

The fine family feud at Pusateri's

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A nasty feud has torn apart the family who owns Pusateri's Fine Foods, prompting a judge to order that one side buy out the other and take over the business, which could be worth as much as \$30-million.

The 42-year-old culinary institution -- where the city's elite slap down \$100 for 30 grams of caviar -- is at the centre of the bitter spat between Pusateri's two shareholders: the founders' daughter, Toni Trozzo, and her sister-in-law, Ida Pusateri, widow of the family's son, Cosimo.

The breakdown was apparently sparked by Ida's decision to fire her niece, which did not endear her to her niece's mother, Mrs. Trozzo, 48% owner of Pusateri's. Ida Pusateri has claimed managers at the two-store chain will quit if Mrs. Trozzo takes over.

"Because it's a difficult family situation, I'd rather not rehash arguments people had in the past," Markus Koehnen, the Trozzos' lawyer, said when asked about the fight. "Family breakups like this are always difficult."

Calls to Ida Pusateri and the Trozzos were not returned.

But the squabble is a fall from grace for what was a classic new-Canadian-made-good story.

In 1963, recent Sicilian immigrants Salvatore and Rosaria Pusateri opened a small fruit stand that flourished. Their son's big dreams later made way for a store in one of the city's priciest neighbourhoods, on Avenue Road in Lawrence Park.

In the mid-1990s, Cosimo died, and his wife, Ida, inherited his 52% share of the business. Toni and Sam Trozzo, Cosimo's sister and brother-in-law, own the rest.

Pusateri's later spent \$5-million to open another location in Yorkville. There was even a now-aborted search to find real estate for a shop on Rodeo Drive in Beverly Hills.

Despite the acrimony, there is little question the trio are a dedicated bunch who "work long hard hours in the business."

Toni, according to court documents, is the bean counter, managing Pusateri's financial affairs while her late brother's wife is "a presence in the stores," chatting up staff and customers and sitting in on meetings with suppliers and 400 employees.

Sam, meanwhile, is Pusateri's produce buyer, who shows up at the food terminal each day at 3 a.m.

"Pusateri's is their life," Madame Justice Alexandra Hoy of Ontario's Superior Court of Justice wrote in her Dec. 29 decision to order an auction, which could be held as early as next month.

Both sides will put in their best offer; the highest bidder pays the other and wins the business.

Ida says she was so committed to running the business that she wanted to buy out Toni and Sam at a price set by an independent valuator, instead of the auction her sister-in-law preferred.

Mrs. Pusateri argued the Trozzos have the upper hand: They know she wants the business more than they do, and can "manipulate" the auction to win an "unreasonably high price for their shares."

Besides, Ida is the natural fit to run Pusateri's and staff might quite en masse if the Trozzos took over, according to affidavits signed by six store managers, including an 18-year-veteran.

"They describe Mr. Trozzo as sometimes being short with staff, negative and not having strong communication skills," the judge wrote in her decision.

The Trozzos shot back that Toni, the Pusateris' daughter, has worked in the store since she was seven years old and shouldn't be forced to sell her shares.

Moreover, the Trozzos' lawyer argued, those managers might have been induced to back Mrs. Pusateri, the self-described committed buyer, to make sure they picked a winner.

The judge ruled against splitting the company 50/50, as the Trozzos wanted, noting that Ida's late husband was specifically given 52% to "prevent a deadlock on operational issues."

He refused to even the split before his untimely death.

Either way, Pusateri's won't sell for peanuts: the two shareholders paid themselves \$1.9-million each from after tax-profits in 2004, plus bonuses ranging from \$75,000 to \$81,000.

Mr. Koehnen declined to talk about Pusateri's sales.

"But this is a significant business," he added. "It's not a corner grocery store."

Indeed, the two locations, along with an in-house catering business, the real estate under Pusateri's Avenue Road store and the grocer's valuable brand could generate as much as \$30-million for the whole business.

"That is a very valuable brand," said a retail analyst, who asked not to be named. "Thirty million for the whole business doesn't sound crazy at all."

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