



CITY OF NEW YORK

MANHATTAN COMMUNITY BOARD FOUR

330 West 42nd Street, 26th floor New York, NY 10036
tel: 212-736-4536 fax: 212-947-9512
www.ManhattanCB4.org

JEAN-DANIEL NOLAND

Chair

ROBERT J. BENFATTO, JR., ESQ.

District Manager

May 8, 2008

Seth W. Pinsky

Chair

New York City Industrial Development Agency

110 William Street

New York, NY 10028

Re: Nations Academy/Cities School Network Inc.

Dear Mr. Pinsky:

We understand that Cities School Network Inc. (CSN), a not-for-profit corporation of Nations Academy, has applied or intends to apply for financial assistance from the IDA in connection with construction of a proposed new private school on the mid-block portion of the block bounded by 57th and 58th Streets and Eleventh and Twelfth Avenues in Manhattan. We have learned about this project in connection with the related application to the Board of Standards and Appeals for a special permit to allow school use on the portion of the project site where school use is not otherwise permitted. We have recommended approval of that application, subject to certain conditions.

In connection with the BSA application, the Nations Academy team has met twice with the board's Clinton/Hell's Kitchen Land Use Committee and once with its Quality of Life Committee. The information provided in those meetings has raised concerns about the proposed financial arrangements, which we wish to bring to your attention.

Nations Academy is a proposed new private school for a projected 1750 students in pre-school through 12th grade (about 100 students per grade, pre-school through 8th grade, and 150 students per grade in grades 9-12). It is intended to be the first in a system of tightly integrated international private schools around the world, with a coherent educational program for a global transient population. The plan is to open schools in New York and the Washington D.C area in the fall of 2010, four additional sites in 2011, four to six more sites in 2012, and additional sites after that until a system of 45 to 60 schools is established in major cities around the world. Nations Academy is being founded by Edison Schools, whose principals Chris Whittle and Benno Schmidt have met with us, and Global Education Management Systems, described to us as an Indian company based in Dubai. CSN is being established to own and operate the U.S. schools, including the New York school. Nations Academy LLC, a for profit venture, will

provide development services during the construction of the New York school and will enter into a management agreement with CSN for the school's operation.

The cost of establishing the school in New York is planned to be financed with \$100 million or more in private equity that is now being raised and \$200 million or more in bond financing being sought from the IDA. Mr. Whittle was unwilling to answer any further questions from us about the school's finances or the details of the relationship between CSN and Nations Academy we trust that he will be more willing to provide such information to the IDA.

Information on IDA's website makes it clear that this financing would be unusual in several respects. The IDA Sample Client List lists five bond offerings for private schools:

Ethical Culture Fieldston School	\$83,970,000
The Hewitt School	\$16,452,575
The Convent of the Sacred Heart	\$26,174,045
Lycee Francais de New York	\$117,337,000
The Child School	\$18,462,400

Each of these schools has a long operating history in the city, with a well-established private fundraising capacity to support its capital projects. And none of them received IDA financing in an amount anywhere near the \$200 million being requested by Nations Academy.

We therefore have these questions and concerns, based on IDA's Not-for-Profit Guidelines, which we hope you will investigate thoroughly before approving any financing for Nations Academy or CSN:

1. Does this project really need tax-exempt financing? What are the sources of private capital? Could they finance the entire project?
2. Will CSN be able to service its debt? Nations Academy has no operating history, and to many of us it sounds more like a business plan than an educational program. Will New York families be willing to pay hefty private school tuitions for a school with no track record? Are the budget models real?
3. Is the school really a not-for-profit? Nations Academy is a for-profit venture. If Nations Academy is receiving management fees for operating the school, what substance does CSN really have?
4. Will IDA essentially be helping to establish a brand name for a for-profit business model that is likely to be quite profitable in countries with lower start-up costs?
5. Is it appropriate that a start-up venture with no roots in New York City or anywhere else should become the IDA's largest not-for-profit deal?

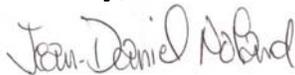
If IDA financing is to be provided, it must also comply with the IDA Compliance Criteria for Private Schools. The following commitments have been made to CB4 in connection

with the BSA application. We request that these commitments be included in IDA's Project Documents for the financing. Nations Academy has agreed to:

- Provide financial aid equal to at least 10% of the school's gross tuition revenues to be used by students who are New York City residents, with a preference given to eligible students of low- or moderate-income families residing in Community Districts 4 and 7, subject to IDA regulations. For those eligible students, Nations Academy would seek to provide financial assistance in an amount sufficient to enable them to attend. (10% of gross tuition revenues is IDA's minimum requirement. CB4 would prefer a much higher standard.)
- Work with CB4 and the local City Council member to hold a job fair with the goal of filling as many of the 250 staff positions as possible with neighborhood residents.
- Establish and maintain a community liaison function.
- As school staffing and calendars permit, allow community groups to use the school's facilities at night and on weekends, when such use would not conflict with school use.
- Seek use of other outdoor athletic fields/recreation facilities, given that DeWitt Clinton Park is currently heavily used by other schools.
- Focus its student community service activities within Community Districts 4 and 7 as practicable.
- Use design and construction methods and methods of operation that will achieve a high degree of environmental sustainability, including meeting or exceeding the standards for U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Silver certification.

Thank you for considering these questions and concerns.

Sincerely,



Jean-Daniel Noland
Chair



Anna Hayes Levin, Chair
Clinton/Hell's Kitchen Land Use Committee

Cc: H. Christopher Whittle, President and CEO, Nations Academy, 767 Third Avenue, 31st Floor, New York, NY 10017
Alexander and Helena Durst, The Durst Organization, 1155 Avenue of the Americas, New York, NY 10036
Carol Rosenthal, Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, NY 10004

Elected officials: Duane, Rosenthal, Brewer