

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

	X	
In re:	:	Chapter 11
	:	
BB LIQUIDATING INC., <i>et al.</i> <sup>1</sup>	:	Case No: 10-14997
	:	
Debtors.	:	Jointly Administered
	X	

**Monthly Operating Report For  
February 2012**

DEBTORS' ADDRESS: 2100 Ross Avenue, 21st Floor  
Dallas, Texas 75201

DEBTORS' ATTORNEYS: Stephen Karotkin  
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-and-  
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This Monthly Operating Report ("MOR") has been prepared solely for the purpose of complying with the monthly reporting requirements applicable in these chapter 11 cases and is in a format acceptable to the United States Trustee. The financial information contained herein is limited in scope and covers a limited time period. Moreover, such information is preliminary and unaudited, and is not prepared in accordance with generally accepted accounting principles ("GAAP") in the United States.

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

/s/ Bruce Lewis  
Bruce Lewis  
Principal Executive Officer  
Blockbuster Inc.

4/1/2012

<sup>1</sup> The Debtors, together with the last four digits of each Debtor's federal tax identification number, are: BB Liquidating Inc. (5102); BB Liquidating Canada Inc. (1269); BB Liquidating Digital Technologies Inc. (9222); BB Liquidating Distribution, Inc. (0610); BB Liquidating GC, Inc. (1855); BB Liquidating Global Services Inc. (3019); BB Liquidating International Spain Inc. (7615); BB Liquidating Investments LLC (6313); BB Liquidating Procurement LP (2546); BB Liquidating Video Italy, Inc (5068); BB Liquidating ML, LLC (5575); BB Liquidating Trading Zone Inc. (8588); and BB Liquidating B2 LLC (5219).



UNITED STATES BANKRUPTCY COURT  
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Debtor

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Federal Tax I.D. # 52-1655102

**CORPORATE MONTHLY OPERATING REPORT**

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached
Schedule of Cash Receipts and Disbursements	<a href="#">MOR-1</a>	x	
Bank Reconciliation (or copies of debtor's bank reconciliations)	<a href="#">MOR-1 (CONT)</a>	x	
Copies of bank statements	<a href="#">MOR-1 (CONT)</a>		x
Cash disbursements journals	<a href="#">MOR-1 (CONT)</a>	x	
Statement of Operations	<a href="#">MOR-2</a>	x	
Balance Sheet	<a href="#">MOR-3</a>	x	
Status of Post-petition Taxes	<a href="#">MOR-4</a>	x	
Copies of IRS Form 6123 or payment receipt			not applicable
Copies of tax returns filed during reporting period			not applicable
Summary of Unpaid Post-petition Debts	<a href="#">MOR-4</a>	x	
Listing of Aged Accounts Payable			x
Accounts Receivable Reconciliation and Aging	<a href="#">MOR-5</a>	x	
Taxes Reconciliation and Aging	<a href="#">MOR-5</a>	x	
Payments to Insiders and Professionals	<a href="#">MOR-6</a>	x	
Post Petition Status of Secured Notes, Leases Payable	<a href="#">MOR-6</a>	x	
Debtor Questionnaire	<a href="#">MOR-7</a>	x	

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**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
(in millions)

	February 2011	YTD February 2011
<b>Cash flows from operating activities:</b>		
Net income (loss).....	\$ (0.3)	\$ (0.7)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and intangible amortization.....	-	-
Rental library purchases.....	-	-
Rental library amortization.....	-	-
Loss on sale/disposal of store operations.....	-	-
Impairment of long-lived assets.....	-	-
Non-cash share-based compensation.....	-	-
Gain on sale of store operations.....	-	-
Deferred taxes and other.....	-	-
Changes in operating assets and liabilities:		
Change in receivables.....	-	-
Change in merchandise inventories.....	-	-
Change in prepaid and other assets.....	-	-
Change in liabilities subject to compromise.....	(0.8)	(1.4)
Change in accounts payable.....	(0.1)	0.3
Change in accrued expenses and other liabilities.....	(0.2)	(0.2)
Net cash provided by (used in) operating activities.....	<u>(1.4)</u>	<u>(2.0)</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures.....	-	-
Change in reserve for Operating Period claims.....	-	-
Proceeds from sale of store operations.....	-	-
Other investing activities.....	-	-
Net cash provided by (used in) investing activities.....	<u>-</u>	<u>-</u>
<b>Cash flows from sale of assets to DISH Network:</b>		
Loss on Sale.....	-	-
Change in rental library on sale.....	-	-
Change in merchandise inventories on sale.....	-	-
Change in receivables on sale.....	-	-
Change in prepaid and other assets on sale.....	-	-
Change in fixed assets on sale.....	-	-
Change in restricted cash on sale.....	-	-
Net cash provided by sale to Dish Network.....	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities:</b>		
Proceeds from DIP Financing.....	-	-
Repayments on DIP Financing.....	-	-
Repayments on senior secured notes.....	-	-
Debt financing costs.....	-	-
Capital lease payments.....	-	-
Net cash provided by (used in) financing activities.....	<u>-</u>	<u>-</u>
Effect of exchange rate changes on cash.....	-	-
Net (decrease) increase in cash and cash equivalents.....	<u>(1.4)</u>	<u>(2.0)</u>
Cash and cash equivalents at beginning of period.....	36.7	37.3
Cash and cash equivalents at end of period.....	<u>35.3</u>	<u>35.3</u>

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**BANK RECONCILIATIONS**

Continuation Sheet for MOR-1

GL#	Bank Name	Bank Balance	Deposits & Transfers in Transit	Outstanding checks	Other Reconciling Items	GL Balance
Cash	Bank of America	\$ 36,369,311	\$ -	\$ (1,073,644)	\$ -	\$ 35,295,667
<b>Total Cash &amp; Cash Equivalents</b>		<b>\$ 36,369,311</b>	<b>\$ -</b>	<b>\$ (1,073,644)</b>	<b>\$ -</b>	<b>\$ 35,295,667</b>

**Bank of America**

Dallas, Texas

Statement date: 2/29/2012

Statement Period	1/31/2012 - 2/29/2012	Statement Beginning Balance	37,183,596.11
Number of Deposits / Credits	3	Amount of Deposits / Credits	165,850.36
Number of Checks	49	Amount of Checks	980,134.98
Number of Other Debits	0	Amount of Other Debits	-
		Statement Ending Balance	36,369,311.49

\* The Debtors have submitted their bank statement to the United States Trustee.

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**SCHEDULE OF CASH DISBURSEMENTS**  
(in millions)

**Continuation Sheet for MOR-1**

	<u>February 2012</u>	
Cash Balance as of 1/31/12		\$ 36,729,663
<b>Cash disbursements during the period:</b>		
Professional fees (as shown on MOR 6):		
Alvarez & Marsal	(167,543)	
Kurtzman Carson Consulting	(21,003)	
Weil Gotshal	<u>(181,614)</u>	
Total professional fees		(370,160)
Refunds Received		165,850
Contract labor:		
Legal	(12,987)	
Claims administration	<u>(5,000)</u>	
Total contract labor		(17,987)
Payments for Administrative Priority Expenses		(993,399)
Tax payments		(218,294)
Payments for miscellaneous G&A		<u>(6)</u>
<b>Total cash disbursements during the period</b>		<u><b>(1,433,996)</b></u>
<b>Cash Balance as of 2/29/12</b>		<u><b>\$ 35,295,667</b></u>

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**STATEMENT OF OPERATIONS** (Income Statement)  
(in millions)

	<u>February 2012</u>	<u>YTD February 2012</u>
<b>Revenues:</b>		
Base rental revenues.....	\$ -	\$ -
Previously rented product ("PRP") revenues.....	-	-
Total rental revenues.....	-	-
Merchandise sales.....	-	-
Other revenues.....	-	-
Total Revenue	<u>-</u>	<u>-</u>
<b>Cost of sales:</b>		
Cost of rental revenues.....	-	-
Cost of merchandise sold.....	-	-
Total cost of sales.....	-	-
Gross profit.....	<u>-</u>	<u>-</u>
<b>Operating expenses:</b>		
General and administrative.....	0.3	0.7
Advertising.....	-	-
Depreciation and intangible amortization.....	-	-
Impairment of goodwill and other long-lived assets.....	-	-
Total Operating Expenses	<u>0.3</u>	<u>0.7</u>
<b>Operating income (loss).....</b>	<b>(0.3)</b>	<b>(0.7)</b>
Interest expense.....	-	-
Interest income.....	-	-
Other items, net.....	-	-
<b>Income (loss) from continuing operations before reorganization items and income taxes.....</b>	<b>(0.3)</b>	<b>(0.7)</b>
Reorganization items, net (income)/loss.....	-	-
(Benefit)/provision for income taxes.....	-	-
Equity in (income)/loss of non-debtor subsidiaries.....	-	-
<b>Income (loss) from continuing operations.....</b>	<b>(0.3)</b>	<b>(0.7)</b>
(Loss) from sale of assets to DISH Network.....	-	-
Income (loss) from discontinued operations, net of tax.....	-	-
<b>Net income (loss).....</b>	<b>(0.3)</b>	<b>(0.7)</b>
Preferred stock dividends.....	-	-
<b>Net income (loss) applicable to common stockholders.....</b>	<b>\$ (0.3)</b>	<b>\$ (0.7)</b>

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**STATUS OF POST-PETITION TAXES**

	Beginning Tax	Amount Withheld and/or Accrued	Amount Paid	Ending Tax
<b>Federal</b>				
Withholding	\$ -	\$ -	\$ -	\$ -
FICA-Employee	-	-	-	-
FICA-Employer	-	-	-	-
Unemployment	-	-	-	-
Income	-	-	-	-
Other:	-	-	-	-
Total Federal Taxes	-	-	-	-
<b>State and Local</b>				
Withholding	-	-	-	-
Sales	-	-	-	-
Excise	-	-	-	-
Unemployment	-	-	-	-
Real Property*	-	-	-	-
Personal Property and Other*	444,856	-	(218,294)	226,562
Other: Income/Franchise	-	-	-	-
Total State and Local	444,856	-	(218,294)	226,562
<b>Total Taxes</b>	\$ 444,856	\$ -	\$ (218,294)	\$ 226,562

**SUMMARY OF UNPAID POST-PETITION DEBTS**

Attach aged listing of accounts payable.

DESCRIPTION	Number of Days Past Due					Total
	Current	0-30	31-60	61-90	Over 91	
AP - Product	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AP - Legal & Professional Fees	3,911,212	-	-	-	-	3,911,212
AP - Other	-	-	-	-	-	-
<b>TOTAL POST-PETITION DEBTS</b>	\$ 3,911,212	\$ -	\$ -	\$ -	\$ -	\$ 3,911,212

\* The Real Property and Personal Property taxes are considered "postpetition" based off of when the payment is assessed by the taxing authority. Other taxes include final sales tax payments.

The detail of the AP - Legal and Professional Fees can be seen on MOR-6. The bar date of 6/15/11 for administrative claims required all other AP to be reclassified to liabilities subject to compromise.

The Debtors did not file Form 6123 during this period.

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**BALANCE SHEET**  
(in millions)

	<u>As of 2/29/2012</u>
Assets	
Current assets:	
Cash and cash equivalents.....	\$ 35.3
Reserve for Operating Period claims.....	7.5
Merchandise inventories.....	-
Rental library, net.....	-
Prepaid and other current assets.....	-
Total current assets.....	<u>42.8</u>
Property and equipment, net.....	-
Deferred income taxes.....	-
Investment in non-debtor subsidiaries.....	-
Intangibles, net.....	-
Restricted cash.....	-
Other assets.....	-
Total Assets.....	<u>\$ 42.8</u>
Liabilities and Stockholders' Equity (Deficit)	
Current liabilities:	
Accounts payable.....	\$ 3.9
Accrued expenses.....	0.2
Debtor-in-possession loan.....	-
Deferred income taxes.....	-
Total current liabilities.....	<u>4.1</u>
Other liabilities.....	-
Total Liabilities before LSTC.....	<u>4.1</u>
Liabilities subject to compromise .....	<u>1,350.7</u>
Total Liabilities.....	<u>1,354.8</u>
Total stockholders' equity (deficit).....	<u>(1,312.0)</u>
Total Liabilities and Stockholders' Equity (Deficit).....	<u>\$ 42.8</u>



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**ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**

Accounts Receivable Reconciliation	Amount
Total Accounts Receivable at the beginning of the reporting period	\$ -
Plus: Amounts billed during the period	-
Less: Amounts collected during the period	-
Less: Amounts written off during the period	-
Less: Amounts reserved during the period	-
Change in store accounts receivable, net	-
Accounts Receivables sold to DISH Network	-
Total Accounts Receivable at the end of the reporting period	\$ -

Accounts Receivable Aging	2/29/2012
0 - 30 days old	\$ -
31 - 60 days old	-
61 - 90 days old	-
91 - 120 days old	-
121+ days old	-
Total Aged Accounts Receivable	-
Store Accounts Receivable	-
Total Accounts Receivable	-
Less: Bad Debts (Amount considered uncollectible)	-
Net Accounts Receivable***	\$ -

**TAXES RECONCILIATION AND AGING**

Taxes Payable	Current	1-30 Days	31-60 Days	61-90 Days	91+ Days	Total
Federal	\$ -	\$ -				\$ -
State and Local	-					-
Other	226,562	-				226,562
Total Taxes Payable	\$ 226,562	\$ -	\$ -	\$ -	\$ -	\$ 226,562

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**PAYMENTS TO INSIDERS AND PROFESSIONALS**

INSIDERS			
NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID TO DATE
(1) NONE			
TOTAL PAYMENTS TO INSIDERS			

(1) No payments other than ordinary wages and benefits occurred during the reporting period.

PROFESSIONALS					
NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID February 2012	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID*
SIDLEY AUSTIN LLP (1)	9/27/2010	\$ 3,561,286	\$ -	\$ 3,553,525	\$ 7,761
JEFFERIES & COMPANY INC (1)	9/27/2010	1,550,496	-	1,550,496	-
ALVAREZ & MARSAL NORTH AMERICA LLC (3)	10/27/2010	5,825,587	167,543	5,750,587	75,000
ROTHSCHILD INC (3)	11/2/2010	3,205,405	-	3,205,405	-
KURTZMAN CARSON CONSULTANTS LLC (3)	9/23/2010	4,361,207	21,003	4,316,207	45,000
DJM ASSET MANAGEMENT LLC (3)	11/23/2010	150,000	-	150,000	-
RETAIL REGROUP INC (3)	11/23/2010	150,000	-	150,000	-
DELOITTE TAX LLP (3)	11/9/2010	583,711	-	467,248	116,463
SKADDEN ARPS SLATE MEAGHER & FLOM LLP (1)	9/27/2010	211,440	-	211,440	-
KORN/FERRY INTERNATIONAL (3)	11/10/2010	142,132	-	142,132	-
COOLEY GODWARD KRONISH LLP (2)	11/23/2010	2,793,548	-	2,237,989	555,559
FTI CONSULTING (2)	12/2/2010	909,331	-	718,563	190,768
BLOODWORTH CARROLL & BANOWSKY PC (3)	11/23/2010	164,395	-	131,516	32,879
RAY & GLICK LTD. (3)	11/23/2010	959,250	-	767,400	191,850
CHAIKEN LEGAL GROUP PC (3)	11/23/2010	350,055	-	280,044	70,011
SHEPPARD MULLIN (1)	9/27/2010	327,327	-	327,327	-
WEIL GOTSHAL (3)	10/27/2010	8,664,136	181,614	6,554,571	2,109,565
PRICEWATERHOUSE COOPERS (3)	2/8/2011	1,811,368	-	1,478,461	332,907
DELOITTE FINANCIAL ADVISORY (3)	2/8/2011	363,993	-	288,837	75,156
ERNST & YOUNG (3)	4/4/2011	524,806	-	416,514	108,292
TOTAL PAYMENTS TO PROFESSIONALS		\$ 36,609,473	\$ 370,160	\$ 32,698,262	\$ 3,911,211

\* INCLUDE ALL FEES INCURRED, BOTH APPROVED AND UNAPPROVED

(1) Fees paid pursuant to the DIP Financing Order for professionals of the DIP lenders and DIP Agent.

(2) Fees for professionals retained to represent Unsecured Creditors' Committee

(3) Fees for professionals retained to represent Blockbuster Inc.

**POST-PETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS**

NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENT DUE	AMOUNT PAID DURING MONTH	TOTAL UNPAID POST-PETITION
DIP Financing	\$ -	\$ -	\$ -
DIP Interest		-	-
Leases Payable	-	-	-
Adequate Assurance Payments - Utilities	-	-	-
Adequate Assurance Payments - Insurance	-	-	-
TOTAL PAYMENTS		\$ -	

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**DEBTOR QUESTIONNAIRE**

<b>Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheets if necessary.</b>	<b>Yes</b>	<b>No</b>
1 Have any assets been sold or transferred outside the normal course of business this reporting period?		X
2 Have any funds been disbursed from any account other than a debtor in possession account this reporting period?		X
3 Is the Debtor delinquent in the timely filing of any post-petition tax returns?		X
4 Are workers compensation, general liability or other necessary insurance coverage expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies?	X	
5 Is the Debtor delinquent in paying any insurance premium payment?		X
6 Have any payments been made on pre-petition liabilities this reporting period?		X
7 Are any post petition receivables (accounts, notes or loans) due from related parties?		X
8 Are any post petition payroll taxes past due?		X
9 Are any post petition State or Federal income taxes past due?		X
10 Are any post petition real estate taxes past due?		X
11 Are any other post petition taxes past due?		X
12 Have any pre-petition taxes been paid during this reporting period?		X
13 Are any amounts owed to post petition creditors delinquent?		X
14 Are any wage payments past due?		X
15 Have any post petition loans been received by the Debtor from any party?		X
16 Is the Debtor delinquent in paying any U.S. Trustee fees?		X
17 Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		X
18 Have the owners or shareholders received any compensation outside of the normal course of business?		X

4 The Debtors have only one employee and are not required to maintain workers compensation insurance. The Debtors have received notice that the prior workers compensation insurance has been cancelled.