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Movie Gallery Files for Bankruptcy, Plans to Shut Down

Movie Gallery, the retail movie rental company has finally decided to shut down for good. The company filed for bankruptcy for the final time in February at US Bankruptcy court in Virginia. Movie Gallery, a company that began operations in Alabama, has twice sought bankruptcy protection during its glory days and this time has decided to wind down its business in the best interests of all parties.

According to the 2010 BellSouth Yellow Pages, the company had been operating about 40 stores in the Birmingham metro area in the last year or so. However, many of those stores have since closed for business. All attempts to contact the company have only met with answering machine messages stating that Movie Gallery was no longer accepting inquiries from the media.

Movie Gallery was once regarded as a lucrative stock market investment, with its stocks climbing to a peak of \$33.43 per share on June 20, 2005. But thereafter, the value of its stocks took a major tumble until it was de-listed on May 20, 2008, at which stage its value fell to below \$0.01 per share.

At its peak in June 2005, Movie Gallery had been running 176 stores in Alabama. The company, founded in Dothan in the 1980's has since moved its base to Portland, Oregon. On February 2, it filed for bankruptcy for the second time and final time since 2007 while still operating almost 2,000 stores across the country. In its Chapter 11 bankruptcy papers, the company listed its assets at as much as \$50 million while its liabilities amounted to between \$500 million and \$1 billion.

Movie Gallery's mercurial rise was matched only by its own rapid freefall. In the 1990's when Americans preferred method of entertainment was to grab a movie for the weekend to watch at home, Movie Gallery's business flourished. The company's Initial Public Offer (IPO) was \$14 per share in 1994. At that time, the company operated 324 stores in 9 states. By 2003, Movie Gallery had expanded astronomically after buying a host of small mom-and-pop stores and small rival movie rental chains and had 2,200 stores nationwide generating \$700 million in sales per year. In two years time, their shares would hit its peak at \$33.43 per share, giving original shareholders of the IPO more than double returns on investments.

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But soon after that, trends changed with online companies like Netflix offering unlimited movies through the mail for a flat rate with no late fees. Then retail giants like Wal-Mart started selling movies for little more than the cost Movie Gallery was charging to rent them. In 2005, the company also went into heavy debt to the tune of \$1.2 billion when it bought over Hollywood Entertainment, a rival company from the west coast.

By that time, the writing was on the wall and Movie Gallery never recovered from its huge debt as profits dwindled amidst depleting revenue.