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

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| In re: |) Case No. 07-33849 |
| |) Jointly Administered |
| MOVIE GALLERY, INC., et al., |) Chapter 11 |
| Debtors. |) Hon. Douglas O. Tice, Jr. |
| |) Related to Docket Nos. 33, 79 |

**OBJECTION OF THE STRIP DELAWARE LLC TO MOTION OF THE DEBTORS
FOR INTERIM AND FINAL ORDERS PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363,
364(c), 364(d) AND 365(e) AND FED. R. BANKR. P. 4001 AND 9014 (I) AUTHORIZING
DEBTORS TO OBTAIN SECURED POSTPETITION FINANCING ON SUPER-
PRIORITY PRIMING LIEN BASIS, GRANTING ADEQUATE PROTECTION FOR
PRIMING AND MODIFYING THE AUTOMATIC STAY, (II) AUTHORIZING
DEBTORS TO USE CASH COLLATERAL OF EXISTING SECURED LENDERS AND
GRANTING ADEQUATE PROTECTION FOR USE, (III) AUTHORIZING DEBTORS
TO REPAY EXISTING REVOLVER INDEBTEDNESS UPON INTERIM APPROVAL
AND (IV) PRESCRIBING FORM AND MANNER OF NOTICE AND SETTING THE
TIME FOR THE FINAL HEARING**

The Strip Delaware LLC ("Landlord"), by and through its undersigned counsel, hereby
objects to the *Motion of the Debtors for Interim and Final Orders Pursuant to 11 U.S.C. §§ 105,
361, 362, 363, 363(c), 364(d) and 364(e) and Fed. R. Bankr. P. 4001 and 9014 (I) Authorizing*



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Debtors to Obtain Secured Postpetition Financing on Super-Priority Priming Lien Basis, Granting Adequate Protection for Priming and Modifying the Automatic Stay, (II) Authorizing Debtors to Use Cash Collateral of Existing Secured Lenders and Granting Adequate Protection for Use, (III) Authorizing Debtors to Repay Existing Revolver Indebtedness Upon Interim Approval and (IV) Prescribing Form and Manner of Notice and Setting the Time for the Final Hearing [Docket No. 33] (“DIP Financing Motion”), filed by the Debtors on October 16, 2007, and the *Interim Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 363(c), 364(d) and 364(e) and Fed. R. Bankr. P. 4001 and 9014 (I) Authorizing Debtors to Obtain Secured Postpetition Financing on Super-Priority Priming Lien Basis, Granting Adequate Protection for Priming and Modifying the Automatic Stay, (II) Authorizing Debtors to Use Cash Collateral of Existing Secured Lenders and Granting Adequate Protection for Use, (III) Authorizing Debtors to Repay Existing Revolver Indebtedness Upon Interim Approval and (IV) Prescribing Form and Manner of Notice and Setting the Time for the Final Hearing* [Docket No. 79] (“Interim DIP Financing Order”), entered by the Court on October 16, 2007. In support of its objection, Landlord respectfully states as follows:

BACKGROUND

1. Landlord, as successor in interest to Stark Commons, Ltd., is the landlord under the unexpired lease of non-residential real property located at The Strip Shopping Center in Jackson Township, Ohio, dated September 11, 1996, with Hollywood Entertainment Corporation, as tenant (the “Lease”). Hollywood Entertainment Corporation is one of the above-captioned debtors (collectively, the “Debtors”). The Lease is a “lease of real property in a shopping center” for purposes of section 365(b)(3) of the Bankruptcy Code.

2. On October 16, 2007 (“Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors are continuing to operate their business and manage their property as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. Upon information and belief, the Debtors currently operate approximately 4,200 retail stores located throughout all 50 states, most of which are leased, not owned.

4. Pursuant to the DIP Financing Motion and Interim DIP Financing Order, the Court has authorized the Debtors to obtain postpetition loans, advances and other financial accommodations in the amount of \$140,000,000.00 on an interim basis and \$150,000,000.00 on a final basis from Goldman Sachs Credit Partners L.P. as Lead Arranger, Syndication Agent and Documentation Agent and The Bank of New York as Administrative Agent and Collateral Agent (collectively, the “DIP Lenders”) on a secured, super-priority basis.

OBJECTION AND BASIS THEREFOR

5. Landlord objects to the DIP Financing Motion and entry of the Interim DIP Financing Order and the proposed final DIP Financing Order on the grounds set forth in the *Objection of Inland Southwest Management LLC [et al.] to Motion of the Debtors for Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 363(c), 364(d) and 364(e) and Fed. R. Bankr. P. 4001 and 9014 (I) Authorizing Debtors to Obtain Secured Postpetition Financing on Super-Priority Priming Lien Basis, Granting Adequate Protection for Priming and Modifying the Automatic Stay, (II) Authorizing Debtors to Use Cash Collateral of Existing Secured Lenders and Granting Adequate Protection for Use, (III) Authorizing Debtors to Repay Existing Revolver Indebtedness Upon Interim Approval and (IV) Prescribing Form and Manner*

of Notice and Setting the Time for the Final Hearing (the “Inland Objection”), which Landlord hereby joins and incorporates herein by reference.

6. The grounds set forth in the Inland Objection apply equally to Landlord’s Lease. For example, Landlord objects to the DIP Financing Motion because, among other things, a default by the Debtors could result in a *de facto* assignment of the Lease without the adequate assurance of future performance required under the Bankruptcy Code, and the terms proposed in the DIP Financing Motion may cause Landlord to be in default under its own financing arrangements. Landlord’s financing arrangements with its own lenders preclude and prohibit any liens or other security interests against the leasehold interests granted by Landlord to its tenants.

7. For the reasons set forth in the Inland Objection, the terms proposed in the DIP Financing Motion would violate numerous provisions of Landlord’s Lease, including, without limitation, the following:

...this Lease shall not be assigned, mortgaged, pledged, encumbered or in any other manner transferred by the Tenant...without first obtaining the written consent of Landlord, which consent may be withheld by Landlord in its sole discretion.

Lease, ¶ 20(a); and

Landlord reserves the right to demand and obtain from Tenant, and Tenant shall deliver to Landlord within fifteen (15) days after receipt of such demand, a waiver of priority or subordination of this Lease, in recordable form, subordinating Tenant’s Lease in favor of any mortgages, refinancings, replacements, renewals, modifications, extensions or consolidations placed upon the Premises from time to time by the Landlord[.]

Lease, ¶ 26(a); and

Tenant will cooperate with landlord so that Landlord will be able to sell, transfer or lease the Center or to procure mortgage financing for the Center.

Lease, ¶ 36(a).

WHEREFORE, Landlord respectfully requests that the Court deny entry of the proposed Final DIP Financing Order and enter a modified DIP Financing Order that is consistent with the modifications requested herein and in the Inland Objection, and granting such further relief as the Court deems just and proper.

Dated: November 2, 2007

Respectfully submitted,

BAKER & HOSTETLER LLP

/s/ Ambika J. Biggs

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CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of November, 2007, the foregoing was served on each of the parties required to be served under the Interim DIP Financing Order by email or by Notices of Electronic Filing through the ECF system.

/s/ Ambika J. Biggs
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