

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re

DRAW ANOTHER CIRCLE, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No.: 16- (_____)

(Joint Administration Requested)

**DEBTORS' MOTION FOR ENTRY OF AN ORDER
EXTENDING THE DEBTORS' DEADLINE TO FILE SCHEDULES
OF ASSETS AND LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS**

Draw Another Circle, LLC (“DAC”) and its chapter 11 affiliates, the debtors and debtors in possession (the “Debtors”) in the above-captioned chapter 11 cases (the “Cases”) hereby move the Court (the “Motion”) for the entry of an order, substantially in the form attached hereto as Exhibit A (the “Proposed Order”), pursuant to sections 105(a) and 521 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), Rule 1007 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 1007-1 and 9006-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), extending the time within which the Debtors must file their Schedules of Assets and Liabilities (the “Schedules”) and Statements of Financial Affairs (the “Statements”) through and including the earlier of (i) August 12, 2016, or (ii) the Bid Deadline (as defined herein). In support of the Motion, the Debtors rely on the *Declaration of Duane A. Huesers in Support of Debtors' First Day*

¹ The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: Draw Another Circle, LLC (2102); Hastings Entertainment, Inc. (6375); MovieStop, LLC (9645); SP Images, Inc. (7773); and Hastings Internet, Inc. (0809). The Debtors' executive headquarters are located at 3601 Plains Boulevard, Amarillo, TX 79102.

Pleadings (the “First Day Declaration”)² concurrently filed herewith. In further support of the Motion, the Debtors respectfully represent as follows:

JURISDICTION

1. The United States Bankruptcy Court for the District of Delaware (the “Court”) has jurisdiction over these Cases and this Motion pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012. This is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of these Cases and this Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

2. Pursuant to Rule 9013-1(f) of the Local Rules, the Debtors consent to the entry of a final judgment or order with respect to the Motion if it is determined that the Court, absent consent of the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution.

3. The statutory and legal predicates for the relief requested herein are sections 105(a) and 521 of the Bankruptcy Code, Bankruptcy Rule 1007, and Local Rules 1007-1 and 9006-2.

BACKGROUND

4. On the date hereof (the “Petition Date”), each of the Debtors commenced a voluntary case under chapter 11 of the Bankruptcy Code.

5. The Debtors are authorized to continue to operate their businesses and manage their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner or statutory committee has been appointed in these

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the First Day Declaration.

Cases by the Office of the United States Trustee for the District of Delaware (the “U.S. Trustee”).

6. Founded in 1968, Hastings Entertainment, Inc. (“Hastings”), a Texas corporation, is a leading multimedia entertainment and lifestyle retailer. Hastings operates entertainment superstores that buy, sell, trade and rent various home entertainment products, including books, music, software, periodicals, movies on DVD and Blu-ray, video games, video game consoles, hobby, sports and recreation, lifestyle and consumer electronics. Hastings also offers consumables and trends products such as apparel, t-shirts, action figures, posters, greeting cards and seasonal merchandise. With the assistance of over 3,500 employees, Hastings operates 123 superstores, averaging approximately 24,000 square feet, principally in medium-sized markets located in 19 states, primarily in the Northwestern, Midwestern, and Southeastern United States.

7. Hastings also operates a multimedia entertainment e-commerce web site, goHastings.com, which offers a broad selection of books, software, video games, movies on DVD and Blu-ray, music, trends, comics, sports, recreation, and electronics. Hastings fills orders for new and used products placed at the website and also through Amazon and eBay Marketplaces using its proprietary goShip program, which allows Hastings to ship directly from its stores or distribution center. Hastings has one wholly-owned subsidiary, Hastings Internet, Inc. In 2015, Hastings generated revenue totaling approximately \$401.1 million.

8. MovieStop, LLC (“MovieStop”), a Delaware limited liability company, is a value retailer of new and used movies based in Atlanta, Georgia. MovieStop currently operates 39 destination locations in 10 states, primarily along the Eastern United States Coast. MovieStop

is conducting store closing sales at all of its locations, and anticipates completion of all store closings by the end of July.

9. SP Images, Inc. (“SPI”), a Massachusetts corporation, is a full-service licensed distributor of sports and entertainment products and apparel headquartered in Franklin, Massachusetts. SPI specializes in providing retail partners with an unmatched assortment of licensed merchandise that allows them to maximize turns, sales and gross margins. SPI stocks over 20,000 individual items licensed by Major League Baseball, the National Football League, the National Hockey League, the National Basketball Association, Marvel Comics, DC Comics and many more.

10. Hastings, MovieStop and SPI are each wholly-owned subsidiaries of DAC.

11. As is further discussed in the First Day Declaration filed contemporaneously herewith, the Debtors commenced these chapter 11 cases to (i) effectuate the sale of Hastings pursuant to a Court-approved bidding and auction process; (ii) complete the liquidation of the MovieStop business for the benefit of creditors; (iii) preserve SPI’s business through a going concern sale process; and (iv) liquidate all of the Debtors’ remaining assets and discontinue all business lines that cannot be sold for value.

12. More detailed factual background regarding the Debtors and the commencement of these Cases is set forth in the First Day Declaration.

RELIEF REQUESTED

13. By this Motion, the Debtors seek the entry of an order, pursuant to sections 105(a) and 521(a) of the Bankruptcy Code, Bankruptcy Rules 1007(b) and 1007(c), and Local Rules 1007-1(b) and 9006-2, extending the time within which the Debtors must file

Schedules and Statements through and including the earlier of (i) August 12, 2016, or (ii) the Bid Deadline set forth in the *Debtors' Combined Motion for Entry Of Orders:(i) Establishing Bidding and Sale Procedures; (ii) Approving the Sale of Assets; and (iii) Granting Related Relief*, filed concurrently herewith.

BASIS FOR RELIEF

14. Section 521(a) of the Bankruptcy Code and Bankruptcy Rule 1007(b) both require a debtor to file its Schedules and Statements with the Court. Bankruptcy Rule 1007(c) requires that a debtor file its Schedules and Statements within fourteen (14) days of filing its chapter 11 petition. The Court may extend the time period for the filing of Schedules and Statements pursuant to Bankruptcy Rule 1007(c) by a motion filed with the Court and served on the United States Trustee, any statutory committee, trustee, or examiner appointed and any other party as the Court may direct.

15. Local Rule 1007-1(b) provides:

In a voluntary chapter 11 case, if the bankruptcy petition is accompanied by a list of all of the debtor's creditors and their addresses, in accordance with Local Rule 1007-2, and if the total number of creditors in the debtor's case (or, in the case of jointly administered cases, the debtors' cases) exceeds 200, the time within which the debtor shall file its Schedules and Statement of Financial Affairs required under the Fed. R. Bankr. P. shall be extended to thirty (30) days from the petition date. Any further extension shall be granted, for cause, only upon filing of a motion by the debtor on notice in accordance with these Local Rules.

Del. Bankr. L.R. 1007-1(b).

16. In accordance with Local Rule 1007-2, along with their chapter 11 petitions, the Debtors have filed a list of creditors. The total number of creditors in these Cases is well in excess of 1000, including employees, vendors, and counterparties to executory contracts and unexpired leases. Accordingly, pursuant to Local Rule 1007-1(b) and as stated above, the

Debtors' initial deadline to file the Schedules and Statements is thirty (30) days from the Petition Date—July 13, 2016 (the "Initial Deadline").

17. The Debtors respectfully submit that cause exists to extend the Debtors' time to file the Schedules and Statements. Given the size and complexity of the Debtors' operations, and taking into account that there are five separate Debtor entities, a significant amount of information must be accumulated, reviewed, and analyzed to properly prepare the Schedules and Statements. The Debtors and their professionals have been consumed with a multitude of critical administrative and operational decisions arising in conjunction with the commencement and early administration of these Cases, including preparing for the Debtors' entry into chapter 11 and addressing multiple critical operational and strategic matters. In addition, the Debtors have prepared and filed a number of motions and applications to ensure that the Debtors successfully prosecute these Cases in a timely and efficient manner.

18. Moreover, due to the complexity of the Debtors' businesses, compiling and consolidating the data required for the Schedules and Statements presents a complex and time-consuming task. Although the Debtors and their professionals have been working diligently on completing the Schedules and Statements as early as possible, it will be impossible to complete this undertaking prior to the expiration of the Initial Deadline.

19. In light of the above, a brief extension of the Initial Deadline for an additional thirty (30) days through and including August 12, 2016, or before the Bid Deadline, without prejudice to the Debtors' right to seek further extensions if necessary, is appropriate because the Debtors believe that this extension will provide the necessary time for the Debtors to complete accurate Schedules and Statements.

20. Courts in this district routinely grant the same or similar relief in other cases. *See, e.g., In re Sports Auth. Holdings, Inc.*, Case No. 16-10527 (MFW) (Bankr. D. Del. March 24, 2016) [Docket No. 807] (granting 45-day extension); *see also In re Quicksilver Resources, Inc.*, Case No. 15-10585 (LSS) (Bankr. D. Del. Apr. 14, 2015) [Docket No. 193] (granting a 30-day extension); *In re Seal 123, Inc.*, Case No. 15-10881 (CSS) (Bankr. D. Del. Feb. 9, 2015) [Docket No. 276] (same); *In re LCI Holding Co.*, Case No. 12-13319 (KG) (Bankr. D. Del. Jan. 10, 2013) [Docket No. 150] (same).³

21. Based on the foregoing, the Debtors submit the relief requested is necessary and appropriate, is in the best interests of their estates and creditors, and should be granted in all respects.

NOTICE

22. The Debtors will provide notice of this Motion to: (i) the U.S. Trustee; (ii) holders of the thirty (30) largest unsecured claims on a consolidated basis against the Debtors; (iii) Bank of America, N.A.; (iv) Pathlight Capital LLC; and (v) all parties who, as of the filing of this Motion, have filed a notice of appearance and request for service of papers pursuant to Bankruptcy Rule 2002. As this Motion is seeking “first day” relief, within two business days of the hearing on this Motion, the Debtors will serve copies of this Motion and any order entered in respect to this Motion as required by Local Rule 9013-1(m). In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is necessary.

23. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

³ Because of the voluminous nature of the unreported orders cited herein, they are not annexed to this Motion. Copies of these orders are available upon email request of Debtors’ counsel by contacting Max Schlan, Esq. at mschlan@cooley.com.

CONCLUSION

WHEREFORE, for the reasons set forth herein and in the First Day Declaration, the Debtors respectfully request that this Court enter an order, substantially in the form attached hereto, granting the relief requested in the Motion and such other and further relief as is just and proper.

Dated: June 13, 2016
Wilmington, Delaware

Respectfully submitted,

/s/ Christopher M. Samis

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EXHIBIT A

Proposed Order

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re

DRAW ANOTHER CIRCLE, LLC, *et al.*,¹
Debtors.

Chapter 11

Case No.: 16- (_____)

(Joint Administration Requested)

Re: Docket No. _____

**ORDER EXTENDING THE DEBTORS' DEADLINE TO FILE SCHEDULES
OF ASSETS AND LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS**

Upon the motion (the "Motion")² of Draw Another Circle, LLC and its chapter 11 affiliates, the debtors and debtors in possession (the "Debtors") in the above-captioned chapter 11 cases (the "Cases"), for entry of an order, pursuant to sections 105(a) and 521 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532, Rule 1007 of the Federal Rules of Bankruptcy Procedure, and Rules 1007-1 and 9006-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, extending the time within which the Debtors must file their Schedules of Assets and Liabilities (the "Schedules") and Statements of Financial Affairs (the "Statements") through and including the earlier of (i) August 12, 2016, or (ii) the Bid Deadline; and upon consideration of the First Day Declaration and the entire record of these Cases; and it appearing that the Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 1334 and 157, and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated February 29, 2012; and it appearing that the Motion is a core matter pursuant to 28 U.S.C. § 157(b)(2) and that

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the Court may enter a final order consistent with Article III of the United States Constitution; and it appearing that venue of these Cases and of the Motion is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that due and adequate notice of the Motion has been given under the circumstances, and that no other or further notice need be given; and it appearing that the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and after due deliberation, and good and sufficient cause appearing therefor, it is hereby **ORDERED, ADJUDGED, AND DECREED THAT:**

1. The Motion is GRANTED, as set forth herein.
2. The time within which the Debtors shall file their Schedules and Statements is extended through and including the earlier of (i) August 12, 2016, or (ii) the Bid Deadline (the "Filing Deadline").
3. This Order shall be without prejudice to the Debtors' rights to seek additional extensions of the Filing Deadline.
4. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Order.

Dated: Wilmington, Delaware

_____, 2016

United States Bankruptcy Judge