



## The Portland Company That Owns Bamboo Sushi, the Ace Hotel and Rudy's Barbershops Is Struggling

Sortis Holdings gobbled up numerous well-known local businesses. Now creditors and a former top executive say Sortis and its affiliates haven't paid some of their bills.

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Bamboo Sushi. (Nashco)

By Nigel Jaquiss

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Portland-based Sortis Holdings is not a household name. But many of the companies Sortis controls are recognizable, at least to Portlanders who like trendy restaurants, good coffee, stylish hotels and haircuts with a complimentary beer.

Bamboo Sushi, Ava Gene's, Tusk, Sizzle Pie pizza, the Ace Hotel, Rudy's Barbershops and Water Avenue Coffee are just some of the names in the company's portfolio.

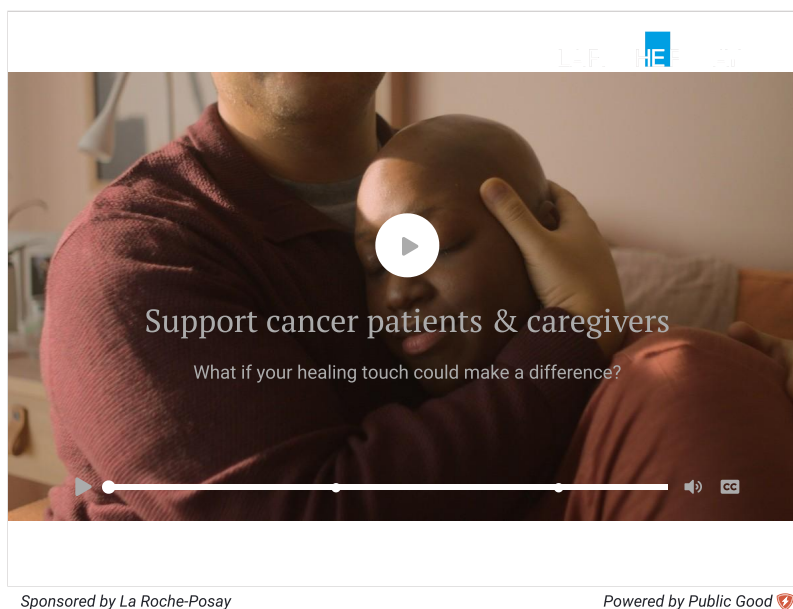
Over the past three years, Sortis executive chairman Paul Brenneke has assembled a number of consumer-facing businesses as the region recovers from the pandemic. But a flurry of recent lawsuits, including a wrongful termination claim from a former senior executive and demands from unpaid creditors, suggests Sortis' plan may not be working.



As recently as Nov. 2, a contractor sued a Sortis affiliate in Multnomah County Circuit Court, alleging unpaid bills for the buildout of a Sizzle Pie restaurant. Records show it's the fourth lawsuit filed against Sortis or an affiliated company since September.

Then on Nov. 3, the *Portland Business Journal* [reported](#) that Sortis' acquisition of the Ace Group International, a chain of boutique hotels, announced in January, had failed after litigation with the seller. Sortis told the *Business Journal* that it was laying off 30 people as a result but would continue stronger than ever.

"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 in a statement to the *Business Journal*.



Kurt Huffman, the founder of Chef's Table, a Portland company that has worked with chefs to develop dozens of local restaurants, says he has found Sortis' game plan increasingly hard to follow.

"I kind of understood the strategy of buying top-flight hospitality businesses at a discount," Huffman says. "It became very confusing when they acquired a bunch of coffee chains, hotels and barbershops—that's when they lost me."

Sortis did not immediately respond to a request for comment.

Brenneke is a scion of a Portland real estate family and, prior to entering consumer and hospitality businesses, a longtime commercial real estate developer. Among his top executives at Sortis are chief financial officer Ryan Smith, a former senior Nike finance manager, and Sortis' culinary chief, the chef and cookbook author Joshua McFadden. (McFadden founded Portland's Submarine Hospitality group, which includes the Portland restaurants Tusk, Ava Gene's and Ciccoria.)

Brenneke's companies took advantage of the collapse of the restaurant industry during the pandemic, snapping up Blue Star Donuts and Bamboo Sushi's parent, the Sustainable Restaurant Company. At the end of 2021, Brenneke reorganized his companies and continued the buying spree. Sortis acquired Rudy's, which has 29 barbershops spread across four states, as well as buying various coffee companies.

Sortis announced its biggest acquisition ever in January, when it said it was paying \$85 million cash for the Ace Group International. Sortis had previously purchased the Ace Hotel in Portland on Southwest Harvey Milk Street but would be taking over other Ace hotels in Brooklyn, Los Angeles, Kyoto, Sydney and other cities.



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Sortis' acquisitions in the food and beverage industry prompted a lengthy consideration in September by Eater PDX titled, ["Behind the Corporation Buying Up Portland's Most Famous 'Independent' Restaurants."](#)

Throughout 2023, as the *Business Journal* reported, Sortis and the Ace chain's owners sparred over the terms of their deal in Delaware court.

The first local public record suggesting that Sortis' strategy of trying to combine a bunch of disparate businesses might not be working came in September, as part of a lawsuit filed in Multnomah County Circuit Court by Michelle Andersen, who says that she ran Bamboo Sushi for Sortis. In legal filings, Andersen explained the circumstances behind her wrongful termination claim. (Sortis has not yet responded to Andersen's claim.)

Andersen says she built Bamboo, which had gone bankrupt during the pandemic, back to nine locations (six locally and one each in Denver, Seattle and Sacramento). By the end of 2021, Andersen says in her lawsuit, the sushi restaurants were "the largest asset and revenue source on Sortis' consolidated financial statements."



Andersen says as Bamboo thrived, Sortis took good care of her: awarding her stock worth about \$1.5 million and paying her a salary of \$325,000 with the expectation of a 40% bonus.

But in June 2023, things went south for Andersen. She says Brenneke told her she had to go, attributing the decision to over-expansion in the coffee business.

"[Brenneke] said the changes he was contemplating were not because of anything Andersen had done or not done," the lawsuit says. "Brenneke said that 'it is not [Andersen's] fault,' but his own for making certain decisions and trusting [another Sortis executive] 'which led us to this.'"

Andersen further alleges in the lawsuit Brenneke told her that he needed to cut overhead and could not afford to pay her contractual severance of six months salary and 12 months health insurance. Andersen also claims never paid her the \$1.5 million in stock she was promised. (Andersen's attorney did not respond to a request for comment. Sortis has not yet responded to the lawsuit in court.)

Andersen's lawsuit was followed by three subsequent, unrelated lawsuits and one contractor's lien in Multnomah County, all of which would appear to support her contention that Sortis is struggling.

On Oct. 6, a company called Hancock PDX filed a lawsuit in Multnomah County, alleging that Coffee Business LLC, a Sortis affiliate whose lease Sortis guaranteed, stopped paying its \$25,000 monthly rent after July. That triggered a default and Hancock says the lease required Coffee Business LLC to pay abated rent, penalties and other costs totaling about \$260,000 (Sortis has not yet responded in court to the lawsuit.)

On Oct. 27, a company called Thirteenth Avenue LLC filed suit in Multnomah County against Sortis Barbershops LLC, seeking to evict the Rudy's Barbershop in Sellwood for alleged non-payment of rent. (A hearing is scheduled for Nov. 15.)

On Oct. 30, a company called Green Gables Design and Restoration, Inc. filed a contractor's lien against Sortis Ace PDX RE LLC with the Multnomah County recorder's office, seeking payment of \$75,518 for work done at the Ace Hotel on Harvey Milk Street.

And on Nov. 2, a firm called Bartel Contracting sued Sortis Holdings and a Sortis affiliate called Nice Chip LLC. The Sortis affiliate hired Bartel to build out a Sizzle Pie pizza restaurant in Hillsboro this summer. When the job was finished in July, the lawsuit says, Sortis/Nice Chip asked Bartel to extend payment terms. In an agreement attached to the lawsuit and signed by Brenneke, Sortis agreed to pay the full amount Sept. 30—including interest at a steep 12%. Brenneke also agreed to pay an extra 10% if his company didn't meet the Sept. 30 payment date.

Sortis missed that deadline and Bartel is now suing for \$239,000.

It's not uncommon for a company to pay a bill a little late. But Sortis' problems may be bigger than that. The *Business Journal* noted that Sortis' financial condition was an issue in the litigation in failed Ace Hotels acquisition: "Ace's owners argued Sortis Holdings 'did not have sufficient cash on hand to tender the closing date payment,'" the *Business Journal* reported. "Meanwhile, Sortis Holdings claimed the owners had cut a side deal with a separate company that imperiled the acquisition's long-term success."

Sortis Holdings' stock, which trades over-the-counter, has slumped to 25 cents a share, down from \$1.98 in January.

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