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Sortis Holdings undergoes layoffs as \$85M Ace group acquisition collapses

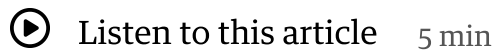


Sortis Holdings had hoped to score big with the Ace Group International deal.

JONATHAN BACH / PORTLAND BUSINESS JOURNAL



By **Jonathan Bach** – Staff Reporter, Portland Business Journal
Nov 3, 2023 **Updated** Nov 3, 2023 12:56pm PDT



Sortis Holdings is laying off some 30 workers after it **failed to close the \$85 million hotel group acquisition** it unveiled in January.

Sortis Holdings, legally a Delaware firm but with its main offices in Portland, said in a Thursday night statement the layoffs came after it realized it could not feasibly acquire Ace Group International.

The acquisition had become the subject of a lawsuit, and then a closely guarded settlement. Repeatedly over recent months, the Business Journal asked about the lawsuit settlement, most recently on Oct. 30. Sortis Holdings responded in detail on Thursday.

The company, led by Executive Chairman Paul Brenneke, spent much of the coronavirus pandemic investing in local brands including Sizzle Pie, Rudy's Barbershop and Bamboo Sushi. Brenneke is a developer who's done business around the Northwest.

The brands operate alongside Sortis Holdings through mergers and limited liability companies. Ace-branded hotels, operating from Los Angeles to Sydney, were to become a cornerstone for the increasingly complex enterprise that now climbed to some 1,500 workers. The estimated 30 layoffs represent 2% of the workforce.

"Our family of brands remains our utmost priority, and the decision not to acquire AGI will allow us the opportunity to double-down on supporting our brands and employees, delivering growth and working to bring new and inspired opportunities into focus," the company said Thursday.

Two years ago, Sortis Holdings purchased the Ace Hotel Portland at 1022 S.W. Harvey Milk St. It's a large property that includes a former events space **into which apparel retailer Portland Gear recently moved its flagship store**. Separately, Ace Hotel **is losing its Stumptown Coffee Roasters** to the nearby 11W tower.

This January, Sortis Holdings unveiled plans to buy the larger Ace Group International and its management firm, Atelier Ace, from its New York owners. The purchase failed to

close on schedule in March, with Ace's owners killing the sale, according to court documents.

Sortis Holdings subsequently took the sellers to the Delaware Court of Chancery, attempting to force them to close.

"Sortis intends to use Ace-branded hotels as the central platform around which it will combine its other distinctly branded businesses," the company revealed in court records. "As such, the unimpaired acquisition of Ace's brand name and know-how is crucial to the success of Sortis's business plan."

Court records detailed litigants' allegations: Ace's owners argued Sortis Holdings "did not have sufficient cash on hand to tender the closing date payment." Meanwhile, Sortis Holdings claimed the owners had cut a side deal with a separate company that imperiled the acquisition's long-term success.

After numerous filings, including a civil subpoena in Multnomah County Circuit Court, the turbulence mellowed. In late July, lawyers for both parties told the Delaware court's vice chancellor they had negotiated settlement terms. In August, the attorneys sought to dismiss the case.

"As reported earlier, we were forced to litigate to protect our position in an attempt to close the transaction. We were successful in that litigation getting back into contract through the settlement agreement," Sortis Holdings said on Thursday.

"After the settlement agreement the AGI business experienced material changes including the loss of multiple hotel management contracts totaling over 20% of the portfolio, as well as the departure of a key employee," the company continued. "These changes, coupled with the continued rise in interest rates since the execution of the original agreement, factored into our decision making."

Despite efforts to resolve outstanding issues with AGI, Sortis Holdings said, the parties couldn't come to new terms.

"In early October 2023, following extensive diligence and further negotiations, we made the strategic decision to terminate the purchase agreement, formally ending the AGI acquisition process," Sortis Holdings said.

Because of the death of the Ace Group International deal and recent store closures across some of its brands, "we have right-sized the business which had anticipated supporting and adding 1,000 employees with the AGI acquisition," the company said.

The company said that through its acquisitions it had inherited leases that became inviable as markets shifted. It recently closed Woodsman Tavern, replaced **with Los Burros Supremos** and, in 2024, La Leñadora. A business in Bend called Spoken Moto closed while the property was undergoing redevelopment and the lease expired.

"We may negotiate additional closures prior to year end if it benefits the greater good," Sortis Holdings said. "We have plans to grow by a similar number of stores in 2024 with five new leases that have been executed and several more deals in process."

The layoffs cut across the company headquarters and closed locations.