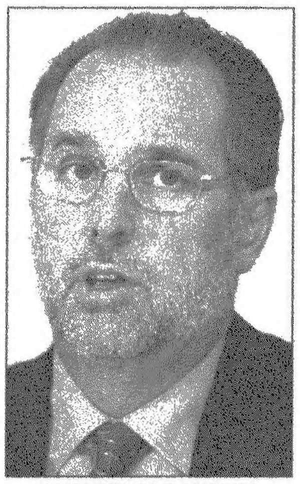
TROUBLE AT THE TOP

Morgan Stanley exit puts spotlight on succession



ROBERT SCOTT
Out at Morgan.

By ERICA COPULSKY
and JENNY ANDERSON

The unexpected retirement of Morgan Stanley's No. 2 executive has reopened the long-running question of succession at the world's second-largest securities firm.

Yesterday, Morgan Stanley named Stephan Newhouse to succeed its 57-year-old president, Robert Scott, who will retire on Dec.1 after 33 years at the investment bank.

Newhouse, who has been with the company since 1979, is currently chairman of Morgan Stanley International and co-head of the securities firm's institutional securities unit, alongside Vikram Pandit.

With Newhouse's appointment, Pandit will become sole chief of the institutional securities division. Both Newhouse and Pandit will report to Chairman and Chief Executive Philip Purcell.

The move signifies the highest-level executive change in the management ranks since John Mack resigned as president following a power struggle with Purcell.

However, it also raises questions about the perceived power of the presidential post, casting doubt on whether it ultimately serves as a stepping stone to the CEO's spot at the securities powerhouse created when Dean Witter Discover merged with Morgan Stanley in 1997.

As president, Newhouse, 56, will concentrate on expanding the firm's international activities and its global investment banking franchise.

He also will also focus on building relationships with some of the firm's most important clients.

Unlike Scott, Newhouse will not oversee major divisions including credit cards, the individual investor group and institutional securities.

And industry insiders say the appointment of Newhouse does not necessarily position him for the CEO's spot.

"The elevation of Newhouse doesn't tip the balance of power within Morgan Stanley, and I don't think it means that much from a succession standpoint," said Reilly Tierney, securities industry analyst at Fox-Pitt, Kelton.

Other contenders who may be on the succession list, sources say, include Pandit as well as Mitch Merin, president of asset management, and John Schaefer, president of the private client group.

Cypress to gobble up Meow Mix

By ERICA COPULSKY

Cypress Group wants to be the cat's meow of the pet food market.

Meow Mix Co., the owner of the Meow Mix and Alley Cat pet food brands, is expected to announce as early as today that it is being acquired by New York-based buyout firm Cypress for about $425 million.

Cypress is buying Meow Mix — which claims its food "tastes so good, cats ask for it by name" — from Boston-based buyout firm J.W. Childs Associates.

The Post reported Cypress Group's intent to buy Meow Mix on July 25.

Secaucus, N.J.-based Meow Mix is the single biggest brand in the U.S. dry cat-food market and a leading brand in the premium segment, with over 20 percent market share.

J.W. Childs created the privately held, feline-focused company in early 2002, when it bought the Meow Mix and Alley Cat brands from Ralston Purina. It spent the last two years converting those brands into a stand-alone company.

In buying Meow Mix, Cypress is betting that it can grow the business exponentially and ultimately sell it or take it public. Meow Mix plans to grow by extending the brand into new products, including hairball control products and cat litter, as well as expanding into international markets.

Meow Mix has already taken major steps to bolster its brand. It has become a sponsor of "Meow TV," a new television show devoted to cats and their owners, airing on the Oxygen cable network.

Lee in $1B vittles buy

Thomas H. Lee Partners, the world's second-biggest buyout firm by assets, agreed to buy Michael Foods, the maker of Better 'N Egg All Whites and Simply Potatoes food products, for about $1.05 billion.

The current owners of Minnetonka, Minn.-based Michael Foods include its founding family and private equity firms Vestar Capital Partners and Goldner Hawn Johnson & Morrison.

Senior executives such as Chairman and Chief Executive Gregg Ostrander also have a stake in the company, which they took private in April 2001.

Bloomberg

Straitlaced fund firm fined over follies

Fun while it lasted

Wells Investment Services and its president, Leo Wells, were fined $150,000 by the NASD for rewarding brokers who sold its REIT products with entertainment and trips. They included:

By PAUL THARP

Leo Wells, a religious zealot and creator of the nation's largest private real estate trust, has been fined by regulators for partying too much.

The pious and charismatic salesman and his company, Wells Investment Services, were fined $150,000, and he was barred as the company's chief for one year.

The NASD said the 59-year-old Wells, who's won more than 100,000 investors to his fund in just five years, was using illegal ways to convert them — with lavish, wild parties in violation of regulations.

Wells bankrolled expensive, long weekends at his motivational camps for his sales force and 3,000 independent brokers, often renting entire resorts in Florida and Arizona with all food, travel and entertainment paid.

One sales getaway was at "a Civil War fort costumed with Civil War heroes, fireworks, fife and drum players, skydivers, and a cannon reenactment," the NASD said.

Other sales parties included golf trips, a "Friday night 'sock hop' and a 'beach bash,'" the NASD said.

The NASD dismissed Wells' claim that his meetings were educational retreats, charging that the typical three-day affairs spent just 13 hours on actual real estate sales training and education.

Salespeople for REITS cannot accept gift or other non-cash payments for doing deals, the NASD says.

Wells had no comment on the censure and fines.

"They constituted lavish affairs that did not meet the standards of NASD rules," said Mary Schapiro, vice chairman of NASD.

"The NASD will not tolerate any payment of non-cash compensation that runs afoul of those rules," she said.

Wells runs his $3.3 billion empire from modest offices in Norcross, Ga., where daily meetings begin with a prayer.

Drinking, long hair, mustaches and beards, casual dress and atheism are grounds for dismissal, and Wells has been know to can staffers at the drop of a hat.

The company's stated creed is "to glorify God and care for people."

Wells offers his investors 7 percent returns for parking their money with him, higher than the typical 6 percent at other real estate trusts. Wells says his trust is safer than others because he pays for all his properties in cash, and doesn't worry about foreclosures.

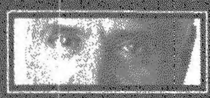
Such safety is also more costly — Wells' fees can be 16 times higher than those of typical leveraged real estate trusts.

The Wells trust has come under attack from some analysts. Since it is a private real estate trust, investors are not permitted to sell shares on the open market — and even share transfers must be handled through Wells.

Wells last year was the nation's biggest buyer of class-A properties. It owns nearly 90 office buildings, including the nation's third-tallest, the Aon Center in Chicago.

Silverstein: Insurers won't stop WTC tower

STEVE CUOZZO



REALTY CHECK

WORLD Trade Center leaseholder **Larry Silverstein** says his court battle with insurers won't delay construction of the Freedom Tower, the world's tallest building, to rise at ground zero.

But if he loses, he said yesterday, it will leave him short of funds for about 40 percent of the planned office redevelopment at the WTC site.

Silverstein fully expects to win a jury trial over how much his insurers must pay him for the destruction of the Twin Towers — $3.5 billion for one "occurrence," as the insurers want, or $7 billion for two occurrences, as the developer wants.

But reminded that juries are unpredictable, Silverstein said yesterday that a loss to Swiss Re and other insurance companies would leave him 35 to 40 percent short of what he'd need to rebuild all of the WTC's 10 million square feet of offices.

A single-occurrence payout would provide "between 60 and 65 percent" of the total rebuilding cost, which he estimates to be "in excess of $6 billion."

Silverstein's push for the double payout has been criticized in some quarters for theoretically jeopardizing the reconstruction timeline if the case remains bogged down in a federal court.

But he guaranteed that not only will the Freedom Tower's cornerstone be laid next August, as Gov. Pataki insists, but the whole building will go up on schedule regardless of the court outcome.

"We currently have $1.3 billion in the bank, paid in by those insurers who want to get off the 9 percent interest clock ticking against them," he said.

"As litigation proceeds, there will be a decision that we're entitled to [payment for] at least one occurrence, or $3.5 billion — if we lose, we'll appeal on the balance of the second event."

Asked whether a compromise might be worked out, Silverstein said the insurers had shown "absolute disdain" for trying to work out an agreement since 9/11.

Silverstein's lawyers will argue that Travelers, one of his insurers, successfully claimed in a California case that the near-simultaneous burnings of four different courthouses by a deranged man constituted "multiple events."

"When a jury hears that Travelers is speaking out of both sides of their mouth, it will view [9/11] as multiple events, which New York deserves," Silverstein said.

"What the jury, I believe, will see is that to rebuild the World Trade Center fully and properly, it will be necessary for the insurance companies to honor their commitment."

Reps for the insurers could not immediately be reached on the holiday.

Silverstein has yet to sign any tenants for the Freedom Tower's 2.6 million square feet of offices. Asked whether it wouldn't be competing with his own new 7 World Trade Center, now under construction, he said:

"No — 7 World Trade will be completed by the end of 2005 or early '06, and the Freedom Tower won't be finished until three years later."

■

TALL ORDER: Developer Larry Silverstein (at center, above) says the Freedom Tower, the world's tallest building, will go up on schedule at the site of the World Trade Center. New York Post: Jim Alcorn

The collapse of merger talks between music label BMG and Time Warner has added a new "moving part" to Bertelsmann's planned sale of its headquarters tower at 1540 Broadway.

Bertelsmann announced earlier this year it would sell the green glass 44-story tower in the heart of Times Square, home to the Virgin Megastore and Planet Hollywood.

Final bids are due Nov. 1 from a field said to include two giant German players, Jamestown and Paramount; REITS including Chicago-based Equity Office and New York-based S.L. Green; and privately held New York-based L&L Acquisitions.

But sources said the failure to find a merger partner for BMG now means the label might continue to need the building for its headquarters.

Bertelsmann, which is moving to a new building uptown, had been expected to move out of 1540 entirely. Now, although BMG's space needs "have yet to be resolved," our source said, the German media giant plans to keep several hundred thousand square feet of the tower's total 1.1 million.

That means it would have to lease the space from a new owner — enormously complicating a sale, said Cushman & Wakefield investment sales specialist **Ron Cohen**, who is not involved in the offering.

"Now you must begin by creating terms of the lease, which is a nightmare in itself," he said. "How does Bertelsmann want to structure it — pay lower rent and sell for a lower price, or the other way around?"

Cohen roughly valued 1540 Broadway at $500 to $600 a square foot, a wide range reflecting its complexities.

■*Please send e-mail to: scuozzo@nypost.com*

Payout for blackout is $75M

Insurers will pay an estimated $75 million for business lost and property damaged in the Aug. 14 blackout, the biggest in North American history, according to the Insurance Services Office Inc., which tracks claims.

The blackout cost businesses from Detroit to New York an estimated $6 billion, according to The Brattle Group, which advises public utilities on service interruption costs. Payouts will be limited because fewer than 10 percent of U.S. businesses buy blackout insurance and those that do are restricted by deductibles and conditions on the length of the power failure, said the Insurance Information Institute and Standard & Poor's.

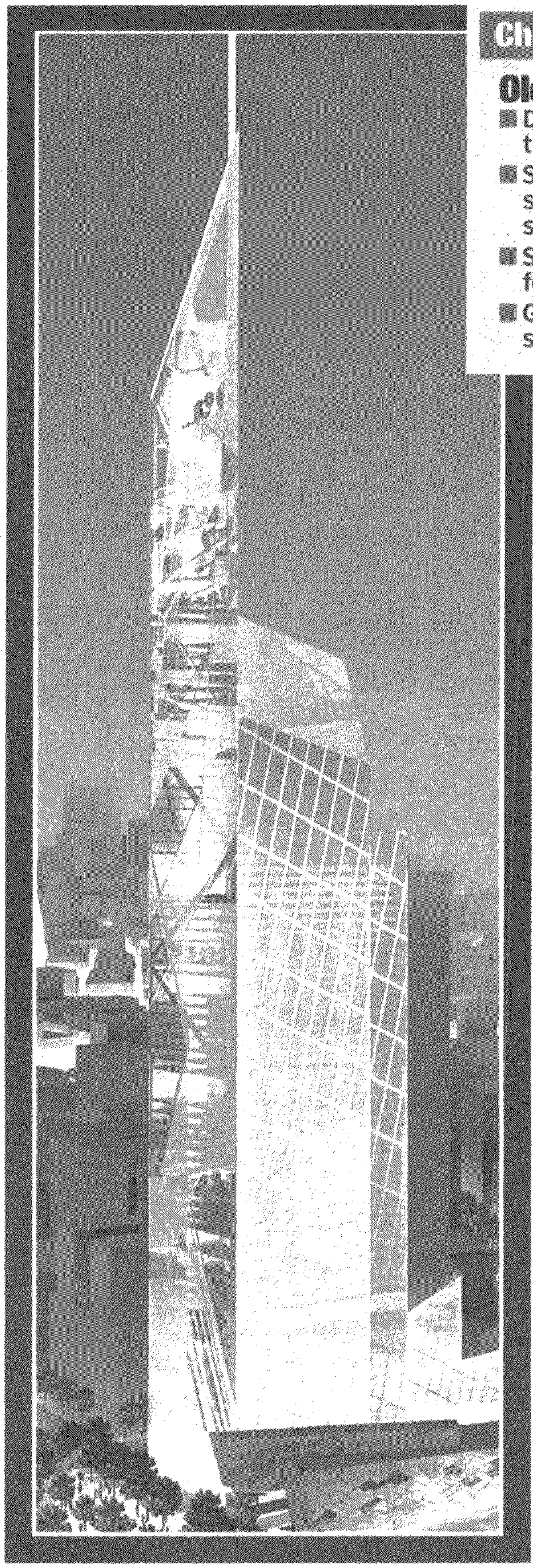
"The economic losses were significant, but the insured losses were nominal," said Bob Hartwig, chief economist at the Insurance Information Institute.

Insurers have raised premiums, increased deductibles and tightened restrictions after a three-year stock market slide and losses from the Sept. 11 terrorist attacks led to a drop of about $170 billion in insurers' invested capital.

Some 61,800 megawatts of power, or enough for about 49 million homes, were lost in the blackout, beginning at 4:11 Eastern time.

The estimated losses from the blackout are less than 3 percent of the $2.9 billion in estimated catastrophe losses in the third quarter, ISO estimates. Hurricane Isabel, which damaged homes from North Carolina to New Jersey, will cost an estimated $1.17 billion and severe thunderstorms that struck 14 southern and Eastern states in July will cost $815 million. *Bloomberg*

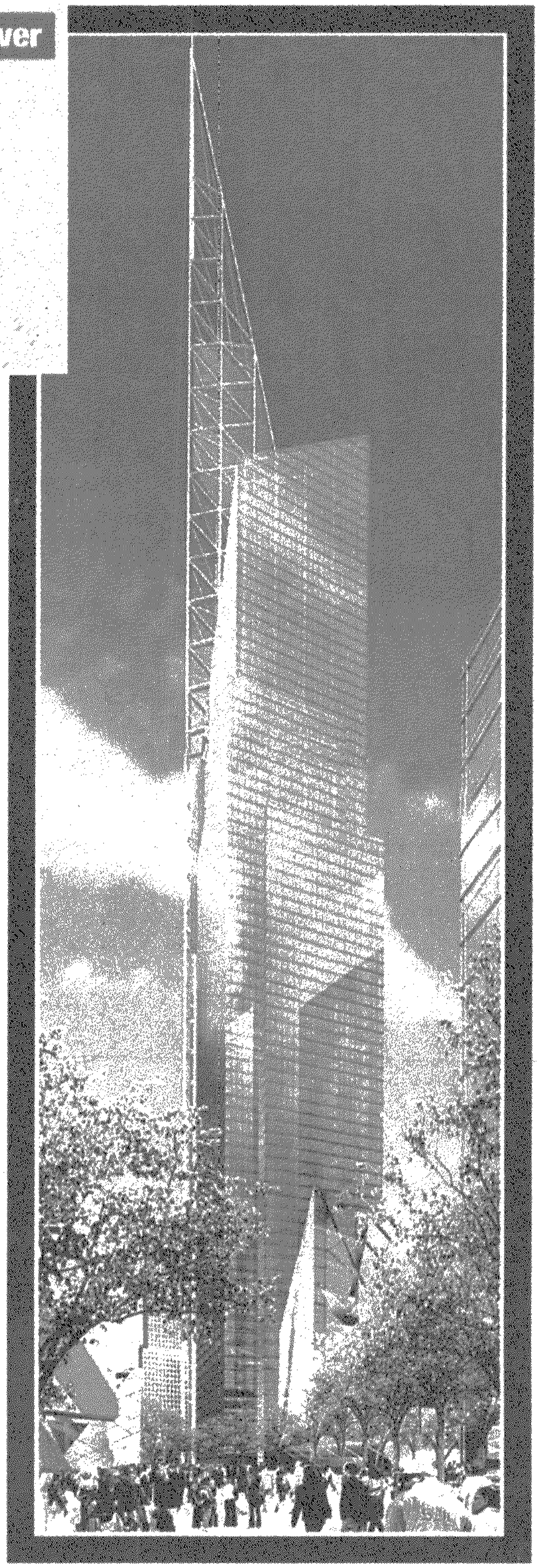
TOWER TURNAROUND



Changing face of Libeskind's Freedom Tower

Old:
- Diagonal slashes across the face of the building
- Spire and office tower are side-by-side but separate structures
- Symbolic height of 1,776 feet
- Gardens at top of tower scaled back or removed

New:
- Conventional glass and steel facade
- Spire and tower integrated into a single structure
- Antennae rise to 2,100 feet
- Sky gardens restored



Libeskind offers Plan B for WTC

EXCLUSIVE

By WILLIAM NEUMAN

Daniel Libeskind's striking vision for a "Freedom Tower" at Ground Zero has morphed into a more conventional glass-and-steel office building attached to an angular spire, as shown by one of the architect's new drawings obtained by The Post.

Libeskind has been pushing this revised version of his tower design in a fight with trade center developer Larry Silverstein and his architect David Childs, who is the lead architect for the site's signature building.

At the urging of development officials, the architects are scheduled to meet today for the first time since Libeskind stormed out of a meeting with Childs last Monday, refusing to work on a different design.

Childs' design has not been made public.

The new rendering by Libeskind — one of several he is said to be working with — differs from earlier versions in that he leaves out the slashing diagonal lines that crisscrossed the face of the building in previous images.

Instead, Libeskind has pasted onto the tower's surface the sort of standard glass and steel "curtain wall" façade that can be found on many Midtown buildings.

A spire, evoking the raised torch of the Statue of Liberty, tops out at the symbolic height of 1,776 feet, but technical documents compiled by Libeskind say a broadcast antenna on "a single mast above the spire may extend to 2,100 [feet]."

In other modifications to Libeskind's tower, the Ground Zero planner has made the office building and spire part of a single structure. The technical documents obtained by The Post also describe "extensive areas of [the] spire without cladding," suggesting the upper section could also be made into an open framework.

Childs' building is said to be a symmetrical tower that twists and tapers as it rises, with 70 stories of offices. Above the occupied space the tower would turn into an open latticework framework that rises into the skyline.

■ These names were added yesterday to the medical examiner's list of confirmed dead in the WTC attacks:

Christoffer Mikael Carstanjen, 33; Marlanne Macfarlane, 34.

Bush balks at 9/11 papers / P. 26

Liz Smith

The right attitude

"I'M HERE! Are you scared?"

That was **Liza Minnelli**'s opening line to a packed house at the Actor's Fund benefit in L.A. over the weekend. This night again honored Liza's good friends and "creators" **Fred Ebb** and **John Kander**.

They saved Liza for their finale; everybody does. **Carol Channing**, **Nancy Dussault**, **Bonnie Franklin**, **Victor Garber**, **Jason Graae**, **Rod McKuen**, **Sharon Lawrence**, **Wilson Cruz** and **Florence Henderson** gave it their all, with Henderson doing the blistering "When You're Good to Mama" from the musical "Chicago." Six dancers with cardboard cut-out faces of her old "Brady Bunch" kids accompanied her and she ended the number in a black leather bustier.

But this was just a build-up to Miss Minnelli, who admits she had some "nerves," but gave it her all. The producers asked her for two numbers; she gave them four.

Before one song she told the audience, "I have a problem!" When they laughed, she said "Not that! ... It's my name" and she proceeded to sing her trademark "Liza With a Z."

Liza arrives back in New York this week, but I spoke to her Sunday. She was laughing. We had one or two words about her ordeal by lawsuit. She said, "That seems like 45 years ago," but she didn't let her lips utter the dreaded name.

"Liz," said she, "this is what I want to say. I have the right attitude and the right gratitude to my fans and friends."

LES MOONVES, rated the No. 1 power guy on Entertainment Weekly's list, has this to say about a "succession plan" for his news anchor star **Dan Rather**. He tells **Tina Brown** on CNBC tomorrow at 10 p.m.: "Right now we're pleased with Dan. We like him in that chair. We still think he's the best guy we got. And he's the best guy out there. So we have no plans to remove him."

When Tina corners Les over the coming Reagan miniseries "The Reagans," she notes that it has caused a flap because it's been filmed from the perspective of political liberals.

The head of CBS answers: "Well, No. 1, nobody's seen the film. So any criticism ... or a film that isn't finished, is rather odd we think ... We've looked at the rough cut, there are things we like ... there are things we don't like ... there are things we think go too far. So there are some edits being made trying to present a more fair picture of the Reagans."

husband, is probably not up to defending herself either.

Did CBS really have to make this tacky movie at this time?

SO NOW the divine **Nicole Kidman** is going to be the new "face" of Chanel No. 5. (Funny idea; it means, I suppose, she is not the new aroma of Chanel No. 5.) So, our Nicole is making hay while the sun shines moneywise. I hear she is also asking $20 million for her next movie. Why not? The big male stars get that.

Speaking of making hay, don't miss Nicole as a grungy, disillusioned, heartbroken waitress and a tender of bovines in the movie "The Human Stain." In spite of efforts to mess her up, she looks quite gorgeous unloading and lifting bales of hay for a row of milk cows. That's between sex bouts with Sir **Anthony Hopkins**.

Giulio Marcocchi/Getty Images

LIZA MINNELLI
She belts one out at Actors Fund benefit.

ROBERT EVANS pontificates that the opening bow last week of his shocking "Kid Notorious" cartoon series on Comedy Central was "the best premiere since 'The Godfather!'" (Bob has never been known to leave a hyperbole unturned.)

The event, hosted by Gotham and L.A. Confidential magazines, happened at the

Men take lead in Trade Ctr. health registry

By LISA L. COLANGELO
DAILY NEWS STAFF WRITER

More men than women have signed up for the World Trade Center Health Registry, according to a report released this week by the Department of Health.

Most of the people are from Manhattan, in their 40s, and lived, worked or were passing by the area south of Chambers St. on Sept. 11, 2001.

The Health Department is just starting to look at the demographics of people participating in the program, which aims to track health effects of the Sept. 11 attack over the next 20 years.

"The more people that enroll, the more accurate and comprehensive the registry's findings will be," Health Commissioner Thomas Frieden said.

Almost 15,000 people have signed up for the registry. The report released yesterday looks at the 6,313 people who completed a 30-minute telephone survey in September.

According to the report, 65% of those surveyed live in the five boroughs, while 18% live in other parts of New York State and 11% live in New Jersey.

Fifty-three percent of enrollees are male, and 47% are female.

The majority of participants — 1,533 — are from Manhattan, while 1,069 are from Brooklyn. Seven hundred five from Queens signed up, followed by 467 from Staten Island and 307 from the Bronx.

The 30-minute survey asks participants where they were on Sept. 11, 2001, how long they were in areas with smoke and fumes, and about any recent health problems. From time to time, they will be called for updates.

Frieden said all information will be kept confidential and participants need not undergo any medical tests.

He said the following people should join the registry: anyone who was in a building, on the street or in the subway south of Chambers St. on Sept. 11, 2001; anyone who participated in the rescue, recovery, cleanup or other activities at the World Trade Center site or the recovery site on Staten Island between Sept. 11, 2001, and June 20, 2002; students and staff at schools or day care centers south of Canal Street on Sept. 11, and people who were living south of Canal Street on Sept. 11.

To register: Call (866) NYC-WTCR, check the Web site at www.wtcregistry.org or call the city's 311 information line.

p.m., Marble Collegiate Church, 3 W. 29th St. Cost for the dinner and program is $15. Cost for the program only is $6. Information: (212) 686-2770.

BAR ASSOCIATION EVENT, Manhattan — The book "Invisible Punishment" will be the subject of an Association of the Bar of the City of New York panel discussion. 42 W. 44th St., 7 p.m. Information: (212) 382-6713.

ACADEMY'S MONDAY NIGHTS WITH OSCAR, Manhattan — Academy of Motion Picture Arts and Sciences presents "The Hustler." Academy Theater at Lighthouse International, 111 E. 59th St., 7:30 p.m. Tickets for the screening are $5 for the general public and $3 for Academy members and students with a valid ID. Information: (888) 778-7575.

ON TOUR, Manhattan — Alice Cooper performs at the Beacon Theater with Twisted Sister and Sebastian Bach, 9 p.m. Information: (212) 496-7990.

TUESDAY, OCT. 28

JUILLIARD ARTIST IN CONCERT, Manhattan — Rufus Choi, piano. 180 Maiden Lane, 12:30 p.m. Information: (212) 799-5000, ext. 313.

Bulletin Board is compiled by Maxine Simpson

To list an event here, please send details at least two week in advance to: Bulletin Board, New York Daily News, 118-35 Queens Blvd., 9th Floor, Forest Hills, N.Y. 11375. You may fax information to (718) 793-2910 or send E-mail to msimpson@edit.nydailynews.com.

Company, a New York partnership having an office of 310 East 44th Street, New York, New York and Maurice Einat, which Unit Deed was recorded in the New York County Office of the Registrar of the City of New York on January 9, 1984, in Reel 752, Pages 1518 through 1523, City of New York on January 9, 1984, in Reel 752, Pages 1518 through 1523, respectively; and being the same Unit conveyed by a Condominium Unit Deed on April 29, 1985 by and between Maurice Einat, residing at 45 West 67th Street Unit 14 J, New York, New York, and Lawrence C. Roehling, residing at 165 Perry Street, New York, New York, which Unit Deed was recorded in the New York County Office of the Registrar of the City of New York on May 3, 1985 in Reel 906, pages 920 through 924, respectively; TOGETHER with an undivided .3744% interest in the Common Elements (as such term is defined in the Declaration) Section: 4 Block: 1120 Lot 1076. As more particularly described in the judgment of foreclosure and sale. Sold subject to all of the terms and conditions contained in said judgment and terms of sale. Approximate amount of judgment $166,828.62 plus interest and costs. INDEX NO. 123746/02. ELLIOT GREEN, Esq., REFEREE

al, Defts. BUCHANAN INGERSOLL PROFESSIONAL CORPORATION, attorney for plaintiff, 140 Broadway, 35th Floor, New York, New York. PURSUANT TO A JUDGMENT OF FORECLOSURE AND SALE dated May 2, 2003, I will sell at public auction on November 13, 2003 at 3:00 p.m. in the Rotunda of the New York County Courthouse, 60 Centre Street, New York, NY, premises in New York County, New York as follows: All that certain plot, piece or parcel of land with the buildings and improvements thereon erected, situate, lying and being in the County, City and State of New York, known and designated on the City of New York Tax Map as Block 1831, Lot 23 and known as 207 West 115th Street, New York, New York (for information only) Approximate amount of lien: $2,226.87 plus interest and costs. Peter Christiansen, Esq. Referee