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Blockbuster Inc. 

NQB: BLOKB  

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## Blockbuster Initiates Process to Sell Company, Enters into “Stalking Horse” Purchase Agreement with Investor Group

*Files Motion Seeking to Conduct Auction under Section 363*

*Blockbuster Continuing to Serve Customers in the Ordinary Course*

DALLAS—(BUSINESS WIRE)—Blockbuster Inc. (OTHER OTC: BLOKA, BLOKB), a leading global provider of rental and retail movie and game entertainment, today announced that it has initiated a process to sell the Company, which it believes represents the best means of maximizing value for Blockbuster’s stakeholders.

In conjunction with this process, Blockbuster has entered into an asset purchase agreement with a “stalking horse” bidder, Cobalt Video Holdco, LLC, a limited liability company formed by funds managed by Monarch Alternative Capital LP, Owl Creek Asset Management LP, Stonehill Capital Management LLC and Vårde Partners, Inc., each of which is a secured noteholder of the Company. In addition, Blockbuster has filed a motion seeking authorization from the U.S. Bankruptcy Court for the Southern District of New York to conduct an auction process for the Company. The auction process is designed to achieve the highest and best offer for the Company’s assets and would be conducted under the Court’s supervision and in accordance with Section 363 of the U.S. Bankruptcy Code. The Cobalt agreement serves as the “stalking horse” bid in the auction, which sets the floor or minimum acceptable bid.

Blockbuster expects that its U.S. operations, including a majority of its stores, DVD vending kiosks, by-mail and digital businesses, will continue to serve customers in the ordinary course during the sale process. The Company’s international operations in Canada, Denmark, Italy, Mexico, and the United Kingdom are also expected to conduct business as usual during the sale process. Blockbuster franchise locations in both the U.S. and abroad are independently owned, operated and funded, and will also continue normal business operations.

Jim Keyes, Chairman and Chief Executive Officer, commented, “By initiating a sale process at this time, we intend to accelerate our Chapter 11 proceedings and move the Company forward. An auction will allow the Company to invite competing bids from both strategic and financial investors. This will also allow for the consolidation of ownership of the Company to those with a clear and focused vision for Blockbuster’s future.”

He continued, “The purchaser will be able to take full advantage of Blockbuster’s many strengths, which include an internationally recognized brand name, an exceptional library of more than 125,000 titles, millions of loyal customers, and a multi-channel content distribution platform. Because of its ability to deliver physical content (through DVDs) and digital content (through streaming), Blockbuster can offer customers the unique ability to access any movie, any time.”

Under terms of the Definitive Asset Purchase Agreement with respect to the transaction between the Company and the investor group (the “APA”), Cobalt has agreed to purchase substantially all of the assets of Blockbuster Inc. and its U.S. and international subsidiaries for \$290 million, subject to adjustment. The APA has been filed with the Court today. The transaction is subject to the approval of the Bankruptcy Court and the satisfaction of customary closing conditions.

The bidding procedures, if approved by the Court, would require other interested parties to submit binding offers to acquire the Company within approximately 30 days following such approval. Such parties could include additional financial and/or strategic bidders. Assuming qualified bids are submitted, an auction would be held within approximately one week of the bid deadline. A final sale approval hearing is anticipated to take place shortly after the auction with the closing anticipated to occur no later than April 20, 2011.

The Company and its domestic subsidiaries filed voluntary Chapter 11 petitions on September 23, 2010. Additional information is available at [www.Blockbuster.com/recapitalization](http://www.Blockbuster.com/recapitalization) or by telephone at 877-660-6684 or 732-645-4110. General information for Blockbuster customers is available at [www.Blockbuster.com](http://www.Blockbuster.com) or by calling 1-866-692-2789.

### About Blockbuster Inc.

Blockbuster Inc. is a leading global provider of rental and retail movie and game entertainment. The Company provides customers with convenient access to media entertainment anywhere, any way they want it - whether in-store, by-mail, through vending kiosks or digitally to their homes and mobile devices. With a highly recognized brand and a library of more than 125,000 movie and game titles, Blockbuster leverages its multichannel presence to serve nearly 47 million global customers annually. Information about the Company may be accessed worldwide at [www.blockbuster.com](http://www.blockbuster.com).

### Forward-Looking Statements

This release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may also be included from time to time in our other public filings,

press releases, our website and oral and written presentations by management. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “predicts,” “targets,” “seeks,” “could,” “intends,” “foresees” or the negative of such terms or other variations on such terms or comparable terminology. Similarly, statements that describe our strategies, initiatives, objectives, plans or goals are forward-looking. These forward-looking statements are based on management’s current intent, belief, expectations, estimates and projections. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict. Therefore, actual results may vary materially from what is expressed in or indicated by the forward-looking statements. The risk factors set forth under “Item 1A. Risk Factors” in our Annual Reports on Form 10-K and other matters discussed from time to time in our filings with the Securities and Exchange Commission, including the “Disclosure Regarding Forward-Looking Information” and “Risk Factors” sections of our Quarterly Reports on Form 10-Q, among others, could affect future results, causing these results to differ materially from those expressed in our forward-looking statements. Currently, the risks and uncertainties that may most directly impact our future results include (i) the ability of the Company to continue as a going concern; (ii) the Company’s ability to obtain Bankruptcy Court approval with respect to motions in the chapter 11 cases; (iii) the ability of the Company and its subsidiaries to prosecute, develop and consummate one or more plans of reorganization with respect to the chapter 11 cases; (iv) the effects of the Company’s bankruptcy filing on the Company and the interests of various creditors, equity holders and other constituents; (v) Bankruptcy Court rulings in the chapter 11 cases and the outcome of the cases in general; (vi) the length of time the Company will operate under the chapter 11 cases; (vii) risks associated with third party motions in the chapter 11 cases, which may interfere with the Company’s ability to develop and consummate one or more plans of reorganization once such plans are developed, including the currently proposed plan; (viii) the potential adverse effects of the chapter 11 proceedings on the Company’s liquidity or results of operations; (ix) the ability to execute the Company’s business and restructuring plan; (x) increased legal costs related to the bankruptcy filing and other litigation; (xi) the Company’s ability to maintain contracts that are critical to its operation, to obtain and maintain normal terms with customers, suppliers and service providers and to retain key executives, managers and employees; or (xii) the ability of the Company to perform the terms of the Asset Purchase Agreement with Cobalt Video Holdco LLC or any other purchaser that may emerge in the 363 sales process in the Chapter 11 cases. In the event that the risks disclosed in our public filings and those discussed above cause results to differ materially from those expressed in our forward-looking statements, our business, financial condition, results of operations or liquidity could be materially adversely affected and investors in our securities could lose part or all of their investments. Accordingly, our investors are cautioned not to place undue reliance on these forward-looking statements because, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. Further, the forward-looking statements included in this release and those included from time to time in our other public filings, press releases, our website and oral and written presentations by management are only made as of the respective dates thereof. We undertake no obligation to update publicly any forward-looking statement in this release or in other documents, our website or oral statements for any reason, even if new information becomes available or other events occur in the future.

## Contacts

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