

When Mike Mercurio began selling fresh fruits and vegetables from a pushcart in Columbus, Ohio, in the mid-19th century, chances are he wasn't thinking of business succession plans.

And he would have no concept of an Employee Stock Ownership Plan any more than a fleet of refrigerated trucks.

But all feature prominently in Mercurio Produce's business life today. This winter, San Francisco Financial Partners' consultant Anthony Mar assisted Mercurio with setting up an ESOP as a method of transferring ownership of the company. Then, SFFP chose Norman Jones Enlow & Co. as the produce company's new CPA firm.

Mercurio Produce is now moving into the hands of the third generation: Mike Mercurio's son Joseph Mercurio Sr., 82, is chairman of the board and his grandson Joseph Mercurio Jr. is the president and CEO. It is a family operation: Joe Sr.'s wife Mildred, 80, still works six days a week at the business as secretary treasurer and daughter Midgie is assistant secretary/treasurer.



(From top) Joe Mercurio Sr., wife Mildred, son Joe Jr., and daughter Midgie are ensuring the family business has a long shelf life.

Joe Sr. and three of his brothers (a sister and the youngest brother pursued other interests) all followed in their father's footsteps in the produce business. Joe Sr. and his brother Mike began Mercurio Brothers in the early 1950s, located in downtown Columbus where the bus station now stands.

"That business was mirrored after what Grandfather had started," Joe Mercurio Jr. said, explaining that customers were wholesalers and

CLIENT PROFILE

Joseph Mercurio Produce Corp. Mercurio Produce has fresh outlook in hands of third generation and employees

small "Mom and Pop" groceries.

After selling his interest to his brother, Joe Sr. opened another business: Capital Fruit Co., named after his father's first business. It was at this business that his son got his first taste of the wholesale produce industry.

"As a boy, I did everything: restacking, stamping boxes, sweeping," Mercurio said. "My dad used reverse psychology on me and would say: 'I don't want him in the business, it's tough.' He was testing my ability."

In 1970, after several other business ventures that he started, operated, and then sold to his partner, Joe Sr. proposed a new business venture to his son in which they'd work together.

"I knew what the produce business was because I'd been around it since I was five years old. I'd watched my father and uncles working long hours every day of the week," Mercurio said.

"I said, sure — under one condition: That this isn't going to be a short-term venture. Dad agreed."

Joseph Mercurio Produce Corp. was born. Joe Jr.'s mother, Mildred, worked alongside the others in the family, responsible for accounts receivable and accounts payable as she had with all of her husband's businesses. His sister joined the company about 15 years ago.

With nearly 50 employees today, Mercurio Produce Corp. is the largest wholesale distributor in Columbus and among the top 10 in the state. The business, located near the airport, consists of two buildings with enough temperature-controlled rooms to hold 45 trailer loads of merchandise and dry storage space for an additional 15 loads. A fleet of refrigerated trucks delivers to customers throughout Ohio, although 65 percent of the business' focus is in central Ohio.



"Our role is to search out the best quality produce for our customers at the best price available and redistribute it cost-effectively," Mercurio said.

In the warehouse, crates, bags and boxes of produce ranging from nuts to kiwi to onions await delivery. There are no barriers to acquiring produce.

"We can get Bing cherries from New Zealand and grapes from Chile — anything that's available and that can be shipped, we can get," Mercurio said. When a local country club asked for fresh Morell mushrooms in December, Mercurio Produce airfreighted them in from Oregon: "That put us to the test," Mercurio said.

Customers are chain stores and retail establishments, other wholesale distributors, and city and state facilities. Mercurio Produce formed AA Food Service, a wholly-owned subsidiary, seven years ago to address the needs of the food service sector.

"As a company, we try to specialize in areas that enhance the customer's bottom line: repacking and cross-docking," Mercurio said, explaining that the latter is partnering with out-of-state growers and shippers to distribute within Ohio.

Mercurio Produce also is exploring the acquisition of other companies to bolster its position in the market, Mercurio said.

It was this type of looking to the future that brought Norman Jones Enlow & Co. into the picture. While the firm handles typical business work such as doing financial statements and corporate tax work as well as administering the company's retirement plans, it also did some of the preparation to assist SFFP in arranging Mercurio's ESOP.

"My parents needed an exit strategy," Mercurio said. "Their choices were either facing tax complications down the line or giving some stock to employees."

Joe Sr. decided to use an ESOP — a trust established to purchase Mercurio Produce stock and then to allocate some of it to employees over time.

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ate some of it to employees over time. Substantially all the employees are eligible for the ESOP.

"It's the best of both worlds: They can sell stock to the ESOP and down the road the employees will get some ownership of the company," Mercurio said.

Mercurio Produce created a qualified plan, Mercurio Produce Employee Stock Ownership Plan, to purchase shares of stock owned by Joe Sr. The benefit to the Mercurio family is that the contributions to the ESOP are tax deductions and Joe Sr. can avoid paying the capital gain tax on the sale of the stock.

"An ESOP gets tax beneficial treatment because the government feels it's good 'policy' to have ownership of American companies in the hands of their employees," Norman Jones Enlow & Co. Partner Andrew Coen said. "The philosophy is that employees who are owners will work harder to make the business profitable."

While Norman Jones Enlow & Co. has assisted with a number of ESOPs, they aren't common in the business world: about 11,000 businesses are employee owned.

"The issue for Mercurio was that they wanted to work with a company that had experience with ESOPs, and good relations with financial institutions in Columbus," Coen said.

Mercurio agreed: "Without professional guidance from SFFP and Anthony Mar in forming this, I seriously doubt it would have happened."

As the company moves into its third generation with Joe Jr. at the helm, supported by nearly 50 employee/owners, it has a strong future, Mercurio said. "If we continue in the same pattern, we have the ability to be here for a long time," Mercurio said. "The name 'Mercurio' is synonymous in the industry with a solid company that's going to be around."



Sister and brother Midgie and Joe Mercurio Jr. are the third generation in the Mercurio Produce family.

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