

Oct. 7, 2001 San Francisco

## Edison Schools Inc. Balks at Feeding Kids

A controversial, for-profit school management company expects to cover the newly incurred cost of providing hot lunches to San Francisco schoolchildren by cutting funds for other school needs.

Only days before the company balked at paying from the corporate budget for schoolchildren's meals at Edison Charter Academy (ECA), several top Edison executives and board members pocketed more than \$4.5 million from cashing in stock options.

Meanwhile, an ECA parent reportedly suggested seeking food service from a local soup kitchen.

Observers of the for-profit public school business have long asked such questions as: "What happens when the expectations of investors collide with the needs of children...?" as Newsweek magazine put it in a July 2 article about Edison. The San Francisco food service brouhaha could illustrate the answer.

Edison Schools Inc., a New York-based school management corporation, agreed to provide food service and other administrative needs at San Francisco's Edison Charter Academy (ECA) in a June pact between the company and the San Francisco Unified School District, which had previously provided hot lunches and other services.

The agreement, ending a dispute between Edison Schools Inc. and the school district over privatized but publicly funded ECA, severed ties between Edison and the school district and allowed Edison to secure a charter for the school from the California state Board of Education.

The mutually negotiated pact stipulated that Edison would take over administrative services previously provided by the San Francisco district, including school cafeteria lunches. But Edison Schools Inc. then apparently told ECA that it would have to cover food service, and reportedly rent, from its own existing school site budget.

Edison's reluctance to pay for children's hot lunches is newsworthy because Edison Schools Inc. is a for-profit

corporation, publicly traded on the NASDAQ. Though the 9-year-old company has never made a profit, Edison's top executives have reaped handsome rewards from stock options, including a flurry of late June trading that reaped \$4.5 million for insiders.

ECA Principal Vincent Matthews has asked the San Francisco school district to provide food service, despite the agreement stipulating that Edison Schools Inc. would cover such service. The district offered to provide food for two weeks as a stopgap measure, though ECA is no longer a district school.

According to one unconfirmed report, Edison Schools Inc. told ECA that "all the unfavorable (to Edison) changes to the charter agreement would have to come out of the current (school site) budget." Edison Schools Inc. also agreed to pay the school district \$355,200 annual rent for the district-owned site in San Francisco's trendy Noe Valley. One report indicated that the rent was also to come from the school's site budget.

Edison's agreement with the school district stipulated that the company, not the district, would provide ECA's "food service; recruitment; registration, enrollment and assignment of students; dissemination of information regarding any of these matters; Payroll Costs ... Unless explicitly set forth in this agreement, the District shall have no obligation to provide any funds or services whatsoever to Edison." Edison Schools founder and CEO Chris Whittle signed the agreement.

Along with San Francisco, many districts nationwide have had problems with the company, and its contracts have also been severed in Sherman and San Antonio, Texas; Goldsboro, N.C.; and Lansing, Mich. Edison's one Minneapolis school will also close at the end of this school year, ending the company's presence there.

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Sources for further reporting, for media convenience:

Edison Schools Inc., New York 212/419-1600

Edison Charter Academy, San Francisco  
Vincent Matthews, Principal 415/970-3330

San Francisco Board of Education  
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Link to information on Edison Schools Inc. (EDSN) insider stock transactions:

<http://biz.yahoo.com/t/e/edsn.html>

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