts and Leases

Except as otherwise provided in the Confirmation Order, the Plan, or any other Plan Document, the Confirmation Order shall constitute an order under Bankruptcy Code section 365 rejecting all prepetition executory contracts and unexpired leases to which any Debtor is a party, to the extent such contracts or leases are executory contracts or unexpired leases, on and subject to the occurrence of the Effective Date, unless such contract or lease (a) previously shall have been assumed, assumed and assigned, or rejected by the Debtors, (b) previously shall have expired or terminated pursuant to its own terms before the Effective Date, (c) is the subject of a pending motion to assume or reject on the Confirmation Date, or (d) is identified in Exhibit C to this Plan; *provided, however*, that the Debtors may amend such Exhibit C at any time prior to the Confirmation Date; *provided further however*, that listing an insurance agreement on such Exhibit shall not constitute an admission by a Debtor that such agreement is an executory contract or that any Debtor has any liability thereunder. Nothing herein or in the Confirmation Order shall be deemed to provide for or permit the rejection of the Tail Coverage or any other Existing D&O Insurance Policy and the Tail Coverage and the Existing D&O Insurance Policies shall remain in full force in effect on and after the Effective Date.

B. Bar Date for to Rejection Damages

If the rejection of an executory contract or unexpired lease pursuant to Article VII.A above gives rise to a Claim by the other party or parties to such contract or lease, such Claim shall be forever barred and shall not be enforceable against the applicable Debtor or its Estate, the Liquidating Trusts, or their respective successors or properties unless a Proof of Claim is filed and served on the GUC Liquidating Trust and counsel for the GUC Liquidating Trustee within thirty (30) days after service of a notice of the Effective Date or such other date as is prescribed by the Bankruptcy Court.

C. Assumed and Assigned Contracts and Leases

Except as otherwise provided in the Confirmation Order, the Plan, or any other Plan Document entered into after the Commencement Date or in connection with the Plan, the Confirmation Order shall constitute an order under Bankruptcy Code section 365 assuming, as of the Effective Date, those contracts listed on Exhibit C to this Plan; *provided, however*, that the Debtors may amend such Exhibit at any time prior to the Confirmation Date; *provided further, however*, that listing an insurance agreement on such Exhibit shall not constitute an admission by a Debtor that such agreement is an executory contract or that any Debtor has any liability thereunder.

ARTICLE VIII.

CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Conditions to Confirmation

The following are conditions precedent to the occurrence of the Confirmation Date:

1. A Final Order finding that the Disclosure Statement contains adequate information pursuant to Bankruptcy Code section 1125 shall have been entered by the Bankruptcy Court;
2. A proposed Confirmation Order in form and substance, reasonably acceptable to the Debtors, the Committee and the Prepetition Secured Parties shall have been filed with the Bankruptcy Court;
3. Approval of all provisions, terms and conditions hereof in the Confirmation Order and;
4. The aggregate amount of Allowed Priority Claims, Allowed Administrative Claims, and Allowed Miscellaneous Secured Claims (together with all Disputed Claims of the foregoing Classes) shall not reasonably be expected to exceed \$[] in the aggregate, as determined by the Debtors and the respective Requisite Lenders of the Prepetition Secured Parties.

B. Conditions to Effective Date

The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied or waived in writing in accordance with Article VIII.C:

1. The Confirmation Order shall have been entered and become a Final Order and shall provide that the Debtors, the Liquidating Trusts, and the Liquidating Trustees are authorized and directed to take all actions necessary or appropriate by each of them to enter into, implement and consummate the contracts, instruments, releases, leases, indentures, and other agreements or documents created in connection with the Plan or effectuate, advance, or further the purposes thereof;
2. All Plan Exhibits shall be, in form and substance, reasonably acceptable to the Debtors, the Committee and the Prepetition Secured Parties, and shall have been executed and delivered by all parties' signatory thereto;
3. The Debtors shall be authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, leases, indentures, and the agreements or documents created in connection with, and expressly provided for under, the Plan;
4. The Revolver Effective Date Cash shall have been paid by the Debtors to the Prepetition First Lien Revolver Administrative Agent;
5. Immediately prior to and as of the Effective Date, the Creditor Funds Payment Events (other than the occurrence of the Effective Date) have been satisfied and would each remain satisfied upon the occurrence of and immediately after giving effect to the Effective Date; and
6. All other actions, documents, and agreements necessary to implement the Plan shall have been effected or executed.

C. Waiver of Conditions

Subject to the joint agreement of the Requisite Lenders under both Prepetition First Lien Credit Agreements, each of the conditions set forth in Article VIII.A and VIII.B of the Plan may be waived in whole or in part by the Debtors. Notwithstanding the preceding sentence, the Committee's written consent to any waiver of a condition set forth in Article VIII.A and VIII.B shall be obtained if such waiver would be inconsistent with rights of and the benefits conferred upon the Committee, Holders of General Unsecured Claims, Holders of Administrative Claims, the Studios, or Warner Home Video pursuant to the Global Plan Settlement or would adversely effect the payment of General Unsecured Claims or Administrative Claims. The failure to satisfy or waive any condition to the Effective Date may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of a party to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

D. Consequences of Non-Occurrence of Effective Date

Subject to the prior written consent of the Requisite Lenders under both Prepetition First Lien Credit Agreements, in the event that the Effective Date does not timely occur, the Debtors reserve all rights to seek an order from the Bankruptcy Court directing that the Confirmation Order be vacated, that the Plan be null and void in all respects, and/or that any settlement of Claims provided for in the Plan be null and void. In the event that the Bankruptcy Court shall enter an order vacating the Confirmation Order, the time within which the Debtors may assume and assign or reject all executory contracts and unexpired leases not previously assumed, assumed and assigned, or rejected, shall be extended for a period of thirty (30) days after the date the Confirmation Order is vacated, without prejudice to further extensions.

E. Substantial Consummation

Substantial consummation of the Plan, as defined in Bankruptcy Code section 1101(2), shall not be deemed to have occurred unless and until all Allowed Administrative Claims, Allowed Priority Claims, Class 2 Claims and Class 3 Claims have been paid in full or funds sufficient to satisfy the Face Amount of all such Claims have been placed in segregated reserves, subject to the other terms and conditions of this Plan governing reserves and the rights of the Prepetition First Lien Liquidating Trustee to object (to the extent not inconsistent with the Term Sheet) in good faith on any grounds to the validity, amount or priority of any such Claims.

ARTICLE IX.

ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS

A. Professional Fee Claims

1. Final Fee Applications

The Final Fee Applications must be filed no later than forty-five (45) days after the Effective Date. Objections, if any, to Final Fee Applications of such Professionals must be filed and served on the First Lien Term Lenders Liquidating Trustee and its counsel, the requesting Professional and the Office of the U.S. Trustee no later than ten (10) days from the date on which each such Final Fee Application is served and filed. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court, the allowed amounts of such Professional Fee Claims shall be determined by the Court. No objections to Final Fee Applications may be asserted after ten (10) days from the date on which such Final Fee Application was served and filed.

2. Employment of Professionals after the Effective Date

Except as otherwise provided for in the Liquidating Trust Agreements, from and after the Effective Date, any requirement that Professionals comply with Bankruptcy Code sections 327 through 331 or any order previously entered by the Bankruptcy Court in seeking retention or compensation for services rendered or expenses incurred after such date shall terminate.

B. *Other Administrative Claims*

All other requests for allowance and payment of an Administrative Claim arising after the Initial Administrative Claims Bar Date, up to and through the Effective Date, other than Professional Fee Claims, must be filed with the Court and served on counsel for the Debtors and the Prepetition Secured Parties no later than the Final Administrative Claims Bar Date. Unless the First Lien Term Lenders Liquidating Trustee or the Debtors objects to an Administrative Claim by the Administrative Claims Objection Deadline, such Administrative Claim shall be deemed allowed in the amount requested. In the event that the First Lien Term Lenders Liquidating Trustee or the Debtors objects to an Administrative Claim, the Bankruptcy Court shall determine the allowed amount of such Administrative Claim.

ARTICLE X.

EFFECT OF PLAN CONFIRMATION

A. *Binding Effect*

This Plan shall be binding upon and inure to the benefit of the Debtors, all present and former Holders of Claims and Interests, and their respective successors and assigns, including, but not limited to, the Liquidating Trusts and the Liquidating Trustees.

B. *Compromise and Settlement*

Notwithstanding anything contained herein to the contrary, the allowance, classification and treatment of all Allowed Claims and their respective distributions and treatments hereunder takes into account and conforms to the relative priority and rights of the Claims and the Interests in each Class with due regard to any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, sections 510(b) and (c) of the Bankruptcy Code or otherwise. As of the Effective Date, any and all such rights described in the preceding sentence are settled, compromised and released pursuant hereto. The Confirmation Order will constitute the Bankruptcy Court's finding and determination that the settlements reflected in the Plan are (1) in the best interests of the Debtors, their Estates and all Holders of Claims, (2) fair, equitable and reasonable, (3) made in good faith and (4) approved by the Bankruptcy Court pursuant to Bankruptcy Rule 9019. In addition, the allowance, classification and treatment of Allowed Claims take into account any Causes of Action, whether under the Bankruptcy Code or otherwise under applicable non-bankruptcy law, that may exist: (1) between the Debtors, on the one hand, and the Debtor Releasees, on the other; and (2) as between the Releasing Parties and the Third Party Releasees (to the extent set forth in the Third Party Release); and, as of the Effective Date, any and all such Causes of Action are settled, compromised and released pursuant hereto. The Confirmation Order shall approve and effectuate the releases by all Persons of all such contractual, legal and equitable subordination rights or Causes of Action that are satisfied, compromised and settled pursuant hereto.

Provided such compromise and settlement is effected in accordance with the provisions of this Plan, and pursuant to Bankruptcy Rule 9019, without any further notice to or action, order or approval of the Bankruptcy Court (except to the extent necessary to avoid

prejudice to the other Liquidating Trust), after the Effective Date: (1) the First Lien Term Lenders Liquidating Trustee may, in its sole and absolute discretion, compromise and settle (a) Administrative Claims after the Effective Date, Priority Claims or Class 2 Claims and (b) Causes of Action against other Persons; and (2) the GUC Liquidating Trustee may, in its sole and absolute discretion, compromise and settle Class 5 Claims.

C. Debtor Release

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES, INCLUDING, WITHOUT LIMITATION: (1) THE RELEASES OF LIENS AND ALL OTHER GOOD AND VALUABLE CONSIDERATION PAID PURSUANT HERETO; (2) THE AGREEMENT OF THE PREPETITION SECURED PARTIES AND LENADO TO PROVIDE THE SUPPORT NECESSARY FOR CONSUMMATION OF THE PLAN; AND (3) THE SERVICES OF THE DEBTORS' PRESENT AND FORMER OFFICERS, DIRECTORS, MEMBERS (INCLUDING *EX OFFICIO* MEMBERS) AND ADVISORS IN FACILITATING THE EXPEDITIOUS IMPLEMENTATION OF THE LIQUIDATION CONTEMPLATED HEREBY, EACH OF THE DEBTOR RELEASORS SHALL FULLY RELEASE (AND, AUTOMATICALLY WITHOUT FURTHER ACTION, EACH SUCH DEBTOR RELEASEE AND THIRD PARTY RELEASEE SO RELEASED SHALL BE DEEMED FULLY RELEASED BY THE DEBTOR RELEASORS) EACH DEBTOR RELEASEE AND EACH THIRD PARTY RELEASEE AND THEIR RESPECTIVE PROPERTIES FROM ANY AND ALL AVOIDANCE ACTIONS AND ALL CAUSES OF ACTION, WHETHER KNOWN OR UNKNOWN, WHETHER ARISING PRIOR TO OR AFTER THE COMMENCEMENT DATE, FORESEEN OR UNFORESEEN, LIQUIDATED OR UNLIQUIDATED, CONTINGENT OR NON-CONTINGENT, EXISTING AS OF THE EFFECTIVE DATE IN LAW, AT EQUITY, WHETHER FOR TORT, FRAUD, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS OR THEIR ESTATES, INCLUDING, WITHOUT LIMITATION, THOSE THAT ANY OF THE DEBTORS OR THE LIQUIDATING TRUSTS WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT IN THEIR OWN RIGHT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR THAT ANY HOLDER OF A CLAIM OR AN INTEREST OR OTHER ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT ON BEHALF OF ANY OF THE DEBTORS OR ANY OF THEIR ESTATES, AND FURTHER INCLUDING THOSE IN ANY WAY RELATED TO THE CHAPTER 11 CASES, THE PLAN, THE DISCLOSURE STATEMENT, THE SALE OR LIQUIDATION OF ANY PROPERTY OF THE ESTATES, THE CLOSING OF ANY OF THE DEBTORS' STORES, THE DEBTORS' BUSINESSES AND OPERATIONS, THE DEBTORS' INTERESTS, THE DEBTORS' DEBT OBLIGATIONS, THE DEBTORS' FINANCING AGREEMENTS, THE DEBTORS' LEASES AND OTHER CONTRACTS, THE DEBTORS' PRIOR BANKRUPTCY CASES, OR THE TRANSACTIONS CONTEMPLATED IN CONNECTION WITH THE DEBTORS' PRIOR BANKRUPTCY CASES; *PROVIDED, HOWEVER*, THAT (1) THE FOREGOING "DEBTOR RELEASE" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CAUSES OF ACTION OF ANY DEBTOR AND/OR A LIQUIDATING TRUST AGAINST A THIRD PARTY RELEASEE (OTHER THAN: (I) ALL CURRENT AND FORMER PREPETITION SECURED PARTIES AND THEIR RELATED PARTIES, (II) LENADO AND ITS RELATED PARTIES,

AND (III) THE COMMITTEE, THE STUDIOS, AND WARNER HOME VIDEO) ARISING FROM ANY CONTRACTUAL OBLIGATIONS OWED TO THE DEBTORS AND/OR A LIQUIDATING TRUST; (2) NOTWITHSTANDING THE FOREGOING "DEBTOR RELEASE", THE DEBTORS, THE LIQUIDATING TRUSTS, THE LIQUIDATING TRUSTEES, THE PREPETITION SECURED PARTIES, LENADO, THE COMMITTEE, THE STUDIOS AND WARNER HOME VIDEO SHALL HAVE THE RIGHT TO SEEK SPECIFIC ENFORCEMENT OF THE GLOBAL PLAN SETTLEMENT INCLUDING THE TERM SHEET, BY ANY PARTY THERETO DIRECTLY OR THROUGH THE PLAN; AND (3) NOTWITHSTANDING THE FOREGOING "DEBTOR RELEASE", THE DEBTORS AND/OR THE APPLICABLE LIQUIDATING TRUST SHALL HAVE THE RIGHT TO SEEK THE RETURN, RECOUPMENT OR SETOFF OF ANY OVERPAYMENT MADE BY THE DEBTORS OR SUCH APPLICABLE LIQUIDATING TRUST TO A STUDIO OR WARNER HOME VIDEO AND THEIR RELATED PARTIES.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTOR RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE DEBTOR RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE DEBTORS OR THE LIQUIDATING TRUSTS ASSERTING ANY CLAIM RELEASED BY THE DEBTOR RELEASE AGAINST ANY OF THE DEBTOR RELEASEES OR ANY OF THE THIRD PARTY RELEASEES.

D. Third Party Release

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE RELEASING PARTIES (REGARDLESS OF WHETHER A RELEASING PARTY IS A THIRD PARTY RELEASEE) SHALL FULLY RELEASE (AND, AUTOMATICALLY WITHOUT FURTHER ACTION, EACH ENTITY SO RELEASED SHALL BE DEEMED RELEASED BY THE RELEASING PARTIES) THE DEBTORS, THE DEBTOR RELEASEES, AND THE THIRD PARTY RELEASEES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL AVOIDANCE ACTIONS AND ALL CAUSES OF ACTION, WHETHER KNOWN OR UNKNOWN, WHETHER ARISING PRIOR TO OR AFTER THE COMMENCEMENT DATE, FORESEEN OR UNFORESEEN, LIQUIDATED OR UNLIQUIDATED, CONTINGENT OR NON-CONTINGENT, EXISTING AS OF THE EFFECTIVE DATE IN LAW, AT EQUITY, WHETHER FOR TORT, FRAUD, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS OR THEIR ESTATES, INCLUDING, WITHOUT LIMITATION, THOSE IN ANY WAY RELATED TO THE CHAPTER 11 CASES, THE PLAN, THE SALE OR LIQUIDATION OF ANY PROPERTY OF THE ESTATES, THE CLOSING OF ANY OF THE DEBTORS'

STORES, THE DEBTORS' BUSINESSES AND OPERATIONS, THE DEBTORS' INTERESTS, THE DEBTORS' DEBT OBLIGATIONS, THE DEBTORS' FINANCING AGREEMENTS, THE DEBTORS' LEASES AND OTHER CONTRACTS, THE DEBTORS' PRIOR BANKRUPTCY CASES, OR THE TRANSACTIONS CONTEMPLATED IN CONNECTION WITH THE DEBTORS' PRIOR BANKRUPTCY CASES; *PROVIDED, HOWEVER*, THAT (1) THE FOREGOING "THIRD PARTY RELEASE", SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CAUSES OF ACTION OF ANY THIRD PARTY RELEASOR AND/OR A LIQUIDATING TRUST AGAINST A THIRD PARTY RELEASEE (OTHER THAN: (I) ALL CURRENT AND FORMER PREPETITION SECURED PARTIES AND THEIR RELATED PARTIES, (II) LENADO AND ITS RELATED PARTIES, AND (III) THE COMMITTEE, THE STUDIOS, AND WARNER HOME VIDEO) ARISING FROM ANY CONTRACTUAL OBLIGATIONS OWED TO THE DEBTORS AND/OR A LIQUIDATING TRUST; (2) NOTWITHSTANDING THE FOREGOING "THIRD PARTY RELEASE" THE DEBTORS, THE LIQUIDATING TRUSTS, THE LIQUIDATING TRUSTEES, THE PREPETITION SECURED PARTIES, LENADO, THE COMMITTEE, THE STUDIOS AND WARNER HOME VIDEO SHALL HAVE THE RIGHT TO SEEK SPECIFIC ENFORCEMENT OF THE GLOBAL PLAN SETTLEMENT, INCLUDING THE TERM SHEET, BY ANY PARTY THERETO DIRECTLY OR THROUGH THE PLAN; (3) NOTWITHSTANDING THE FOREGOING "THIRD PARTY RELEASE", THE DEBTORS AND/OR THE APPLICABLE LIQUIDATING TRUST SHALL HAVE THE RIGHT TO SEEK THE RETURN, RECOUPMENT OR SETOFF OF ANY OVERPAYMENT MADE BY THE DEBTORS OR SUCH APPLICABLE LIQUIDATING TRUST TO A STUDIO OR WARNER HOME VIDEO; AND (4) THE FOREGOING "THIRD PARTY RELEASE" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR RIGHTS EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN OR OTHERWISE PRECLUDE ANY PERSON FROM EXERCISING THEIR RIGHTS PURSUANT TO AND CONSISTENT WITH THE TERMS OF THIS PLAN.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE THIRD PARTY RELEASEES, (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING ANY CLAIM RELEASED BY THE THIRD PARTY RELEASE AGAINST ANY OF THE THIRD PARTY RELEASEES.

E. Exculpation

Without limiting or restricting any other release or waiver provided in the Plan, the Confirmation Order, the Cash Collateral Order, or other Final Order of the Bankruptcy Court, the Exculpated Parties shall neither have nor incur any liability to any Person for any prepetition or postpetition act taken or omitted to be taken during the Chapter 11 Cases or in connection

with, or related to (i) the preparation, filing, or timing of the commencement of the Chapter 11 Cases, or (ii) formulating, negotiating, preparing, disseminating, implementing, administering, confirming or effecting the Consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the closing of any of the Debtors' stores or other liquidation of the Debtors' assets; *provided, however*, that the foregoing "Exculpation" shall have no effect on the liability of any Person that results from any such act or omission that is determined in a Final Order to have constituted fraud, gross negligence or willful misconduct; *provided, further*, that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her or its duties pursuant to, or in connection with, the Plan; *provided, still further*, that the foregoing Exculpation shall not limit the ability of the Debtors, the Liquidating Trusts, the Liquidating Trustees, the Prepetition Secured Parties, Lenado, the Committee, the Studios or Warner Home Video to exercise any available right of specific performance remedies with respect to the Global Plan Settlement directly or through the Plan.

F. Indemnification

Except as otherwise provided in this Plan or any contract, instrument, release, or other agreement or document entered into in connection with this Plan, any and all prepetition indemnification obligations that the Debtors have pursuant to a contract, instrument, agreement, certificate of incorporation, by-law, comparable organizational document or any other document, or applicable law shall be rejected as of the Effective Date, to the extent executory; *provided, however*, that: (i) the Debtors shall acquire the Tail Coverage, which shall be available to the directors and officers of the Debtors who were directors or officers on or after the Commencement Date, (ii) all rights of such directors and officers under the Tail Coverage and the Debtors' Existing D&O Insurance Policies hereby are expressly reserved, and (iii) the Debtors, or following the Effective Date, the Liquidating Trustees, the First Lien Term Lenders Liquidating Trust Oversight Board and the GUC Liquidating Trust Oversight Committee shall take any action reasonably requested by any such director or officer to preserve the Debtors' Existing D&O Insurance Policies, shall take no action to amend, limit, terminate, cancel, or reduce any Existing D&O Insurance Policy, and shall otherwise cooperate with such directors and officers in connection with the maintenance of the Existing D&O Insurance Policies; *provided further*, that, (i) to the extent any claims released pursuant to the Debtor Release or the Third Party Release are pursued against any of the Debtor Releasees or any of the Third Party Releasees, respectively, the First Lien Term Lenders Liquidating Trust shall indemnify any such Debtor Releasees or Third Party Releasees that are Prepetition Secured Parties, or their respective Related Parties (the "Prepetition Secured Parties Indemnified Persons") and (ii) without in any way limiting the generality of, or reducing the scope of, the foregoing indemnities, to the extent any claims released pursuant to the Debtor Release or the Third Party Release are pursued against Lenado (in any capacity other than as a Prepetition Secured Party) (the "**Lenado Indemnified Persons**"; the Prepetition Secured Parties Indemnified Persons together with the Lenado Indemnified Persons, the "**Indemnified Persons**") by the First Lien Term Lenders Liquidating Trust, the First Lien Term Lenders Liquidating Trustee, any Person who at any time after the Commencement Date through the Effective Date was a Prepetition First Lien Term Secured Party or a Related Person thereof or any Person on behalf of the foregoing, the First Lien Term Lenders Liquidating Trust shall indemnify Lenado in such other capacities, except that the First Lien Term Lenders Liquidating Trust shall not indemnify any

such Person referred to in the preceding clauses “i” and “ii” with respect to any act or omission that is determined in a Final Order to have constituted fraud, gross negligence or willful misconduct. **THE PREPETITION FIRST LIEN LIQUIDATING TRUSTEE HEREBY RESERVES ALL OF ITS RIGHTS AND REMEDIES, INCLUDING THE RIGHT TO COMMENCE LITIGATION FOR MONEY DAMAGES AGAINST ANY PREPETITION SECURED PARTY (OR ANY PERSON THAT WAS A PREPETITION SECURED PARTY AT ANY TIME FROM THE COMMENCEMENT DATE THROUGH THE EFFECTIVE DATE OR ANY OF THEIR RELATED PERSONS) (A “SECURED PARTY CLAIMANT”)** IN THE EVENT THAT ANY SECURED PARTY CLAIMANT PURSUES ANY CLAIMS AGAINST ANY INDEMNIFIED PERSON WHICH CLAIMS WERE, OR WERE DEEMED TO BE, RELEASED BY THE DEBTOR RELEASE OR THE THIRD PARTY RELEASE AND WHICH PURSUIT, DIRECTLY OR INDIRECTLY, CAUSES OR RESULTS IN THE FIRST LIEN LIQUIDATING TRUST MAKING ANY PAYMENT OR INCURRING ANY OTHER LIABILITY, COST, OR EXPENSE INCLUDING, WITHOUT LIMITATION, UNDER OR AS A RESULT OF THE INDEMNITY GRANTED BY THE PREPETITION FIRST LIEN LIQUIDATING TRUST UNDER THIS ARTICLE X(F). No Prepetition Secured Party or Related Party other than a Secured Party Claimant shall be subject to any loss, cost, expenses, or other liability under the immediately preceding sentence.

For the avoidance of doubt: (i) the Liquidating Trustees, the First Lien Term Lenders Liquidating Trust Oversight Board, and the GUC Liquidating Trust Oversight Committee shall have no power or authority to terminate or impair benefits provided under the Tail Coverage or the Debtors’ Existing D&O Insurance Policies; (ii) notwithstanding the Chapter 11 Cases, this Plan, and the Confirmation Order, all rights and benefits of any current or former director or officer of the Debtors under any of (a) the Debtors’ Existing D&O Insurance Policies are expressly reserved and, after the Effective Date, shall survive and shall be fully enforceable and (b) the Debtors’ other insurance policies in force on the Effective Date which name a director or officer as an additional insured or loss payee or otherwise expressly by their terms provide that a director or officer may receive payment on a claim thereunder are reserved, and, after the Effective Date, shall survive and shall be fully enforceable *provided, however*, that the First Lien Term Lenders Liquidating Trust shall retain and hereby reserves all rights that the Debtors possess under applicable law or the terms of such other insurance policy to amend or terminate any such other insurance policy if the First Lien Liquidating Trustee reasonably determines that the rights or benefits conferred to such director and officer are to the material economic detriment of the First Lien Liquidating Trust or that the rights and benefits conferred on the directors and officers under such other insurance policies, after reasonable written notice to any affected director or officer, shall have any other material adverse financial effect on, or give rise to any material liability of the First Lien Term Lenders Liquidating Trust; *provided*, further, that the First Lien Term Lenders Liquidating Trust shall be under no obligation to pay any premium or incur any other expense or liability with respect to any such other insurance policy; (iii) all postpetition indemnification obligations owed by the Debtors or the Estates to (a) the Debtors’ directors, managers, or officers serving in such positions on or after the Commencement Date and (b) the Prepetition Secured Parties, that the Debtors have pursuant to a contract, instrument, agreement, certificate of incorporation, by-law, comparable organizational document or any other document, or applicable law shall survive Consummation of this Plan; and (iv) nothing herein shall impair the rights of the Prepetition Secured Parties to assert indemnity rights under the Prepetition First Lien Credit Documents and to include amounts

payable to the Prepetition Secured Parties on account of such indemnity rights in the Prepetition First Lien Secured Claims.

G. Injunction

PURSUANT TO BANKRUPTCY CODE SECTION 1141(D)(3), CONFIRMATION WILL NOT DISCHARGE CLAIMS AGAINST THE DEBTORS; *PROVIDED, HOWEVER*, THAT NO CLAIMHOLDER OR INTEREST HOLDER MAY, ON ACCOUNT OF SUCH CLAIM OR INTEREST, SEEK OR RECEIVE ANY PAYMENT OR OTHER DISTRIBUTION FROM, OR SEEK RECOURSE AGAINST, ANY DEBTOR OR THE ESTATE OF ANY DEBTOR, THE LIQUIDATING TRUSTS, THE LIQUIDATING TRUSTEES, FIRST LIEN TERM LENDERS LIQUIDATING TRUST OVERSIGHT BOARD AND ITS MEMBERS, GUC LIQUIDATING TRUST OVERSIGHT COMMITTEE AND/OR THEIR RESPECTIVE SUCCESSORS, ASSIGNS AND/OR PROPERTY, EXCEPT AS EXPRESSLY PROVIDED IN THIS PLAN. NOTWITHSTANDING THE PRECEDING SENTENCE, THE INJUNCTIONS SET FORTH BELOW SHALL APPLY TO IMPLEMENT THE PLAN.

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, ALL PERSONS WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS, INTERESTS, AVOIDANCE ACTIONS, CAUSES OF ACTION OR LIABILITIES THAT: (A) HAVE BEEN RELEASED PURSUANT TO ARTICLE X.C OR ARTICLE X.D HEREOF; OR (B) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE (BUT ONLY TO THE EXTENT OF THE EXCULPATION PROVIDED IN Article X.E) ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (INCLUDING THE DEBTORS AND THE LIQUIDATING TRUSTS) (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, INTERESTS, AVOIDANCE ACTIONS, CAUSES OF ACTION OR LIABILITIES; (2) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (INCLUDING THE DEBTORS AND THE LIQUIDATING TRUSTS) (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, INTERESTS, AVOIDANCE ACTIONS, CAUSES OF ACTION OR LIABILITIES; (3) CREATING, PERFECTING OR ENFORCING ANY LIEN, CLAIM OR ENCUMBRANCE OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (INCLUDING THE DEBTORS AND THE LIQUIDATING TRUSTS) (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, INTERESTS, AVOIDANCE ACTIONS, CAUSES OF ACTION OR LIABILITIES; (4) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (INCLUDING THE DEBTORS AND

THE LIQUIDATING TRUSTS) (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, INTERESTS, AVOIDANCE ACTIONS, CAUSES OF ACTION OR LIABILITIES UNLESS SUCH HOLDER HAS FILED A MOTION REQUESTING THE RIGHT TO PERFORM SUCH SETOFF ON OR BEFORE THE CONFIRMATION DATE, AND NOTWITHSTANDING AN INDICATION IN A PROOF OF CLAIM OR INTEREST OR OTHERWISE THAT SUCH HOLDER ASSERTS, HAS OR INTENDS TO PRESERVE ANY RIGHT OF SETOFF PURSUANT TO SECTION 553 OF THE BANKRUPTCY CODE OR OTHERWISE; AND (5) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (INCLUDING THE DEBTORS AND THE LIQUIDATING TRUSTS) (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, INTERESTS, AVOIDANCE ACTIONS, CAUSES OF ACTION OR LIABILITIES RELEASED OR SETTLED PURSUANT TO THE PLAN. ANY PERSON OR ENTITY INJURED BY ANY WILLFUL VIOLATION OF THIS INJUNCTION MAY SEEK TO RECOVER ACTUAL DAMAGES, INCLUDING COSTS AND ATTORNEYS' FEES, AND, IN APPROPRIATE CIRCUMSTANCES, PUNITIVE DAMAGES FROM THE WILLFUL VIOLATOR.

H. Dissolution of the Committee

Effective on the Effective Date, the Committee shall have no further powers or duties and shall be dissolved for all purposes; *provided, however*, that the Committee and the Professionals employed by the Committee shall be entitled to reasonable compensation and reimbursement of actual, necessary expenses for the preparation, filing, and prosecution of Final Fee Applications, upon the submission of invoices to the Debtors. Any time or expenses incurred in the preparation, filing, and prosecution of Final Fee Applications shall be disclosed by each Professional in its Final Fee Application and shall be subject to approval of the Bankruptcy Court.

I. Studio Matters

The Debtors have timely performed all of their payment obligations to the Studios arising under Section 1(b) of that certain Accommodation Agreement among the Studios and the Debtors, as approved by the Bankruptcy Court Order entered on March 23, 2010, at Docket No. 791 (the "**Accommodation Agreement**"). The Studios, Warner Home Video, or the B Studios shall commence any revenue share audits of any "overages" for any rental or sale of any inventory of the Debtors no later than _____, 2010.

J. Waiver of Objection to Professional Fees

The Committee, each member of the Committee, the GUC Liquidating Trust, and the GUC Liquidating Trustee shall each, pursuant to the Term Sheet, be deemed to have waived, subject to the occurrence of and upon the Effective Date, any right any of them may have under the Cash Collateral Order, any other order of the Bankruptcy Court or any other court, or

applicable law to challenge or object to the fees and expenses of the financial advisors (including Jefferies & Company, Inc., on behalf of Lenado, and Houlihan Lokey, on behalf of the Prepetition First Lien Term Administrative Agent and certain of the Prepetition First Lien Term Lenders, and legal counsel, including O'Melveny & Myers LLP, and Tavenner & Beran LP, on behalf of Lenado, and Brown Rudnick LLP, Christian & Barton LLP, and Osler, Hoskin & Harcourt LLP, on behalf of the Prepetition First Lien Term Administrative Agent and certain of the Prepetition First Lien Term Lenders, and any other legal counsel retained by the Joint First Lien Collateral Agent or the Prepetition First Lien Collateral Agent.

ARTICLE XI.

RETENTION OF JURISDICTION

Under Bankruptcy Code sections 105(a) and 1142, and notwithstanding entry of the Confirmation Order, substantial consummation of the Plan and occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

- (a) Allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim, the resolution of any objections to the allowance or priority of Claims or Interests and the determination of requests for the payment of claims entitled to priority under Bankruptcy Code section 507(a)(1), including compensation of any reimbursement of expenses of parties entitled thereto;
- (b) Hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under Bankruptcy Code sections 330, 331, 503(b), 1103, and 1129(a)(4); *provided, however*, that from and after the Effective Date, the payment of the fees and expenses of the retained Professionals of the Liquidating Trusts and/or the Liquidating Trustees shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;
- (c) Hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which a Debtor is a party or with respect to which a Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;
- (d) Effectuate performance of and payments under the provisions of the Plan or the Liquidating Trust Agreements;
- (e) Hear and determine any and all adversary proceedings, motions, applications and contested or litigated matters arising out of, under or related to the Chapter 11 Cases, the Plan or the Liquidating Trust Agreements;

- (f) Enter such orders as may be necessary or appropriate to execute, implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents created in connection with the Plan, the Disclosure Statement or the Confirmation Order;
- (g) Hear and determine disputes arising in connection with the interpretation, implementation, consummation or enforcement of the Plan, including disputes arising under agreements, documents or instruments executed in connection with the Plan;
- (h) Consider any modifications of the Plan, cure any defect or omission or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- (i) Issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any entity with implementation, consummation, or enforcement of the Plan or the Confirmation Order;
- (j) Enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified or vacated;
- (k) Hear and determine any matters arising in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order;
- (l) Enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Chapter 11 Cases;
- (m) Except as otherwise limited herein, recover all assets of the Debtors and property of the Estates, wherever located;
- (n) Hear and determine matters concerning state, local and federal taxes in accordance with Bankruptcy Code sections 346, 505 and 1146;
- (o) Hear and determine all matters related to the property of the Estates from and after the Confirmation Date;
- (p) Hear and determine the Causes of Action;
- (q) Hear and determine all disputes involving the existence, nature or scope of the injunctions, indemnification, exculpation and releases granted pursuant to this Plan;

- (r) Hear and determine all matters related to (i) the property of the Estates from and after the Confirmation Date, (ii) the winding up of the Debtors' affairs, and (iii) the activities of the Liquidating Trusts and/or the Liquidating Trustees, including (A) challenges to or approvals of the Liquidating Trustees' activities, (B) resignation, incapacity or removal of the Liquidating Trustees and successor Liquidating Trustees, (C) reporting by, termination of and accounting by the Liquidating Trustees, (D) the settlement of any Claims or Causes of Action, and (E) release of the Liquidating Trustees from their duties;
- (s) Hear and determine disputes with respect to compensation of the Liquidating Trustees and the Liquidating Trustees' Professionals;
- (t) Hear and determine all disputes involving the existence, nature and/or scope of the injunctions and releases provided herein, including any dispute relating to any liability arising out of any termination of employment or the termination of any employee or retiree benefit provision, regardless of whether such termination occurred prior to or after the Effective Date;
- (u) Hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code;
- (v) Enforce all orders previously entered by the Bankruptcy Court in the Chapter 11 Cases;
- (w) Dismiss any and/or all of the Chapter 11 Cases; and
- (x) Enter a final decree closing the Chapter 11 Cases.

ARTICLE XII.

MISCELLANEOUS PROVISIONS

A. Modifications and Amendments

Notwithstanding anything to the contrary herein, any waiver or modification of any provision of this Plan requires the prior written consent of the Requisite Lenders under both Prepetition First Lien Credit Agreements. Subject to the prior written consent of the Requisite Lenders under both Prepetition First Lien Credit Agreements, the Debtors may alter, amend or modify the Plan or any Exhibits thereto under Bankruptcy Code section 1127(a) at any time prior to the Confirmation Date. Notwithstanding the preceding two sentences, the Committee's written consent to any waiver, modification or amendment of the Plan shall be obtained if such waiver, modification or amendment would be inconsistent with rights of and the benefits conferred upon the Committee, Holders of General Unsecured Claims, Holders of Administrative Claims, the Studios, or Warner Home Video pursuant to the Global Plan Settlement or would adversely effect the payment of General Unsecured Claims or Administrative Claims. After the Confirmation Date and prior to substantial consummation of

the Plan as defined in Bankruptcy Code section 1101(2), the Debtors may, under Bankruptcy Code section 1127(b), institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and such matters as may be necessary to carry out the purpose and effect of the Plan so long as such proceedings do not adversely affect the treatment of Holders of Claims under the Plan; *provided, however*, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

B. Severability of Plan Provisions

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, then the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

C. Successors and Assigns

The rights, benefits and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of that Person.

D. Payment of Statutory Fees

All fees then due and payable pursuant to 28 U.S.C. § 1930, as determined by the Court at the Confirmation Hearing, shall be paid on or before the Effective Date by the Debtors. All such fees that become due and payable thereafter by a Debtor shall be paid by the Liquidating Trustees in an amount corresponding to the amount of distributions made by each Liquidating Trustee, as determined in accordance with 28 U.S.C. § 1930. The Liquidating Trustees shall pay their respective quarterly fees to the U.S. Trustee until the Chapter 11 Cases are closed or converted and/or the entry of final decrees. The Debtors, through the Liquidating Trusts, shall file post-confirmation quarterly reports or any pre-confirmation monthly operating reports not filed as of the Confirmation Hearing in conformance with the U.S. Trustee Guidelines. The U.S. Trustee shall not be required to file a request for payment of its quarterly fees, which shall be paid by the Debtors and/or the Liquidating Trustees.

E. Revocation, Withdrawal or Non-Consummation

Subject to the prior written consent of the Requisite Lenders under both Prepetition First Lien Credit Agreements, the Debtors reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date and to file subsequent plans. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors, or if Confirmation or consummation of the Plan as to any or all of the Debtors does not occur, then, with respect to

such Debtors, (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Class of Claims), assumption or rejection of executory contracts or leases effected by the Plan and any document or agreement executed pursuant to the Plan, shall be deemed null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against, or any Interests in, such Debtors or any other Person, (ii) prejudice in any manner the rights of such Debtors or any other Person, or (iii) constitute an admission of any sort by such Debtors or any other Person.

F. Service of Documents

Any notice, request or demand required or permitted to be made or provided to or upon a Debtor, the Committee, and/or the Liquidating Trustees under the Plan shall be (a) in writing, (b) served by (i) certified mail, return receipt requested, (ii) hand delivery, (iii) overnight delivery service, (iv) first class mail, or (v) facsimile transmission, (c) deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, and (d) addressed as follows:

The Debtors:

if by overnight or hand delivery:

Wesley D. Sand, President
Movie Gallery, Inc.
9275 SW Peyton Lane
Wilsonville, OR 97070
Tel: (503) 570-1600
Fax: (503) 570-5108

with a copy to:

John A. Bicks
Louis A. Curcio
Sonnenschein Nath & Rosenthal LLP
1221 Avenue of the Americas
New York, NY 10020-1089
Tel: (212) 768-6700
Fax: (212) 768-6800

if by regular mail:

Wesley D. Sand, President
Movie Gallery, Inc.
9275 SW Peyton Lane
Wilsonville, OR 97070

with a copy to:

John A. Bicks
Louis A. Curcio
Sonnenschein Nath & Rosenthal LLP
1221 Avenue of the Americas
New York, NY 10020-1089

The Committee:

Robert J. Feinstein
Pachulski Stang Ziehl & Jones LLP
780 Third Street
36th Floor
New York, NY 10017
Tel: (212) 561-7700
Fax: (212) 561-7777

The First Lien Term Lenders Liquidating Trust/Trustee:

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With a copy to:

Jeffrey Jonas
Brown Rudnick LLP
One Financial Center
Boston, MA 02111
Tel: (617) 856-8577
Fax: (617) 289-0551

and also to:

Christopher J. Carolan
Brown Rudnick LLP
Seven Times Square
New York, NY 10036
Tel: (212) 209-4937
Fax: (212) 938-2871

The GUC Liquidating Trust/Trustee:

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G. *Plan Supplement(s)*

Exhibits to the Plan not attached hereto shall be filed in one or more Plan Supplements by the Exhibit Filing Date. Any Plan Supplement (and amendments thereto) filed by the Debtors shall be deemed an integral part of the Plan and shall be incorporated by reference as if fully set forth herein. Substantially contemporaneously with their filing, the Plan Supplements may be viewed at the office of the clerk of the Bankruptcy Court or its designee during normal business hours, by visiting the Court's website at www.vaeb.uscourts.gov (PACER account and password required) or by visiting www.kccllc.net/moviegallery. Holders of Claims and/or Interests may obtain a copy of any Plan Supplements upon reasonable written request to the Claims Agent. The documents contained in any Plan Supplements shall be approved by the Bankruptcy Court pursuant to the Confirmation Order.

H. *Tax Reporting And Compliance*

The First Lien Term Lenders Liquidating Trustee is hereby authorized, on behalf of each of the Debtors, to request an expedited determination under Bankruptcy Code section 505(b) of the tax liability of the Debtors for all taxable periods ending after the Commencement Date through and including the Effective Date.

I. *Filing Of Additional Documents*

On or before substantial consummation of this Plan, the Debtors shall file such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan.

Dated: July 13, 2010

MOVIE GALLERY, INC., et al.
(for itself and on behalf of the Affiliate Debtors)

By: /s/ Wesley D. Sand _____

Name: Wesley D. Sand

Title: President and COO

Respectfully submitted,

KUTAK ROCK LLP

By: /s/ Michael A. Condyles _____

Michael A. Condyles (VA 27807)

Peter J. Barrett (VA 46179)

Jeremy S. Williams (VA 77469)

Bank of America Center

1111 East Main Street, Suite 800

Richmond, Virginia 23219-3500

Telephone: (804) 644-1700

Fax: (804) 783-6192

and

SONNENSCHN NATH & ROSENTHAL LLP

John A. Bicks (NY 2032498)

Louis A. Curcio (NY 4016267)

1221 Avenue of the Americas

New York, NY 10020-1089

Telephone: (212) 768-6700

Fax: (212) 768-6800

Attorneys for Debtors and Debtors in Possession

Exhibit A
Existing D&O Insurance Policies
(To Be Filed on or Before the Exhibit Filing Date)

Exhibit B-1

**First Lien Term Lenders Liquidating Trust Agreement
(To Be Filed On Or Before The Exhibit Filing Date)**

Exhibit B-2
GUC Liquidating Trust Agreement
(To Be Filed On Or Before The Exhibit Filing Date)

Exhibit C

**List of Leases and Executory Contracts to Be Assumed
(To Be Filed On Or Before The Exhibit Filing Date)**