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Blockbuster Shares Fall on Chapter 11 Warning

By THE ASSOCIATED PRESS
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Shares of the video rental chain [Blockbuster](#) sank nearly 30 percent Wednesday after the company warned that it might have to file for Chapter 11 bankruptcy protection.

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Competition from [Netflix](#) and the DVD vending machines operated by [Coinstar](#) have eroded Blockbuster's revenue.

The company said in a [regulatory filing late Tuesday](#) that it was suffering "significant liquidity constraints," and could have to file for bankruptcy protection if unable to persuade creditors to restructure a big part of its debt or if its business continued to deteriorate.

The company has closed about 1,300 stores and intends to shut down hundreds more. It had about 5,200 stores worldwide in January, excluding franchised shops. About 3,500 of those were in the United States.

The company is trying to update its business, setting up video rental kiosks like those run by Coinstar and offering a DVD mailing service. It added 2,000 kiosks in 2009 and expects to have more than 10,000 by the middle of this year — but [NCR Corporation](#), which operates the kiosks, is "under no obligation" to install or run them, Blockbuster said.

Blockbuster is also pursuing several measures to help shore up cash. It wants to sell some of its international business and it is pursuing a debt-for-equity swap to help alleviate its debt burden. It is also looking to swap all or part of its senior subordinated notes for common stock.

It said it owed \$975 million under senior secured notes and senior subordinated notes as of Jan. 3.

Even if the swap goes through, it could significantly dilute current shareholders.

The company, which is based in Dallas, said it had weak holiday season performance despite higher advertising. It lost [\\$435 million in the fourth quarter](#), compared with a loss of \$360 million in the last three months of 2008.

In trading Wednesday on the [New York Stock Exchange](#), shares fell 11 cents, or 29 percent, to close at 28 cents.

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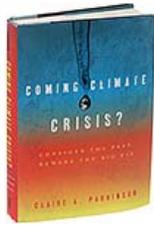
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