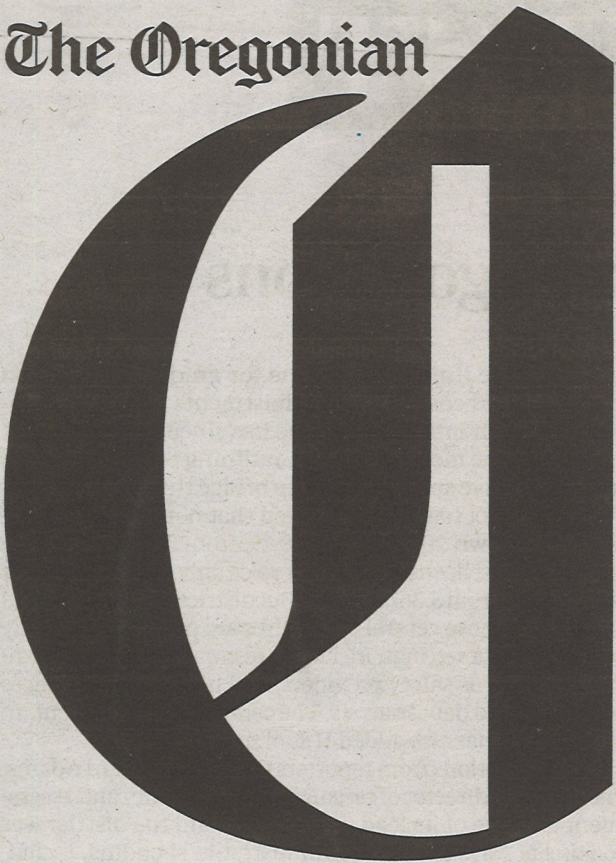


The Oregonian



PORTLAND STATE RESEARCH

Report: Toxic vapors will be deadly when mega-quake hits

Gosia Wozniacka The Oregonian/OregonLive

A massive earthquake in the Pacific Northwest likely would kill and injure thousands of people in the Portland metro area due to collapsing buildings, downed power lines and the shaking itself.

But thousands more could die — with tens of thousands injured — from a threat few consider when they think about the Big One: toxic vapors.

A Portland State research report, commissioned by Multnomah County, concludes that a Cascadia Subduction Zone earthquake probably would cause the rupture of above-ground tanks and pressurized cylinders at Portland industrial facilities that store toxic chemicals. Such facilities built on liquefiable soil in the city's north and northwest neighborhoods would be especially at risk — and the toxic plumes they'd emit would likely spread to other neighborhoods and past the county's borders.

Those vapor clouds would be in addition to hazardous plumes emanating from ruptured tanks at the Critical Energy Infrastructure Hub — the fossil-fuel terminal along the Willamette River where more than 90% of all of Oregon's gas and diesel is stored — making for a deadly airborne mix that most residents would have no way to avoid, the report says.

Seismologists say there's about a 37% chance that a 7.1 magnitude or higher earthquake will happen along the

SEE PORTLAND STATE RESEARCH, A4

Company that bought up brands in pandemic now struggling to pay bills

Sortis Holdings and affiliated entities have left in their wake a trail of failed deals, angry business partners and landlords clamoring for their rent.

Jeff Manning and Matthew Kish  
The Oregonian/OregonLive

In the depths of the pandemic, when the region's leading restaurants and hotels were struggling to stay afloat, a Portland investment firm called Sortis Holdings offered a lifeline.

Flush with capital, ambition and a self-professed knack for spotting the next big thing, Sortis Holdings assembled a portfolio of Pacific Northwest hotels, restaurants, coffee houses and beauty and barber shops, many of them celebrated but struggling.

Three years later, the Sortis Holdings ship is listing. Sortis Holdings and affiliated entities have left in their wake a trail of failed deals, angry business partners and landlords clamoring for their rent. The company is downsizing, its stock has lost most of its value, and its "ecosystem of idiosyncratic brands" faces an uncertain future.

Sortis Holdings' largest deal to date, its planned purchase of the Ace Hotel chain, fell apart last month. Sortis Holdings said in January it would pay \$85 million in cash for the chain, later describing it as central to its business plan. In response to written questions from The Oregonian/OregonLive, Sortis Holdings on Friday morning said the deal was off. (The Portland Business Journal first reported the deal fell through late Thursday.)

It also said it's laying off 2% of its workforce, including retail employees.

Four lawsuits filed against Sortis Holdings and affiliates in recent weeks claim the company is delinquent on bills. The lawsuits include an attempt to evict the company's Rudy's Barbershop from its Sellwood location.



Sortis Holdings acquired the downtown Portland Ace Hotel, then later sought to buy the entire Ace Hotel chain. The deal fell through this spring. Torsten Kjellstrand, file

The company's stock, which traded for \$1 a share in mid-October, now trades for \$0.25.

In its written statement, Sortis Holdings said the company is "strategically refining" its portfolio and plans to "double-down" on its remaining brands.

"We are refocusing our energy and resources on our core brands including Bamboo Sushi, Sizzle Pie and Rudy's Barbershops," the company said.

Portland's tight-knit restaurant community is watching closely and hoping the best for friends who joined forces with Sortis Holdings. They note founders who sold to the company didn't exit, but typically took cash and stock. They remain involved.

"If this does blow up, there will be tremendous sadness," said Kurt Huffman, owner of ChefsTable, a prominent Portland restaurant management consulting firm. "These are all good-intentioned, great people. These were people who were facing bankruptcy and exhaustion. Sortis came in and offered to take all that off their hands."

SEE SORTIS HOLDINGS, A6

"If this does blow up, there will be tremendous sadness. These are all good-intentioned, great people."

Kurt Huffman, owner of ChefsTable, a prominent Portland restaurant management consulting firm

LIVING

Last Beatles song out now

Titled "Now and Then," the almost impossible-to-believe track is the first and only original Beatles recording of the 21st century. A12

SPORTS

The 'shameful' end of Pac-12

Cal coach Justin Wilcox — a former Duck who brings his team to Eugene this weekend — weighs in on conference realignment: "It just shouldn't have happened." B1

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## SORTIS HOLDINGS

# Company that bought up brands in pandemic struggling to pay bills

Continues from A1

Some of the founders who opted to join Sortis Holdings said business remains a struggle. The labor shortage, the deterioration of downtown Portland and higher prices remain formidable hurdles.

"It's been a mixed bag," said Matt Jacobson, Sizzle Pie's founder, who remains with the company under Sortis Holdings. "The reality of Portland today continues to make it really challenging."

Prominent restaurateur Nate Tilden opted not to get involved with Sortis even though his restaurant at the time, Clyde Common, was in deep trouble. It closed in early 2022.

"In the darkest hour they came in as saviors," Tilden said. "And I respect that. But I do think their play was buying great Portland brands at fire-sale prices. I think they may be finding that it's hard to run a restaurant from a corporate boardroom."

## 'ONCE-IN-A-LIFETIME' OPPORTUNITY

Sortis Holdings Executive Chairman Paul Brenneke is from a prominent local family. His late father, Barry Brenneke, built Guardian Management into one of the city's largest property management firms. He's "been involved" in the acquisition and development of over \$2 billion in properties, according to his biography on the Sortis Holdings website.

He's no stranger to controversy. Brenneke partnered in the development of Avalon Hotel in Johns Landing, a venture that led to a bankruptcy filing and a nasty fight with investors.

Brenneke previously said the pandemic created a "once-in-a-lifetime" investment opportunity, according to Oregon Business magazine. Fire-sale deals were everywhere.

Throughout 2020, Sortis Holdings announced a string of deals, including the hipster barbershop Rudy's and Bamboo Sushi. In December 2020, it helped Blue Star Donuts out of bankruptcy.

Submarine Hospitality, a restaurant company headed by Joshua McFadden and Luke Dirks, reached the apex of its success on March 3, 2017. That was the day The New York Times warmly praised the "bold, big-hearted cooking" at Tusk, one of the restaurant group's marquee establishments.

The Times even gave some love to the broader culinary scene in Portland, "a city whose earnestness is matched only by the creativity of its food," wrote food critic Rebecca Flint Marx.

Three years later, the pandemic arrived full-force, hitting the city's restaurants and bars like the black plague. Business plummeted at Tusk and Ava Gene's, Submarine's other major establishment.

McFadden and Dirks were exhausted, Dirks said. Dirks left the company. He said he was surprised when negotiating his buyout, that McFadden and Brenneke were on the other side of the table. McFadden joined Sortis. He is listed as "Culinary Creative" on the Sortis website.

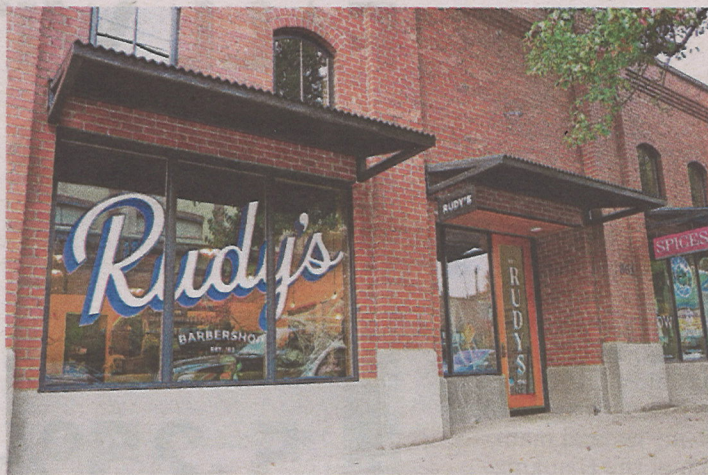
Tusk and Ava Gene's became Sortis' trophy restaurant properties.

Like a lot of Sortis Holdings companies, Tusk and Ava Gene's took advantage of taxpayer-funded pandemic relief funds.

Companies listed in the Sortis Holdings portfolio got more than \$13 million in Paycheck Protection Program loans, but it's unclear whether the loans were received before or after being acquired by Sortis Holdings.

## A 'CENTRAL PLATFORM'

Sortis Holdings wasn't just an investment company. It was an eclectic collection of brands "that live at the intersection of rad-



A Rudy's Barbershop location in the Southeast Portland neighborhood of Sellwood on Friday. The building's landlord sought to evict the barbershop, owned by an affiliate of Sortis Holdings, over unpaid rent. Elliot Njus, staff



The Northwest Portland location of Bamboo Sushi, shown in 2016. The chain would later become part of the Sortis Holdings restaurant portfolio. Stephanie Yao Long, file

ical vision, cultural relevance and expansive potential." The company works out of a refurbished office building in the warehouse district in Portland's Central Eastside.

It's organized along four business lines, or "pillars," as they're known internally — hospitality, food and drink, coffee, and health and beauty.

Of all the acquisitions, none was bigger than Portland's Ace Hotel, which Sortis Holdings acquired in 2021. Operating under the flag of a celebrated chain, the Portland hotel helped anchor an up-and-coming neighborhood and was an early entrant in a wave of boutique hotels popular with younger, hipper travelers.

But like many hotels, its business cratered as travel dried up in the early days of the pandemic. Brenneke saw an opportunity.

"Coming out of COVID-19 shutdowns, people are going to look for social and human connection again, and I believe we will be able to provide the space for that at the Ace again as it once did," he said at the time.

Shortly thereafter, Sortis Holdings started talks with New York-based Ace Group International about buying the entire hotel chain. Two years later, Sortis Holdings announced it would acquire the business for \$85 million in cash.

Sortis Holdings viewed the hotel chain as the linchpin around which it could grow its trendy mix of coffee houses, restaurants, and barber shops.

"Sortis intends to use the Ace-branded hotels as the central platform around which it will combine its other distinctly branded businesses," Sortis Holdings wrote in an April legal filing, calling the Ace "brand name and know-how" and "crucial to the success of Sortis's business plan."

But the deal quickly soured. It was expected to close on March 22, but didn't.

## SORTIS HOLDINGS IN COURT

Sortis Holdings sued the Ace Hotel's owners in a Delaware court in April, arguing they were siphoning off intellectual property to create a chain of extended-stay hotels that would compete directly with Sortis Holdings' plans.

The Ace's owners fired back, calling the argument a "pretext." They said the real problem was Sortis Holdings didn't have the \$80 million in cash needed to close.

"Buyer is using this litigation as a court-imposed extension of the closing date, so that buyer can continue to shop around for financing," the Ace's owners said in a May legal filing.

The parties settled the lawsuit in August. In response to written questions, Sortis Holdings on Friday said it got back into

contract to acquire the Ace chain as part of the settlement. But it said it decided to terminate the deal in early October for various reasons, including "material changes" to Ace's business.

A spokesperson for the Ace chain didn't respond to a request for comment.

The Ace Hotel deal wasn't the only one to end up in litigation.

In March 2021, Sortis Westlake LLC bought a half-interest in the company that manages and runs the venerable Mayflower Park Hotel in Seattle. The other half owner was WPI LLC, a company owned by Birney Dempcy, a 90-year-old lawyer who'd been running the Mayflower for 50 years.

Sortis Holdings touts the property in its hospitality portfolio.

Nine months later, Dempcy's company accused Sortis Westlake of taking hotel funds. Sortis "unilaterally directed the company's controller to distribute \$2 million of company funds to Sortis," Dempcy's company claimed in a lawsuit filed in King County Superior Court.

This "dispute arises out of Sortis's actions to usurp company management and improperly distribute two million dollars of company funds to itself," Dempcy's company claimed.

In its answer, Sortis accused Dempcy of misrepresenting the Mayflower's financial position to induce Brenneke and his team to do the deal. And since then, Sortis claims, Dempcy has "harassed and intimidated" Sortis employees and refused to acknowledge that Sortis owned half the company.

## TIME TO 'GET SKINNY'

Claims against Sortis Holdings burst into public view over the past several weeks through lawsuits reported by Willamette Week earlier Friday.

Former employee Michelle Andersen sued Sortis Holdings in September. She worked as CEO of the company's entity that ran Bamboo Sushi, which Sortis acquired out of bankruptcy in July 2020.

Andersen's is one of four recent lawsuits against Sortis related to unpaid bills. She claims Sortis owes her roughly \$1.7 million.

Like other restaurants, Bamboo Sushi had been clobbered by the pandemic. In her lawsuit, Andersen said Sortis acquired it for \$100,000 and the assumption of some debt.

"It had poor timing for its rapid growth opening four restaurants in the months prior to the pandemic's once in a lifetime impact," Brenneke said in a press release at the time, "but it's the kind of company that we believe will survive and thrive in a post-pandemic world."

Between May and September 2021, Andersen claimed she oversaw the reopen-

ing of nine Bamboo Sushi locations. The chain grew from 150 to 500 employees. By late 2021, Andersen asserted in her lawsuit, she was given responsibility for the coffee companies that were added to Sortis Holdings' portfolio, including See See Motor Coffee and Water Avenue Coffee.

Andersen claimed Brenneke in early 2022 told her she'd get a grant of Sortis Holdings stock valued at \$1.5 million. The stock, which trades for \$0.25 a share today, was valued at \$2.26 per share.

A year later, Andersen claimed, Brenneke asked her to resign for reasons not related to her performance. She left the company in June. She claimed she did not get the \$1.5 million in stock or the typical six months of severance Sortis paid other employees.

Sortis Holdings claimed it terminated Andersen and she rejected the severance package it offered. It expects to resolve the matter through mediation, it said in a statement Friday.

The owner of the building that houses Coffee Business, another Sortis holding, sued Sortis for more than \$250,000 in early October. The owner claimed Sortis didn't pay rent for August, September or October.

Sortis Holdings told The Oregonian/OregonLive the "location is not viable" because of "multiple" homeless camps, that it's asked the city for help "to no avail," and that it's negotiating a resolution with the landlord.

The owner of the building that houses the Rudy's Barbershop in Sellwood filed an eviction lawsuit against Sortis Barber-shops last week. It claims Sortis isn't paying rent. Sortis Holdings said the litigation has been resolved.

On Thursday, Built Environments NW sued Sortis for nearly \$240,000 for work done on a Hillsboro Sizzle Pie location. Built Environment claims it finished work in July and agreed to postpone payment, signing a new loan agreement with Sortis in August that called for full payment of the loan on Sept. 30. The terms: a steep 12% annual interest rate and a 10% late fee.

Sortis Holdings told The Oregonian/OregonLive the location is not viable and that it has sought to terminate the lease.

Andersen alleged in her lawsuit that her sudden departure from Sortis in June pointed to problems ahead for the company. She claimed that on June 23, Brenneke told her there was no reason to come to the office again and, "quite frankly, the company cannot afford your severance agreement."

Brenneke, she claimed, said it was time for the business to "get skinny."

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