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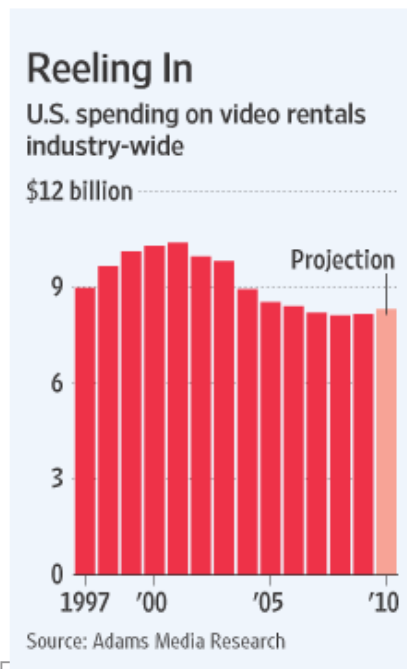
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Blockbuster to Remake Itself Under Creditors

By MIKE SPECTOR

Blockbuster Inc. filed for bankruptcy protection Thursday in a last-ditch plan to remake the ubiquitous movie-rental chain amid seismic shifts in how consumers view movies and television shows.



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Struggling with more than \$900 million of debt, Blockbuster will turn itself over to creditors. In a deal backed by senior bondholders, Blockbuster would reduce its total debt to roughly \$100 million by the time it exits bankruptcy, which it hopes to do by early next year.

While in bankruptcy court, Blockbuster plans to close between 500 and 800 additional stores in an attempt to shrink its traditional bricks-and-mortar business and ramp up its mail-order and digital distribution, according to people familiar with the company's plans.

In an interview, Chief Executive Jim Keyes said the company would go "store by store" over the next couple of months to make a final determination on the number of closures.

Blockbuster closed more than 1,000 stores over the past two years, and currently operates about 3,300 outlets in the U.S. The company employs about 25,500 people, many of them part-time.

Investor [Carl Icahn](#), who has pushed for the chain to ramp up digital strategies, holds roughly a third of Blockbuster's senior debt, according to people familiar with the matter. Upon the company's exit from bankruptcy, Mr. Icahn is expected to control three of its seven board seats, according to court papers filed in U.S. Bankruptcy Court in Manhattan. Other seats will be controlled by hedge funds holding chunks of Blockbuster's senior debt.

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Mr. Icahn didn't respond to a request for comment.

Mr. Keyes said it "ultimately wasn't possible" to restructure Blockbuster outside of court. "You never want to do this," he said, but "we will emerge from this ... virtually debt-free." He emphasized Blockbuster's library of more than 125,000 titles offered through stores, vending machines, mail and online.

Mr. Keyes said he planned to help Blockbuster restructure and that his role after bankruptcy would be up to the new board.

Associated Press

Blockbuster said Thursday it has filed for bankruptcy protection.

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The decline of Blockbuster is a blow to the commercial real estate industry. They were a strong mini anchor for thousands strip malls.

—Charles Endelson

branded vending machines in grocery stores. It has more than 6,500 of those kiosks out now, far behind the more than 20,000 proliferated by Redbox.

More than 25 years ago, Blockbuster became the first dominant national video-retail chain. During Blockbuster's salad days in 1994, [Viacom Inc.](#) bought the chain for more than \$8 billion. But it became a drag on Viacom's bottom line and was spun off in 2004.

—Joseph Checkler contributed to this article

In August, Blockbuster launched a marketing deal that allows customers of cable giant [Comcast Corp.](#) to rent DVDs by mail with certain advantages. Blockbuster has also started digital movie offerings on Internet-connected TVs, Blu-ray players and mobile devices. Blockbuster is in talks with cable-TV companies about providing on-demand services through set-top boxes and has started working on an application for Apple Inc.'s iPad, Mr. Keyes said.

Mr. Keyes said his company's ultimate goal is to embed its on-demand service in televisions and cable boxes so consumers can hit a button on their remotes and pull up Blockbuster's library whenever they want

Still, Blockbuster lags behind major competitors in new ways to deliver content to customers. It has been playing catch-up to mail-order and Internet streaming giant [Netflix Inc.](#) It was also caught off-guard by the \$1 DVD vending machines in grocery stores operated by Redbox, a unit of [Coinstar Inc.](#) Consumers are also using [Apple Inc.](#)'s iPod and iPad to view content. Many cable giants offer films through their own on-demand platforms.

Netflix has more than 15 million subscribers, who receive DVDs in their mailboxes or watch them over TVs, computers and other gadgets. Blockbuster has just 1.2 million subscribers to its mail-order service and recently reported declines in revenue and its subscriber base in that business.

Blockbuster partnered with [NCR Corp.](#) to roll out Blockbuster Express

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