



March 6, 2006

Commissioner Jeanne Mullgrav
Department of Youth and Community Development
156 William Street, 6th Floor
New York, New York 10038

Dear Commissioner Mullgrav:

Last week I informed you that the All Stars Project was withdrawing our request for funding of the Production of Youth by Youth. Recent events have served to confirm our concerns that the Department of Youth and Community Development's (DYCD) process is so lacking in integrity that we have chosen not to continue.

Our decision to withdraw is based on the fact that DYCD's review and due diligence process has been politicized and inappropriately conducted.

All Stars' initial application for the Out-of-School Time (OST) grant was submitted at the invitation of Ester Fuchs, in her capacity as special advisor to Mayor Michael Bloomberg on the OST reorganization. Mayor Bloomberg attended the All Stars annual gala at Lincoln Center two years in a row (2004 and 2005) and asked Dr. Fuchs to assess the All Stars approach, track record and bona fides.

After visiting our citywide headquarters, meeting with senior program advisor Dr. Lenora Fulani and program directors, and speaking in detail with our founder, Dr. Fred Newman, about the program's educational and philosophical foundations, Dr. Fuchs judged the All Stars to be a high-quality, innovative program that was successful in reaching young people in the poorest, most underserved communities. Dr. Fuchs urged us to apply for a grant under an OST provision through which privately funded youth organizations such as the All Stars could mix private and city money to fund after-school programs. We accepted her invitation and responded to the Request for Proposals.

In June 2005, the Production of Youth by Youth (PYBY) was chosen for contract after a "blind" review in which applicants' proposals were judged entirely on their merit. We were pleased to have been selected.

Not long after the selection, I expressed concern to Dr. Fuchs that the final approval might fall victim to various forms of political gamesmanship, particularly in light of political and media attacks that appeared on NY1, in the *New York Post* and elsewhere following the Mayor's attendance at the 2005 All Stars Gala. Dr. Fuchs informed me at that time that she had spoken with you about this and that you assured her that the All Stars would not be penalized based on any political agenda.

March 6, 2006
Commissioner Mullgrav
Page 2

DYCD's standard review and due diligence process commenced at that point, which included site visits by DYCD staff, interviews with key All Stars personnel, filling out VENDEX applications and supplying other needed information.

At the same time, however, we received disturbing reports which indicated that the due diligence had taken a distinctly political turn. DYCD General Counsel Everett Hughes contacted All Stars Board members and supporters in California to inquire about their political affiliations and the political affiliations of others on the All Stars Board of Directors. We contacted you and Dr. Fuchs to protest this. Dr. Fuchs responded that Mr. Hughes was not authorized to conduct such an investigation. His line of questioning was discontinued.

The DYCD due diligence appeared to return to normal, but for the fact that the school year had begun, and OST programs were slated to get underway. The expectation was that there would be a resolution to the contract in relatively short order. All Stars decided to move ahead and commence the program, hire staff and begin outreach, taking full financial responsibility in the interim. The private funding component of PYBY made this possible.

In late September, Mr. Hughes supplied us with a set of questions arising out of the VENDEX and the site visit. All Stars responded promptly to his inquiries, including offering to alleviate any appearance of a "conflict of interest" (our then Board chairperson's daughter was an All Stars employee) by having our Board chair step down. This produced no conclusive response from DYCD.

All of the above was taking place in a larger political and legal context – the mayoral election and the possibility of an Attorney General investigation into the All Stars, following a complaint made by an individual who had visited the All Stars briefly for training. This complaint, as you know, received considerable play in the media, part of a general effort by the Mayor's political opponents to discredit him based on his support for the All Stars, and part of an ongoing effort by a network of detractors who have sought to discredit Newman and Fulani for political reasons of their own. DYCD indicated that it could not give final approval to the contract until the Attorney General matter was resolved.

With respect to the mayoral election and its impact on the contract approval process, there was considerable media interest in the fact that DYCD had approved All Stars for a grant. With the ultimate decision under a political microscope, and with the Mayor's detractors and Newman and Fulani's detractors on the war path, the situation dragged on for months without resolution. Already, politics was rearing its ugly head and public policy was being bent to its will.

In late October, NY1 broadcast a six-part series on All Stars founder Fred Newman. This series featured reporting of a highly sensationalized nature. It was so unbalanced that Newman detractors were given twelve minutes of on-camera air time while supporters of Newman were given twenty seconds. The focus of the unprecedented series was an attack on social therapy, the

March 6, 2006
Commissioner Mullgrav
Page 3

psychological developmental approach created by Newman. A clear purpose of the broadcast was to dissuade the city from approving the DYCD grant. It also sought to close down a youth counseling program based at Erasmus High School run by a social worker trained in Newman's approach.

DYCD responded to this broadcast by asking All Stars to answer a set of interrogatories that read like an inquisition from Senator Joseph McCarthy. It included demands for information about whether members of the All Stars Board and staff were in therapy, about living and personal financial arrangements of principals associated with the program, and other intrusive and abusive lines of questioning. Our attorney responded on December 22nd with detailed information on questions that we took to be relevant to the contract's approval and within Procurement Policy Board (PPB) guidelines which govern the due diligence process. He declined to answer those outside the PPB guidelines and irrelevant to the due diligence process it mandates, and those that were constitutionally suspect and politically or personally invasive. Dr. Fuchs and mayoral advisor Kevin Sheekey were both informed of the nature of the Hughes inquisition and our objections to it. Dr. Fuchs informed me that the matter had been passed to Corporation Counsel's office, claiming disingenuously that City Hall could do nothing to remedy the situation. All the while, DYCD representatives maintained to me that they were merely conducting a normal due diligence.

On January 31, 2006, the Attorney General's office released a letter to the New York City Department of Investigation stating, "We have concluded that the complaint, which was provided to your office, does not raise any issues that warrant action by this office at this time." (See enclosed.) DYCD was immediately informed that the Attorney General matter had been resolved, removing that barrier to approval.

Further, in January, the New York City Department of Education was informed by the New York State Department of Health (NYSDOH) that the Erasmus program, which had been suspended by the City in the wake of the NY1 reporting, should be reopened and that the program "is appropriate in all aspects" (see enclosed). In other words, the so-called "concerns" about social therapy peddled by non-professionals with a political agenda, trumpeted by NY1, parroted by Hughes, and apparently, according to Fuchs, taken up by Corporation Counsel, had been addressed by the NYSDOH and put to rest. The NYC Department of Education accepted the DOH's verdict and has taken steps to re-open the program.

In summary, the barriers presented to us by DYCD to final approval of the All Stars contract have been removed, and yet approval has not been forthcoming.

Instead, unidentified "city sources" told Tom Robbins at the *Village Voice* last week that "...the All Stars contract is not going forward." Robbins also reported comments by DYCD spokesman Michael Ognibene that "we are still in our responsibility determination, still conducting a review" and that a decision will be announced shortly. It is disturbing that information and a

March 6, 2006
Commissioner Mullgrav
Page 4

timetable which had not been communicated to All Stars was being leaked to a reporter who was already on record as hostile to All Stars receiving a City contract.

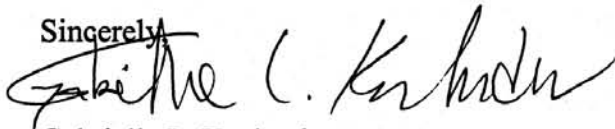
The "review" process conducted by DYCD appears to us to have degenerated into the worst form of "policy by politics"—the very practice we were assured would not occur. Though programs were initially chosen through a blind and non-political panel, the DYCD has not succeeded in managing an appropriately objective and merit-based due diligence. While DYCD has been caught up in its own agenda and has refused to put the interests of New York's children ahead of an overheated, headline-hungry media and the various and sundry political operatives who fuel them, major corporations and foundations have conducted their own due diligence of All Stars and made significant grants to the program.

In our view, it is this kind of corruption of governmental responsibility that deters quality and innovative service providers from operating with public funding. All Stars programs operate with an annual budget of \$5 million, entirely from the business community and private sector, precisely because in that milieu competence, quality and results are rewarded. Under DYCD's authority, they are penalized and politicized.

All Stars will make every effort to continue running the Production of Youth by Youth with private funding. We will uphold our commitment to the city's poorest and most disadvantaged kids, even if the City of New York does not.

Finally, while it is the case that some individuals in the All Stars community worked hard for Mayor Bloomberg's re-election, All Stars has always made plain that it neither sought nor expected any special treatment or favors. On the other side of the coin, however, is our feeling that All Stars would not allow itself to be singled out for any abuse that comes with the territory of having ties to the Mayor. Unfortunately, the latter has now come to pass and DYCD has done nothing to protect the level playing field it had promised. Consequently, the All Stars cannot continue to participate in the DYCD process.

Sincerely,



Gabrielle L. Kurlander
President

Enclosures

cc: Hon. Michael Bloomberg, Mayor, City of New York
Ester Fuchs, Ph.D.
Kevin Sheekey, Deputy Mayor for Intergovernmental Affairs, City of New York