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Star Markets owners fight over plan to sell

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A plan to sell the locally owned **Star Markets Ltd.** set off a fight among the family members who own it and led to a lawsuit that details a bitter battle for control of the company.

The former president and CEO of Star Markets, John Fujieki, is suing his cousins and the company for firing him and allegedly cheating him out of his salary.

Fujieki, 57, who worked for Star Markets for 30 years and ran the company from 1998 to 2005, claims that the small grocery chain's board of directors tried to sell the 80-year-old company to competitors for less than it was worth and squandered Star Market's cash. He said he was fired because of his complaints about the sale and about mismanagement by company executives.

In the lawsuit, filed in 1st Circuit Court on May 15, Fujieki accuses his cousins, Patrick Fujieki and Jo Ann Yonehara, of teaming up with current president and CEO Karl Wissmann to fire him for standing in the way of their plans to sell Star Markets to a competitor for \$36 million in 2005. The competitor is described only as a "local supermarket chain."

John Fujieki said he opposed the sale because the offer was too low and at the very least, should have been between \$50 million and \$60 million.

The lawsuit also claims that a "prominent Mainland drug store chain" had expressed interest in Star and placed its value at between \$38 million and \$42 million, not including inventory valued at about \$16 million.

Fujieki controls enough stock in the company to block any sale, creating a stalemate, and the family infighting will make it difficult for the chain to grow in Hawaii's increasingly competitive grocery business.

Just in the past five months, Star has closed two of its stores, in Kahala and Kaneohe. It has eight stores remaining on Oahu, Maui and Kauai.

Fujieki claims that Patrick Fujieki and Yonehara wanted to cash out of the company, which was founded by their fathers and several uncles, as quickly as they could.

"Patrick candidly told John that he and Jo Ann believed that their parents had never really enjoyed the fruits of their labor and that he and Jo Ann just wanted to spend and enjoy the money they would receive in a sale of Star," the lawsuit said.

The lawsuit is scheduled for mediation in September.

"The complaint speaks for itself and at this point we have agreed to go into mediation and look at resolving the issues with the other family members," said Big Island attorney Jerry M. Hiatt, who represents John Fujieki. "We're optimistic."

Patrick Fujieki, Yonehara and Wissmann did not respond to PBN's calls or e-mails requesting comment.

Their attorney, John Yamano of the McCarriston Miller Mukai MacKinnon firm, told PBN that his clients are hopeful that the issues can be resolved in mediation.

"We appreciate John's past contributions to Star Markets and we are obviously disappointed by his recent lawsuit," said Phyllis Masuda, Star Markets' corporate secretary, in a prepared statement. "The parties have agreed to participate in a mediation process with the hope of resolving this dispute. Should this matter go forward in the legal process, we are confident it will be found without legal merit."

John Fujieki claims his cousins purposely allowed the lease on Star Markets' 26,000-square-foot space at Kahala Mall to lapse, "squandering" a \$4 million asset. Star Markets executives have said they worked with Kahala Mall management for years on a lease renewal but no agreement was reached before the lease expired in March.

A month before that, Star Markets closed its Kaneohe location citing both stores as unprofitable.

In his lawsuit, John Fujieki paints a picture of 30 years of loyalty and devotion to his family's business while his cousins had little to do with the company. Patrick Fujieki is a certified public accountant and Jo Ann Yonehara is a registered nurse.

John Fujieki said he first worked at the family restaurant, Kenny's Burger House, and later moved on to Star Markets' meat department, working as a meat cutter for \$4 an hour.



Tina Yuen, PBN

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Over the years, he said, he worked in a number of departments, learning the business and working his way up to vice president in the 1980s. He became president of Star Markets in 1998, when longtime president Shizuo Doi retired, and assumed the role of chairman and CEO in 2000 following the death of his father, John Sr.

According to the lawsuit, increased competition and the state's economic downturn led to losses by Star and in 2002 the company hired Wissmann from Sacramento, Calif., as a consultant to revitalize the chain.

John Fujieki said his responsibilities were slowly diminished as Wissman took control of day-to-day operations. He said the board denied him a substantial bonus in 2004 and that his \$250,000 annual salary was less than the \$280,000 Wissmann received that year.

John Fujieki claims he was ousted as president and replaced by Wissmann in 2004, then axed as CEO in 2005, although it was reported that he voluntarily handed over operations to Wissmann. Soon after, he resigned as chairman of the board.

He also claims that his cousins reneged on a 2005 promise to draw up a long-term employment agreement with him that would have given him a raise plus annual bonuses of up to 40 percent of his salary to continue managing or promoting the Star Markets brand.

When Fujieki was booted as CEO, he said he was offered a \$50,000 salary. He also claims he was shortchanged nearly \$100,000 in his payout for unused vacation time.

Fujieki is suing for a to-be-determined amount and also asks for the removal of Patrick Fujieki, Yonehara and Wissmann from Star's board of directors.

Who controls Star Markets

Star Markets was founded by John Fujieki's father, John Sr., and his uncles, Richard, George, Hisashi and Tadashi, in 1946 after it expanded the mom-and-pop Kakaako Meat Market his grandparents had opened in 1927. Three generations of the Fujieki family have run the company, which now has eight stores across the state.

According to the lawsuit, John Fujieki and his beneficiaries own 6,372 shares of stock in Star Markets and his Fujieki Partners owns at least 17,036 shares.

That brings his total number of controlled shares to 23,408 or approximately 40 percent of Star's outstanding shares, which was enough to block any takeover or buyout of Star Markets, according to Hawaii law.

The lawsuit does not make clear how many total shares there are in Star Markets, a private corporation, and who is the majority shareholder. Phyllis Masuda, Star Markets' corporate secretary, declined to share stock information with PBN. However, the state Department of Commerce and Consumer Affairs lists some 60,747 paid shares in stock for Star Markets.

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