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Lolli and Pops Unlocks \$3 Million to Keep Stores Open

Upscale mall candy store chain Lolli and Pops Inc. has reopened all shuttered stores and secured a \$3 million cash infusion as part of its bankruptcy organization.

U.S. Bankruptcy Court Chief Judge Christopher S. Sontchi approved the company's bankruptcy financing at a hearing in Wilmington, Del., Aug. 14.

Paxion Capital, LP, which guaranteed a loan for the candy company in the past, agreed to provide the \$3 million as part of up to a total of \$7 million debtor-in-possession financing. The new money will allow Lolli and Pops to restructure after a liquidity crisis forced the company to stop paying rent, and landlords began to lock the company out of its stores.

"The debtors just needed to stop the snowball of store lockouts," the company's attorney, Eric J. Fromme of Theodora Oringher PC, told the bankruptcy court at the hearing Aug. 14. "This is not a sale case, this is an operational restructuring."

The candy company and several affiliates filed for Chapter 11 protection in Delaware Aug. 12.

Lease Troubles The San Francisco-based company's troubles began in 2017 with a push to expand its store presence throughout the country. The company signed a series of package-deal leases with landlords that include not just monthly rent but also repayment of pre-opening expenses plus interest.

Locks started appearing on Lolli & Pops stores in Texas and Idaho in early August after landlords, unpaid since May, started demanding back rent.

The bankruptcy filing helped the company stabilize its business and all stores have been reopened, Fromme said.

Upon filing, the company owed \$7 million on an \$8 million line of unsecured credit with First Republic Bank, the loan that Paxion guaranteed. The company also owes \$40,000 in principal on a store in Los Gatos, Calif.

Founded in 2011, the company operates 69 Lolli & Pops stores in more than 30 states, all of which are now back open.

The company at one time also operated a wholesale business and sold products online, but closed those operations in February 2019. It also operated 10 Candyopolis stores in Oklahoma, Kansas, and Nebraska, which it closed just before filing for bankruptcy.

The company has 789 employees, most of them part-time.

Theodora Oringher PC and Morris, Nichols, Harsht & Tunnell LLP represent the debtors.

The case is *Mishti Holdings LLC*, Bankr. D. Del., No. 19-11813, *First Day Motions* 8/14/19.

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