

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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<b>In re</b>	:	<b>Chapter 11</b>
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<b>BLOCKBUSTER INC., et al.,<sup>1</sup></b>	:	<b>Case No. 10-14997 (BRL)</b>
	:	<b>(Jointly Administered)</b>
<b>Debtors.</b>	:	
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**ORDER PURSUANT TO 11 U.S.C. §§ 327, 328(a), AND 330,  
FED. R. BANKR. P. 2014(a) AND 2016, AND LOCAL BANKRUPTCY  
RULES 2014-1 AND 2016-1 AUTHORIZING THE RETENTION AND EMPLOYMENT  
OF ROTHSCHILD INC. AS FINANCIAL ADVISOR AND INVESTMENT  
BANKER TO THE DEBTORS *NUNC PRO TUNC* TO THE COMMENCEMENT DATE**

Upon the application, dated September 23, 2010 (the “*Application*”) of Blockbuster Digital Technologies, Inc., its parent, Blockbuster Inc., and its debtor affiliates, as debtors and debtors in possession (collectively, “*Blockbuster*” or the “*Debtors*”), pursuant to sections 327, 328(a), and 330 of title 11 of the United States Code (the “*Bankruptcy Code*”), Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”), and Rules 2014-1 and 2016-1 of the Local Bankruptcy Rules for the Southern District of New York (the “*Local Rules*”), for entry of an order authorizing Blockbuster to retain and employ Rothschild Inc. (“*Rothschild*”) as its financial advisor and investment banker *nunc pro tunc* to the Commencement Date, under the terms and conditions set forth in that certain engagement letter (the “*Engagement Letter*”),<sup>2</sup> dated as of February 8, 2010, all as more fully set

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<sup>1</sup> The Debtors, together with the last four digits of each Debtor’s federal tax identification number, are Blockbuster Inc. (5102); Blockbuster Canada Inc. (1269); Blockbuster Digital Technologies, Inc. (9222); Blockbuster Distribution, Inc. (0610); Blockbuster Gift Card, Inc. (1855); Blockbuster Global Services, Inc. (3019); Blockbuster International Spain Inc. (7615); Blockbuster Investments LLC (6313); Blockbuster Procurement LP (2546); Blockbuster Video Italy, Inc (5068); Movielink, LLC (5575); Trading Zone Inc. (8588); and B<sup>2</sup> LLC (5219).

<sup>2</sup> All capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Engagement Letter.

forth in the Application; and upon the Augustine Affidavit and the *Supplemental Declaration of Neil Augustine in Support of Application Pursuant to 11 U.S.C. §§ 327(a), 328(a), and 330, Fed. R. Bankr. P. 2014(a) And 2016, and Local Bankruptcy Rules 2014-1 and 2016-1 to Employ and Retain Rothschild Inc. as Financial Advisor and Investment Banker to the Debtors Nunc Pro Tunc to the Commencement Date* (the “*Supplemental Augustine Declaration*”) in support of the Application; and this Court having jurisdiction to consider the Application and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Application and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and Blockbuster having provided notice of the Application to the Notice Parties (as defined in the Application); and the Court having held a hearing to consider the requested relief (the “*Hearing*”); and upon the record of the Hearing, and all of the proceedings before this Court, this Court finds and determines that (a) Rothschild does not hold or represent any interest adverse to the Debtors’ estates; (b) Rothschild is a “disinterested person” as defined in section 101(14) of the Bankruptcy Code and as required by section 327(a) of the Bankruptcy Code; (c) the terms and conditions of Rothschild’s employment, including the compensation structure set forth in the Engagement Letter, are reasonable as required by section 328(a) of the Bankruptcy Code; and (d) the requested relief is in the best interests of the Debtors, the Debtors’ estates, creditors, and all parties in interest; and Blockbuster having provided due and proper notice of the Application and the opportunity for a hearing on the Application and no further notice is necessary; the legal and factual bases set forth in the Application and at the Hearing establish just and sufficient cause to grant the relief requested therein; **IT IS HEREBY ORDERED:**

1. The Application is granted *nunc pro tunc* to the Commencement Date as set forth herein.
2. In accordance with sections 328(a) and 327 of the Bankruptcy Code, the Debtors are authorized to employ and retain Rothschild as their financial advisor and investment banker in accordance with the terms and conditions set forth in the Engagement Letter attached hereto as Exhibit 1 and incorporated by reference herein, in accordance with the Application and this Order.
3. Notwithstanding anything to the contrary in the Engagement Letter, the Application, the Augustine Affidavit or the Supplemental Augustine Declaration, to the extent that the Debtors request Rothschild to perform any services other than (i) those detailed in the Engagement Letter in Section 1(a) through (k) and (ii) such other financial advisory and investment banking services directly related to services detailed in the Engagement Letter in Section 1(a) through (k) and provided without additional fees in these Chapter 11 Cases, the Debtors shall seek further application for an order of approval by the Court for any such additional services and such application shall set forth, in addition to the additional services to be performed, the additional fees sought to be paid.
4. Under Section 6 of the Engagement Letter, Rothschild is entitled to reimbursement by the Debtors for reasonable expenses incurred in connection with the performance of its engagement under the Engagement Letter to the extent reimbursable under the United States Trustee's Guidelines and the standing orders of this Court, except fees, disbursements and other charges of Rothschild's counsel.
5. Rothschild shall be compensated and reimbursed in accordance with the terms of the Engagement Letter, as modified by this Order, and all compensation and

reimbursement of expenses to be paid to Rothschild, including without limitation the Monthly Fee, New Capital Fee, Recapitalization Fee, and M&A Fee, shall be subject to section 328(a) of the Bankruptcy Code, except as set forth herein.

6. Any sale of assets or sales of assets solely by going out of business, store closing or other similar liquidation process shall not be a transaction or an event entitling Rothschild to a Recapitalization Fee or M&A Fee; *provided*, that, for the avoidance of doubt, a sale of the U.S.-based assets, business or operations of the Company, substantially as an entirety (or control thereof) to an Acquirer, even in connection with a liquidation process, pursuant to a sale or sales under Section 363 of the Bankruptcy Code (or similar sale or auction) will entitle Rothschild to the Recapitalization Fee or M&A Fee, as the case may be.

7. Notwithstanding anything to the contrary contained in the Engagement Letter, the Application, the Augustine Affidavit or the Supplemental Augustine Declaration, Rothschild shall file fee applications for interim and final allowance of compensation and reimbursement of expenses pursuant to Bankruptcy Code sections 330 and 331, the Bankruptcy Rules, the Local Bankruptcy Rules, any monthly compensation order approved by this Court, and any other orders of the Court; *provided, however*, that, except as expressly set forth herein, the fee applications filed by Rothschild shall be subject to review only pursuant to the standard of review set forth in section 328 of the Bankruptcy Code and not subject to the standard of review set forth in section 330 of the Bankruptcy Code.

8. Notwithstanding anything to the contrary contained herein, the United States Trustee retains all rights to respond or object to Rothschild interim and final applications for compensation and reimbursement of expenses on all grounds including, but not limited to, reasonableness pursuant to section 330 of the Bankruptcy Code; and, in the event the United

States Trustee objects, the Court retains the right to review the interim and final applications pursuant to section 330 of the Bankruptcy Code.

9. Rothschild shall include in its fee applications, among other things, time records setting forth a summary description of the services rendered by each professional, and the amount of time spent on each date by each such individual in rendering services on behalf of Blockbuster in one-half hour increments.

10. The limitation on Rothschild's liability provided in Section 2(c) of the Engagement Letter shall not apply to the extent it is finally judicially determined by a court of competent jurisdiction that such liability arose out of Rothschild's own bad faith, breach of fiduciary duty (if any), gross negligence or willful misconduct (including self dealing).

11. The indemnification provisions included in the Engagement Letter and incorporated by reference herein are approved as set forth herein.

12. All requests by Indemnified Parties for the payment of indemnification as set forth in the Engagement Letter shall be made by means of an application to the Court and shall be subject to review by the Court to ensure that payment of such indemnity conforms to the terms of the Engagement Letter and is reasonable under the circumstances of the litigation or settlement in respect of which indemnity is sought; *provided, however*, that in no event shall any Indemnified Party be indemnified in the case of its own bad faith, breach of fiduciary duty (if any), gross negligence or willful misconduct (including self dealing).

13. In no event shall Indemnified Parties be indemnified if the Debtors or a representative of the estate, asserts a claim for, and a court determines by final order that such claim arose out of, Rothschild's own bad-faith, self-dealing, breach of fiduciary duty, gross negligence, or willful misconduct.

14. In the event an Indemnified Party seeks reimbursement from the Debtors for attorneys' fees and expenses in connection with the payment of an indemnity claim pursuant to the Engagement Letter, the invoices and supporting time records from such attorneys shall be included in Rothschild's own applications, both interim and final, and such invoices and time records shall be subject to the United States Trustee's Guidelines for compensation and reimbursement of expenses and the approval of the Bankruptcy Court pursuant to sections 330 and 331 of the Bankruptcy Code without regard to whether such attorneys have been retained under section 327 of the Bankruptcy Code and without regard to whether such attorneys' services satisfy section 330(a)(3)(C) of the Bankruptcy Code.

15. Rothschild shall apply any estimated excess prepetition payment received from the Debtors to the fees or expenses authorized in its first interim fee application.

16. The second sentence of Section 9(d) of the Engagement Letter shall be deemed stricken.

17. Blockbuster is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

18. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry notwithstanding the possible applicability of Bankruptcy Rules 6004(g), 7062, or 9014.

19. The relief granted herein shall be binding upon any chapter 11 trustee appointed in these Chapter 11 Cases, or upon any chapter 7 trustee appointed in the event of a subsequent conversion of these Chapter 11 Cases to cases under chapter 7.

20. To the extent that this Order is inconsistent with the Engagement Letter, the Augustine Affidavit, Supplemental Augustine Declaration, the Application or any prior order or pleading with in these cases, the terms of this Order shall govern.

21. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: November 2, 2010  
New York, New York

/s/Burton R. Lifland  
UNITED STATES BANKRUPTCY JUDGE