

# BLOCKBUSTER INC

Filed by  
**WATTLES MARK J**

## **FORM SC 13D** (Statement of Beneficial Ownership)

Filed 03/16/09

Address	1201 ELM STREET DALLAS, TX 75270
Telephone	2148543000
CIK	0001085734
Symbol	BBI
SIC Code	7841 - Video Tape Rental
Industry	Recreational Activities
Sector	Services
Fiscal Year	01/06

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 13D**

Under the Securities Exchange Act of 1934

(Amendment No. \_\_\_\_\_)\*

**Blockbuster Inc.**

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(Name of Issuer)

**Class A Common Stock, \$0.01 par value**

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(Title of Class of Securities)

**093679108**

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(CUSIP Number)

**Mark J. Wattles  
321 W. 84th Avenue, Suite A  
Thornton, CO 80260  
303-801-4003**

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(Name, Address and Telephone Number of Person Authorized to  
Receive Notices and Communications)

**March 4, 2009**

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(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)  
Wattles Capital Management, LLC

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2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)   
(b)

3. SEC Use Only

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4. Source of Funds (See Instructions)  
WC, PF

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5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

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6. Citizenship or Place of Organization  
Delaware

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7. Sole Voting Power  
4,841,937

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Number of  
Class A  
Shares  
Beneficially  
Owned by  
Each  
Reporting  
Person  
With

8. Shared Voting Power  
—

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9. Sole Dispositive Power  
4,841,937

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10. Shared Dispositive Power  
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11. Aggregate Amount Beneficially Owned by Each Reporting Person  
4,841,937

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12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

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13. Percent of Class Represented by Amount in Row (11)  
4.0%

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14. Type of Reporting Person (See Instructions)  
OO

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)

HKW Trust

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2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)

(b)

3. SEC Use Only

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4. Source of Funds (See Instructions)

WC

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5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

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6. Citizenship or Place of Organization

Nevada

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7. Sole Voting Power

2,000,000

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Number of  
Class A  
Shares  
Beneficially  
Owned by  
Each  
Reporting  
Person  
With

8. Shared Voting Power

—

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9. Sole Dispositive Power

2,000,000

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10. Shared Dispositive Power

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11. Aggregate Amount Beneficially Owned by Each Reporting Person

2,000,000

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12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

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13. Percent of Class Represented by Amount in Row (11)

1.7%

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14. Type of Reporting Person (See Instructions)

OO

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Item 1. Security and Issuer .

Although the Reporting Person identified in Item 2 beneficially owns shares of the Class B Common Stock as well as the 9.0% senior notes of Blockbuster Inc., a Delaware corporation (the “Issuer”), this Statement on Schedule 13D (this “Schedule”) relates only to the Class A shares of Common Stock of the Issuer. The address of the principal executive office of the Issuer is 1201 Elm Street, Dallas, Texas 75270.

Item 2. Identity and Background .

(a) This Schedule is being filed by Mark J. Wattles (the “Reporting Person”), an individual who beneficially owns the Class A Common Stock through Wattles Capital Management, LLC, a Delaware limited liability company (“WCM”) and HKW Trust, a trust organized under the laws of the State of Nevada (the “Trust”). Mr. Wattles is the sole member and manager of WCM and owns 100% of its membership interests. Mr. Wattles is the settlor and sole trustee of the Trust and exercises sole discretion over the Trust pursuant to the terms and conditions set forth in the Trust instrument.

(b) The business address of Mr. Wattles and WCM is 321 W. 84th Avenue, Suite A, Thornton, CO 80260, 303-801-4003. The business address of the Trust is 7945 W. Sahara Ave., Suite 205, Las Vegas, NV 89117.

(c) Mr. Wattles’ principal occupation is serving as President of WCM, which is primarily engaged in investing in public and private companies in the consumer products and retail sectors. WCM indirectly owns a majority interest in Ultimate Acquisition Partners, LP, a Delaware limited partnership (“UAP”), which owns and operates consumer electronics retail stores under the name Ultimate Electronics. Mr. Wattles also serves as Chairman of UAP. Prior to forming WCM, Mr. Wattles founded Hollywood Entertainment Corporation (“Hollywood”), the second largest video rental and retail chain (after Blockbuster Inc.) and the second largest video game specialty retailer (after Game Stop Corp.), where he was Chairman and Chief Executive Officer for more than 17 years before Hollywood was sold for \$1.25 billion to Movie Gallery, Inc. in April 2005. The Trust acquires, holds, manages and disposes of assets for the benefit of a member of Mr. Wattles’ family and The Wattles Family Foundation.

(d) During the last five years, neither Mr. Wattles (individually or as trustee of the Trust) nor WCM has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) During the last five years, neither Mr. Wattles (individually or as trustee of the Trust) nor WCM has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction making him or it subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Mr. Wattles is a citizen of the United States of America.

Item 3. Source and Amount of Funds or Other Consideration .

WCM acquired its shares of Class B Common Stock and the 9% senior notes as well as the Class A Common Stock described in this Schedule in a margin account pursuant to a standard brokerage agreement. The Trust used cash on hand.

Item 4. Purpose of Transaction .

The Class A shares of Common Stock were acquired for investment purposes by the Reporting Person, primarily because of his belief that the Issuer does not have a motive to reorganize under Chapter 11 and that the Issuer will continue as a “going concern” despite the market’s expectation of obtaining a qualified opinion from the Issuer’s auditors in conjunction with the year-end audit. Given the operating fundamentals of the Issuer combined with the short term of its real estate leases (typically five years) and the aggressive and proactive manner in which the Issuer has managed its store base (including relocations, store closings, reductions in store size and subleases), Mr. Wattles does not believe that the Issuer has a motive to reorganize under Chapter 11. In addition, regardless of the likelihood of obtaining a “going concern” qualification from its auditors, Mr. Wattles believes the Issuer will be successful in refinancing its revolving bank line of credit, or if it cannot, that it will be able to use cash flow from operations to meet its August repayment obligations and 2009 liquidity needs.

While Mr. Wattles has had and may in the future have discussions with a member of the Issuer's board of directors and members of senior management, he does not possess any material non-public information. Based on those discussions and his understanding of the Issuer's industry, business, and financing and operating plans, the Reporting Person fully supports management and does not seek to control or influence the composition of the board of directors, the financing or operating plans, corporate governance policies, or other matters of the Issuer.

Depending on price, availability, market conditions and other factors that may affect his judgment, the Reporting Person may acquire additional Class A shares (or other securities) or dispose of any or all of his Class A shares (or other securities).

Item 5. Interest in Securities of the Issuer .

(a)-(b) As of March 16, 2009, WCM and the Trust owned 4,841,937 and 2,000,000 Class A shares of Common Stock, respectively, which together represent 5.7% of the Issuer's outstanding shares of Class A Common Stock. The percentage of beneficial ownership of the Reporting Person as reported in this Schedule 13D was calculated by dividing (i) the number of shares of Class A Common Stock beneficially owned by the Reporting Person as of March 16, 2009 as set forth in this Schedule 13D, by (ii) the 120,775,084 shares of Class A Common Stock issued and outstanding as of November 7, 2008, based upon the Issuer's Report on Form 10-Q filed with the Securities and Exchange Commission for the quarter ended October 5, 2008.

(c) During the last 60 days, the Reporting Person has not bought, sold or otherwise received Class A shares of Common Stock except in the transactions described in Schedule I attached hereto, which is incorporated herein by reference.

(d) No person other than the Reporting Person is known to have the right to receive, or the power to direct the receipt of, dividends from or proceeds from the sale of the Class A shares.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer .

The Reporting Person does not have any contracts, arrangements, understandings or relationships (legal or otherwise) with any person with respect of any securities of the Issuer, including but not limited to, transfer or voting of any of the securities of the Issuer, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies, or a pledge or contingency the occurrence of which would give another person voting or investment power over securities of the Issuer.

Item 7. Material to Be Filed as Exhibits .

Not applicable.

**SIGNATURE**

After reasonable inquiry and to the best knowledge and belief of the undersigned, the undersigned certifies that the information set forth in this statement is true, complete and correct.

March 16, 2009

/s/ Mark J. Wattles

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Mark J. Wattles

**SCHEDULE I**

**All of the following transactions were purchases or sales of Class A Common Stock effected in the open market.**

As of March 16, 2009, WCM owned 4,841,937 shares of Class A Common Stock. The following transactions were effected by WCM during the sixty days preceding March 16, 2009:

<b>WCM TRANSACTIONS</b>		
<b>Date</b>	<b>Number of Shares</b>	<b>Price Per Share</b>
<b>Purchases:</b>		
2/26/2009	100,000	1.03
2/27/2009	100,000	1.08
3/2/2009	75,000	1.01
3/3/2009	100,000	0.82
3/4/2009	891,937	0.46

As of March 16, 2009, the Trust owned 2,000,000 shares of Class A Common Stock. The following transactions were effected by the Trust during the sixty days preceding March 16, 2009:

<b>HKW TRANSACTIONS</b>		
<b>Date</b>	<b>Number of Shares</b>	<b>Price Per Share</b>
<b>Purchases:</b>		
3/4/2009	1,990,000	0.46