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Cost of Olga's in Compuware Building pushed chain into bankruptcy, exec confirms

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Photo by Natalie Broda / Crain's Detroit Business The interior of Olga's Kitchen in the Compuware Building in downtown Detroit. The location, which opened in 2012, led to insurmountable debt — and a bankruptcy filing.

The large costs of opening **Olga's Kitchen** at the **Compuware Building** in downtown Detroit led to insurmountable debt and, inevitably, the Troy-based restaurant chain's Chapter 11 bankruptcy filing.

COO Michael Kosloski confirmed to *Crain's* on Friday that the Mediterranean-style restaurant chain has been reorganizing operations since July 2014 in preparation for a sale. But the debt burden tied to the Compuware location build-out abbreviated its timeline.

“We’ve been able to turn around the company, and now, all 28 restaurants are profitable, but we couldn’t continue to service the debt,” Kosloski said. “... we needed to protect ourselves while we raise some capital and prepare for a sale.”

Kosloski declined to reveal the investment total of the Compuware location. He rejoined Olga’s last year, shortly before restructuring firm Farmington Hills-based **Kenneth J. Dalto & Associates Inc.** was hired to assess restructuring options. Kosloski previously served as Olga’s vice president of operations between 2008 and 2012.

In a filing Thursday in **U.S. Bankruptcy Court** in Detroit, **Olga’s Kitchen Inc.** listed millions in debt to dozens of creditors, including \$2.4 million to **Citizens Bank** and \$1.2 million to food distributor **Sysco Corp.**



Olga’s opened the downtown Detroit location in April 2012, marking its 36th and last new location. The company has since closed eight locations and now operates 28 restaurants.

Kosloski confirmed to Crain’s that there are parties interested in acquiring the restaurant chain.

Whether its current owner, Robert Solomon, or another buyer takes over Olga’s, the brand will remain intact, Kosloski said.

“We’ve been around 45 years and we’re a unique concept,” he said. “Our turnaround has been about getting back to the basics, providing customers with the food and experience they want. I can tell you the future is bright and our loyal guests should not worry.”

Mark Schostak, executive chairman of **Team Schostak Family Restaurants**, said an entity affiliated with his company, **Olga’s SOK Holdings LLC**, is a joint-venture ownership company between his **SOK LLC** and **OKI LLC**, a co-owner of Olga’s. Olga’s SOK Holdings is not part of the bankruptcy filing.

“We don’t expect any impact on the 11 stores that we own as a result of this bankruptcy filing,” Schostak said Friday afternoon. “Those restaurants are doing very well. They are going, and business is going well.”

“They are basically neighborhood restaurants, not mall restaurants, and they have a very bright future. None of them are in bankruptcy.”