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HEADLINE: PHILEX CHOOSES NEW YORKER AS NEW CHAIRMAN / MEYER FRUCHER IS A FRIEND OF THE SEC CHAIRMAN. HE SAYS HE WANTS TO KEEP SOME OF THE EXCHANGE HERE.

BYLINE: Joseph N. DiStefano, INQUIRER STAFF WRITER

Meyer S. Frucher, a New York developer, government administrator and friend of Securities and Exchange Commission Chairman Arthur Levitt, yesterday was elected chairman and chief executive by the board of the Philadelphia Stock Exchange.

Frucher, a Harvard-educated Jersey City native, is the exchange's third CEO in a year. He said he would try to keep at least part of the nation's oldest securities market in town, despite a planned merger that is expected to move its major business - stock options - to New York.

In a show of unity, longtime rivals John F. Wallace, the exchange's vice chairman, and John Egan, a former chairman, joined Frucher in pledging to keep the market competitive at least until its planned 2003 combination with the American Stock Exchange and the National Association of Securities Dealers, which owns the Nasdaq stock market.

"We all have our oars in the water with [Frucher], and we all move with the beat of the same drummer," said Egan, who had led unsuccessful efforts to retain Frucher's immediate predecessors, Nicholas Giordano and Leopold Korins, against the boardroom insurrections that toppled them.

Despite the proposed merger, "this exchange isn't packing its bags and leaving town tomorrow," Frucher said. "It's going to be here at least five years, and the equity floor possibly a lot longer."

"If this merger happens - that's still a big if - the equity floor is going to survive in Philadelphia," Egan added.

"That's for an extended period of time beyond the five years," Wallace affirmed.

In an effort to enlist the city's support, the three said exchange officials had met with city development officials William Hankowsky and Stephen Mullen last week. Mayor Rendell had a scheduling conflict and did not attend.

Frucher, one of 11 outsiders named to the 21-member Philadel-

phia exchange board in an SEC-backed reorganization last year, was chosen "by consensus," according to Wallace. Other candidates included Miami investor and exchange board member Bruce Foerster and the exchange's acting chief operating officer, John Gallagher, a former head of the Toronto and Pacific stock exchanges.

Despite his lack of stock market experience, Frucher said his record as a labor negotiator in the Democratic administrations of New York Govs. Mario Cuomo and Hugh Carey, and his stint as an executive at developer Olympia & York, among other posts, would help ensure the smooth administration of the exchange. The exchange employs 360 workers directly, while providing a workplace for its 505 member-owners, who trade stocks and options, and for hundreds of their employees.

Detailed terms of the merger agreement will be negotiated by a committee led by Wallace and including Egan.

A final vote is not expected until September or October, Wallace said. Two-thirds of the exchange's members must approve.

In a further sign that some kind of stock market will likely remain in Philadelphia, Frederic W. Rittereiser, chairman of Ashton Technology Group, which has a five-year contract to provide exchange computer systems, said yesterday that he is interested in buying the exchange's equity floor and

converting it into a fully electronic market.

Failing that, Rittereiser said, "we will build our own stock market, right here in Philadelphia." Ashton, which raised \$18 million in a recent public stock offering, has its headquarters on the top floor of the exchange's home at 1900 Market St.

Wallace, Egan and Frucher declined to comment on Rittereiser's offer.

Among Frucher's responsibilities will be filling a series of top posts - chief operating officer, general counsel and marketing director - whose occupants quit or were forced out during the management turmoil of the past year that cost his predecessors their jobs.

Giordano, an architect of the exchange's successful 20-year expansion into the stock- and currency-options business, was ousted last fall after the SEC criticized alleged conflicts of interest, and operational and structural problems.

His successor, Korins, a former Pacific Stock Exchange chief, was voted out in March after clashing with Frucher and other directors on the pace of reform.

Despite Frucher's deep ties to New York - he held posts in the administrations of Carey and Cuomo, and recently wrote opinion pieces in the New York Times and New York Daily News urging the construction of a new baseball stadium in Manhattan - he said he and other out-of-town directors were impressed by members' "commitment to keeping this exchange in Philadelphia."

Frucher said he would spend "at least five days a week" in Philadelphia, starting immediately.

Like several of the exchange's most recent directors, Frucher enjoys longtime ties to SEC Chairman Levitt, who has supported sweeping reforms in Philadelphia and at other stock exchanges.

"I know Mr. Levitt very well," Frucher said. The two served on a New York City highway board together, and began attending periodic Outward Bound retreats with other business, government and media officials in the late 1970s.

But Frucher said the relationship hadn't always borne fruit. In the 1980s, Levitt "was chairman of the American Stock Exchange when I was president of [New York's] Battery Park City Improvement District," he recounted. "We tried to get [Amex] to move to Battery Park City, but Arthur backed out of the deal."

Frucher acknowledged the fears of some Philadelphia exchange members that the market, and the jobs and spin-off businesses it has created, is being moved out of town by an axis of New York- and Washington-based directors with ties to Levitt and the SEC.

But he said he was acting in the best interest of the board and the exchange's members, not Wall Street or the government.

"I am trying to make this institution a well-managed, efficient marketplace," he said. "It is the objective of this board to continue to do business in Philadelphia and nationwide. . . . I'm not here representing anybody but our board and members."

Frucher also said the exchange's operations problems, which had been criticized by the SEC, had been cured.