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Losses Catch Up to Ample Hills

David Elman

Despite boasting prominent fans and winning accolades for its ice cream, Ample Hills Holdings Inc. has filed for Chapter 11 to sell its assets following issues with its new factory.

The Brooklyn, N.Y., ice cream maker and retailer and 15 affiliates submitted petitions on Sunday, March 15, in the U.S. Bankruptcy Court for the Eastern District of New York in Brooklyn.

A hearing on first-day motions including a request for interim use of cash collateral has yet to be scheduled before Judge Nancy Hershey Lord. Debtor counsel Steven B. Smith of **Herrick, Feinstein** said Ample Hills would file its sale motion later on Monday but noted it would not be up for consideration at the first-day hearing.

According to a declaration from CEO Phillip Brian David Smith, Ample Hills over the second half of 2019 reached out to dozens of investors, including current shareholders, and shopped the business. The debtor, however, failed to secure new funding or a stalking-horse bidder.

Smith said participants in a Section 363 process run by SSG Capital Advisors LLC will be able to bid for all stores or individual shops. Ample Hills plans to use cash collateral to fund operations over the estimated eight weeks until an auction.

An Ample Hills sale would follow recent ice cream M&A including Lakeview Capital Inc. acquiring Japanese dessert maker Mochi Ice Cream Co. in January, Nestlé SA selling its U.S. ice cream business to Froneri International Ltd. for \$4 billion and Kroger Co. (KR) selling Turkey Hill to Peak Rock Capital LLC for \$215 million last April .

Strand Equity Partners LLC in August 2018 secured a minority stake in another trendy Brooklyn ice cream maker, Van Leeuwen Artisan Ice Cream, and in 2017 Dean Foods Inc. paid \$1 million for the assets of Brooklyn's bankrupt Fresh Ice Cream Co. LLC, the distributor of Steve's Ice Cream. (Dean Foods, which in June 2016 paid \$158.2 million for Friendly s Ice Cream Holdings Corp., filed for Chapter 11 on Nov. 12 and looks to sell its assets.)

Ample Hills, named for a line in a Walt Whitman poem, began in 2010 with a cart in Brooklyn's Prospect Park operated by Smith, a screenwriter of monster movies for SyFy, and his wife, Jackie Cuscana, a high school teacher. A year later they opened a nearby shop with \$250,000 in savings, and The New York Times covered an ensuing shutdown after the ice cream supply sold out in four days.

The business grew rapidly, picking up fans such as Walt Disney Co. (DIS) executive chairman Bob Iger, Steven Spielberg, Tim Cook, Howard Schultz and Oprah Winfrey, and in fall 2015 raised \$4 million in seed funding to fuel further growth. A decision to open a new factory in Brooklyn's Red Hook neighborhood, however led to a host of issues.

Construction took 1-1/2 years longer than estimated and cost about \$6.7 million, or \$2.7 million over the original budget. Smith also said Ample Hills underestimated how much it would have to produce to see the benefit of the additional scale, a problem as the lengthy construction period hindered the expansion and left the company with continuing operating losses. The debtor in 2019 produced 200,000 gallons of ice cream at the plant, which can produce 500,000 gallons per year.

Although revenue increased from \$6.02 million in 2017 to \$10.75 million in 2019, Ample Hills' losses kept pace, rising from \$1.61 million to \$6.93 million. Despite raising an \$8 million Series A round in fall 2017, by last June Ample Hills recognized it was running low on liquidity, prompting the sale effort.

The company has 10 retail stores and kiosks primarily in the New York area, plus a store on Disney's Boardwalk in Orlando, Fla., operated by Disney that sell flavors such as Salted Crack d Caramel, Ooey Goey Butter Cake, Nonna D's Oatmeal Lace and PB Wins the Cup. A wholesale and e-commerce operation also contributes 10% of Ample Hill's revenue.

Ample Hills in its petition listed \$1 million to \$10 million in assets and \$10 million to \$50 million in liabilities. It owes about \$3.5 million to Flushing Bank, \$6.4 million on convertible promissory notes and \$1.5 million in trade claims.

Stephen B. Selbst, George V. Utlik, Silvia Stockman and Rachel Ginzburg of **Herrick Feinstein** also are debtor counsel. Dan Scouler of Scouler Kirchhein LLC is chief restructuring officer.

<http://pipeline.thedeal.com/tdd/ViewArticle.dl?id=20004568>

--- Index References ---

Company: AMPLE HILLS HOLDINGS INC; DEAN FOODS CO; DQL ENERGY LLP; FLUSHING BANK; Fresh Ice Cream; FRONERI INTERNATIONAL LTD; **HERRICK FEINSTEIN** LLP; KROGER CO (THE); Mochi Ice Cream; NESTLE LTD; NEW YORK TIMES CO (THE); PEAK ROCK CAPITAL LLC; PROSPECT PARK CAPITAL CORP; SSG CAPITAL ADVISORS LLC; Strand Equity Pa; TWDC ENTERPRISES 18 CORP

News Subject: (Bankruptcies (1BA08); Business Management (1BU42); Corporate Events (1CR05); Major Corporations (1MA93))

Industry: (Agriculture, Food & Beverage (1AG53); Confections (1CO03); Dairy Products (1DA15); Desserts (1DE28); Entertainment (1EN08); Food & Beverage Production (1FO79); Frozen Foods (1FR63); Ice Creams & Frozen Desserts (1IC43); Media & Entertainment Firms (1DI98))

Language: EN

Other Indexing: (Dean Foods Inc.; Scouler Kirchhein LLC; turkey hill) (Rachel Ginzburg; Oprah Winfrey; Dan Scouler; Nancy Hershey Lord; George V. Utlik; Jackie Cuscana; Herrick Feinstein; Stephen B. Selbst; Phillip Brian David Smith; Howard Schultz; Silvia Stockman; Robert A. Iger; Robert A. Iger; Nancy Hershey; Steven W. Smith; Steven W. Smith; Tim Cook) (New York metro; New York state; North America; Northeast; United States; United States - East)

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