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## *Blockbuster's Woes Worsen as Twentieth Century Fox Home Entertainment Says Blockbuster Isn't Paying its Obligations and Asks for Adequate Protection*

In the latest of a series of bankruptcy court filings by vendors and lessors asserting that Blockbuster is failing to pay administrative claims (*i.e.*, claims that have arisen after Blockbuster's bankruptcy filing), Twentieth Century Fox Home Entertainment LLC filed a motion on Friday asking Judge Burton Lifland to order Blockbuster to provide adequate protection for its interests in the DVDs that it leases to Blockbuster for rental and/or sale in its stores. According to the motion, Fox and Blockbuster entered into a Revenue Sharing Agreement in 2005 pursuant to which Fox leases DVDs to Blockbuster in exchange for a share of the revenue that Blockbuster generates by renting and/or selling those titles. Not surprisingly, the value of Fox's DVDs decline rapidly because those DVDs are rented less and less frequently (each rental is called a "turn") the further they get from the release date (or "street date").

According to Fox's motion, Fox's leased DVDs will generate "more than \$7 million over the next several months," and there are \$24 million in payments that are "due or coming due" from Blockbuster to Fox. However, Fox states that it was notified by Blockbuster late last month that those payments would not be made, despite being administrative claims. The motion reports that Blockbuster was "purportedly instructed by its DIP lenders" to refuse to make the payments to Fox, despite Blockbuster having made "certain payments" to Fox since filing for bankruptcy protection. Finally as it relates to the communications between Fox and Blockbuster, court filings state that Blockbuster has represented to Fox that "it intends to stay 'payment neutral' on future obligations," a representation that Fox claims is "illusory, at best, because Blockbuster is constrained in its freedom to use cash collateral."

Therefore, Fox is asking the court to order Blockbuster to adequately protect Fox's interests in its DVDs pursuant to section 363(e) of the Bankruptcy Code. Specifically, Fox is seeking:

- a requirement for Blockbuster to "sequester revenue generated by Blockbuster's rental and authorized sales of Fox's leased DVDs during the lease period for each Fox title";
- the turnover of all amounts owed to Fox pursuant to the Revenue Sharing Agreement;
- alternatively, "a superpriority lien on those same revenues to be paid ahead of all other creditors upon the reorganization, sale or liquidation of Blockbuster's assets";
- or, if the court refuses all of the above relief, "an order precluding Blockbuster from continuing to use Fox's property and requiring that Blockbuster return the property so that Fox can seek to monetize the titles through distribution to other vendors"

To read more about Fox's strained relationship with Blockbuster, you can view Fox's motion here: [http://www.chapter11cases.com/Blockbuster-Inc-944-Motion-for-Adequate-Protection-Motion-of-Twentieth-Century-Fox-Home-Entertainment-LLC-for-Adequate-Protection-Pursuant-to-11-USC-Sections-361-and-363e-filed-by-Martin-G-p\\_93073.html#axzz1EZrjydg](http://www.chapter11cases.com/Blockbuster-Inc-944-Motion-for-Adequate-Protection-Motion-of-Twentieth-Century-Fox-Home-Entertainment-LLC-for-Adequate-Protection-Pursuant-to-11-USC-Sections-361-and-363e-filed-by-Martin-G-p_93073.html#axzz1EZrjydg)



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Other key recent court filings include (click on the title of any document for more information or to purchase):

- [Motion to Compel Payment of Accrued Post Petition Rent Pursuant to 11 USC Section 365\(d\)\(3\), or in the alternative for an Order Deeming Their Leases Rejected and Modifying the Automatic Stay to Allow Movant Landlords to Pursue Their State Court Remedies filed by Jeffrey Meyers on behalf of Centro Properties Group, UBS Realty Investors, LLC, Federal Realty Investment Trust and Rodeo Holdings LLC](#)
- [Motion of Summit Distribution, LLC for Entry of an Order \(i\) Compelling Immediate Payment of its Administrative Expense Claim Pursuant to 11 U.S.C. §§ 105\(a\), 363\(b\) and 503\(b\) or, in the Alternative, \(ii\) Granting it Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362\(d\) to Permit Reclamation of its Goods and Converting the Debtors' Chapter 11 Cases to Cases Under Chapter 7 for Cause Pursuant to 11 U.S.C. § 1112\(b\), Including Memorandum of Law in Support filed by Jeremy Bronwyn Reckmeyer on behalf of Summit Distribution, LLC. \(Attachments: # \(1\) Exhibit A# \(2\) Exhibit B# \(3\) Exhibit C# \(4\) Proposed Order\)](#)
- [Debtors' Objection to Motion of Summit Distribution, LLC for Entry of an Order \(i\) Compelling Immediate Payment of its Administrative Expense Claim Pursuant to 11 U.S.C. Sections 105\(a\), 363\(b\) and 503\(b\) or, in the Alternative, \(ii\) Granting it Relief from the Automatic Stay Pursuant to 11 U.S.C. Section 362\(d\) to Permit Reclamation of its Goods and Converting the Above-Captioned Chapter 11 Cases to Cases Under Chapter 7 for Cause Pursuant to 11 U.S.C. Section 1112\(b\)](#)
- [Monthly Operating Report for the Period from November 29, 2010 to January 2, 2011 filed by Martin Sosland on behalf of Blockbuster Inc.](#)

*For access to all major pleadings filed in this case, please visit*  
[http://www.chapter11cases.com/Blockbuster-Inc\\_c\\_287.html#axzz1EZrjydg](http://www.chapter11cases.com/Blockbuster-Inc_c_287.html#axzz1EZrjydg)