

By MICHAEL FRITZ

**MERC VOTE SHAKES UP EXCHANGE****INDEPENDENT TRADERS SMACK SANDNER, BROKER GROUP PALS**

In a potent repudiation of Chicago Mercantile Exchange Chairman John F. "Jack" Sandner's leadership and of powerful floor broker associations, Merc members voted out five of 11 sitting directors who sought re-election in last week's leadership contest.

All of the losing incumbents were either considered allies of Mr. Sandner (who retains his post) or were members of controversial broker associations-organized groups of traders that are commanding a growing share of Merc volume at the expense of independent traders, known as "locals."

One of the broker group members who fell in last week's Merc contest was Second Vice-chairman Patrick Mulchrone, one of Mr. Sandner's chief lieutenants.

Other election casualties who were considered to be aligned with Mr. Sandner include Treasurer Philip Glass, who also oversaw the mart's clearinghouse operations, and director Phillip Karafotas.

(Mr. Sandner declined to comment for this story.)

"The people coming on the board bring a lot of fresh ideas and independence, so they are not married to the previous mind-set," says director Joel Greenberg, an independent meat trader who will seek appointment to one of four officer positions up for grabs when the new board convenes Wednesday.

Merc members did return Mr. Sandner to another two-year term as director, allowing him to serve the last year of his current two-year term as chairman.

However, he did not emerge as the top vote-getter—a blow to the image of the high-profile Merc chairman. He trailed independent floor broker and incumbent Terrence Duffy by nine votes as the top full-membership-class vote-getter—underscoring members' discontent over Mr. Sandner's alliances to broker groups like International Futures & Options Associates (CRAIN'S, Jan. 6).

**Election loss**

Director Denis Duffey, related by marriage to controversial International Futures & Options co-manager James Kaulentis and member of another group, was voted out.

"Now that the elections are over, I believe they should start the healing process," Mr. Kaulentis says.

The election signals a stirring shift in power to independent traders and their supporters, such as Merc Chairman Emeritus Leo Melamed—who didn't endorse Mr. Sandner, his former protégé.

"It was a clear mandate from the membership for people who will vote their conscience, rather than for any particular group or interest," says Mr. Melamed. "That is a welcome shift (that) will reverberate through the entire infrastructure of the exchange," he adds.

**Committee assignments**

In addition to this week's board meeting to appoint a vice-chairman, second vice-chairman, treasurer and secretary—all members of the exchange's powerful executive committee—directors also will begin the process of making governance committee assignments, which will lead to a further reordering of power.

Last week's significant board changeover also sets the stage for 1998, when Mr. Sandner must step down after serving three consecutive terms as chairman. Broker group principals Mr. Mulchrone and Louis Schwartz—another unsuccessful incumbent—were both expected to seek to succeed Mr. Sandner. Mr. Greenberg, who served as a Merc director and vice-chairman in the late 1970s, appears to be the early front-runner in that contest.