

MEMORANDUM

September 6, 2007

To: Board of Trustees
Polytechnic University

From: George Likourezos, President
Polytechnic University Alumni Association, Inc.

Re: Polytechnic Alumni Position on the Proposed Merger with NYU

Introduction

This paper presents the position of the Polytechnic University Alumni Association (“Poly Alumni”) with respect to the proposed merger between Polytechnic University (“Polytechnic”) and New York University (“NYU”). Poly Alumni’s position is based on the information as presented to Poly Alumni by President Jerry Hultin and Chairman Craig Matthews in response to the questions posed, on our analysis of the terms described in the Memorandum of Core Commitments (“MCC”), on our review of the responses to a survey questionnaire we sent to contributing alumni, on suggestions and recommendations offered by dedicated alumni, on telephone conferences with the Polytechnic Administration, and on a meeting with the Poly Alumni leadership (comprised of the Executive Council, Executive Board and International Board of Directors) held on August 25, 2007.

Prior to stating Poly Alumni’s position, we acknowledge and thank the Polytechnic Board and Administration for their answers to our questions and for providing us with the MCC which was developed by the Administration and Trustee leadership during their initial contacts with NYU.

Based on the information provided, including the core terms of the transaction and the financial state of Polytechnic, it is the position of the Polytechnic University Alumni Association that it will not support or endorse the contemplated merger. Poly Alumni believe that the terms of the proposed transaction fail to support the interests of the Polytechnic Corporation, its community and its alumni, are extremely one-sided in favor of NYU, and constitute a waste of Polytechnic’s assets in that the

transaction as currently structured does not equitably reflect Polytechnic's true value or the value which Polytechnic offers to NYU. Since Polytechnic is capable of continuing its operations at this time, the core terms of the proposed transaction (which would become irreversible once accepted) must not be accepted without an investigation into alternatives which may be available to Polytechnic. By its own admission, the Administration concedes it did not explore any alternatives prior to unilaterally and with lack of transparency and openness committing Polytechnic and the entire Polytechnic community to the transaction with NYU.

Following the Discussion and Analysis below, the fundamental issues which Poly Alumni believe must be addressed and resolved prior to signing a memorandum of understanding with NYU are set forth. In addition to these fundamental issues, there are many secondary concerns which the Poly Alumni Negotiating Advisory Council will present to the Administration and to NYU during the on-going negotiations. Additionally, certain specific conclusions arising from Poly Alumni's analysis are presented, below, in the Summary and Conclusions section.

Discussion and Analysis

Poly Alumni recognize that Polytechnic, as with any other independent and private college in the United States, will have near-term and long-term financial and institutional problems which must be addressed on an ongoing basis to ensure the continued viability of Polytechnic as an institution. No information provided thus far by President Hultin portends "doom and gloom" for Polytechnic. To the contrary, President Hultin has stated in his merger arguments that, in fact, NYU has recognized how Polytechnic has "put his house in order". We have been told that Polytechnic's operating budget is balanced for the current fiscal year and for the near term. That balance, unfortunately, has been achieved only through sharp cuts in staff and programs. However, Polytechnic is rich both in physical assets (with few liabilities appurtenant to those assets) and intellectual assets. The wealth of Polytechnic's degree programs, its Charter, its highly motivated students and faculty cannot be easily duplicated or quickly achieved, even by an institution as capable as NYU. These assets taken together should not be given

away in a transaction that offers no firm and binding commitment for value received, and which risks the extinction of Polytechnic's rich 153 year legacy.

There is no doubt that everyone in the Polytechnic family wants Polytechnic to continue to be a school of engineering excellence which will carry on its educational mission and live up to its heritage; this is a requirement for Polytechnic and not simply a goal. However, the Administration has failed to demonstrate that the only way in which this requirement can be achieved is by entering into a binding agreement with NYU. A particularly alarming aspect of the Administration's position is the alleged necessity of entering into the binding agreement by October 10th when there has been little public debate or discussion of the proposed transaction and minimal disclosure of the detailed terms and conditions thereof. The manner in which the proposed transaction was announced - by a small posting of a notice of a Town Hall meeting on Polytechnic's website (which appears to have been first posted on the very day of that meeting) and which meeting was held on a Friday afternoon in August - in and of itself causes reasonable minds to question the need for such stealth by the Administration. Based upon the information Poly Alumni has been able to gather, the proposed "merger" will result in Polytechnic being subsumed into NYU in an open-ended transaction which gives NYU all of the legal power and rights to unilaterally determine Polytechnic's future and the allocation and possible disposal of its assets.

After the Town Hall meeting, Poly Alumni surveyed over 1,300 alumni who have demonstrated their continued interest in and dedication to Polytechnic through regular contributions to the Polytechnic Fund. In an e-mail to these alumni, Poly Alumni presented the facts of the proposed transaction (as the same had been presented at the aforementioned hastily called Town Meeting on August 3rd) and asked the following four questions:

1. Did you know that NYU has made a merger offer to Poly and that Poly is engaged in talks with NYU to merge in which NYU would acquire all of Poly's assets and liabilities?
2. Are you currently a Poly supporter with contributions to the Polytechnic Fund or other Poly funds? If you currently are a supporter of Poly, would you continue to be a supporter/contributor to a Poly that is a school of New York University, and why or why not?

3. If a merger occurs, what are two to five items you would like to see in the merger agreement?
4. Do you favor or oppose a merger with NYU and why?

Based upon the responses we have received to date, a clear majority indicate strong opposition to the proposed transaction with NYU and very little interest in continuing to make contributions to a merged Polytechnic. (It is also our understanding that several prominent alumni who have previously pledged significant funds to Poly have revoked or stayed any further contributions pending the outcome of the merger.) The responses produced a rich harvest of ideas and comments, which deserve review and consideration by Polytechnic.

As might well be expected many of the responses decried the potential loss of a “Brooklyn Poly” identity and the fading away into memory of a Brooklyn treasure. Nevertheless, the responses reflect a clear grasp of the issues thus far presented, and the responding alumni oppose the proposed transaction by an overwhelming majority. Several alumni offer suggestions on alternatives to merging with NYU which we believe must be considered and which we present to the Polytechnic Board and Administration in a separate paper.

A small percentage of respondents favor a merger because of the potential for Polytechnic to improve enrollment of students meeting higher admissions standards and to obtain more solid financial backing. However, on further analysis, this minority support was given only in light of the financial information which was received from the Administration. Poly Alumni had stated in its survey that Polytechnic was losing \$6,000,000.00 in the 2007 - 2008 operating budget because of reduced enrollment numbers. However, the Administration now asserts that this financial information is not correct. Thus, the responses of those alumni supporting the transaction based upon financial considerations must be viewed as based upon erroneous assumptions as to Polytechnic’s allegedly precipitous financial condition as initially stated by the Administration.

The Administration and Trustee leadership have asserted that the issues presented by the proposed transaction with NYU will be resolved in a way that is favorable to the interests of the

Polytechnic Corporation and to the Polytechnic Community. At the same time, Poly Alumni has been told that NYU will not deviate from the MCC. This provides little or no assurance (written or otherwise) that the Polytechnic community's interests will be protected. Yet Chairman Matthews has stated that there is "an element of trust" to the process. The MCC does provide that NYU will have immediate, far-reaching and complete legal authority to own and control all of Polytechnic's substantial assets with no commitment whatsoever to account to the Polytechnic community for the transfer of those assets. The MCC does not provide any mechanism whatsoever that will allow Polytechnic to withdraw from the proposed transaction or provide any other remedy if such assurances (which the Administration claims it will obtain from NYU) are not obtained.

Even more troubling, there is nothing in the MCC to prevent NYU from disposing of Polytechnic's highly valuable real estate in the future, as has just occurred in a strikingly similar situation involving Fordham University and Marymount College of Tarrytown, N.Y.¹ Nor does the MCC set any performance goals for Polytechnic after the merger is finalized, potentially allowing NYU, like Fordham, to identify its own goals and thereafter to dissolve any commitments NYU might make to Polytechnic if those goals are not met.

The MCC does not set forth any proposed solutions or contributions by NYU to any solutions to the core, long term problems the Administration and Trustee leadership claim they set out to solve in pursuing discussions with NYU – stabilization and enhancement of Polytechnic's infrastructure and scholarship and financial programs to assure increased enrollment together with the survival of Polytechnic's educational mission as a vehicle for deserving students who might not otherwise be selected for admission to other engineering colleges. Given the value that Polytechnic brings to NYU, which has not been quantified by the Administration (despite requests that it do so) but which plainly approaches a

¹ In 2000, Fordham University made the similar claims as to the availability of superior resources and financial backing that it could provide Marymount College. Less than a decade later (and on the centennial of Marymount's founding in 1907), Fordham has completed its dismantling of Marymount; and last week announced that Marymount's highly valued 24-acre campus in Tarrytown, New York is for sale. There is nothing in the MCC which would prevent NYU from doing the same with Polytechnic's highly valued real estate in downtown Brooklyn.

minimum of a half billion dollars, it is not unreasonable to expect that provisions would have been made by this advanced stage of the negotiations, including an agreement ensuring that Polytechnic, its assets, its legacy and its mission survive and benefit from the proposed transaction.

Issues

Based on the responses to Poly Alumni's e-mail questionnaire, discussions with alumni, and as a result of the August 25, 2007 meeting of the Polytechnic Alumni Association Board, fundamental issues have been identified that require resolution between Polytechnic and NYU before a reasoned analysis can be made of the proposed transaction. These issues include:

- Issues Relating to Commitment of Resources and Commitment to Poly's Strategic Plan

NYU has made no commitments in return for the value it will receive in the proposed transaction. In fact, NYU has not even committed to keeping the engineering campus in Brooklyn. Poly Alumni believe that NYU should commit to provide immediate funding to Polytechnic to enable it to carry out its Strategic Plan, including specific amounts of long term funding to accomplishing the stated goals of Polytechnic's Strategic Plan and Mission. The stated goal of the proposed transaction is to enable Polytechnic to become a Tier 1 research institution. According to the Chronicle of Higher Education, achievement of that goal requires an institution that takes "a leadership position in transforming technical education in the United States." NYU does not currently offer an engineering program. Allowing a post-merger Polytechnic ("New Poly" as referred to in the MCC) to use NYU's national admissions program, gives Polytechnic access to a national base of students looking for a Tier 1 institution and nothing more. However, for New Poly to attract the type of student who would apply to NYU, a significant upgrade in facilities and additional staff would be needed. Yet, a student who is able to gain admission to a Tier 1 engineering institution is not likely to attend New Poly. Simply stated, the facilities require substantial improvement, including the provision of student housing. If the Administration is taken at its word that the proposed transaction is a commitment to break a downward spiral at Polytechnic (and not simply a transfer of valuable real estate), the MCC must require that NYU make a financial commitment concurrent to the task of improving facilities, and thereby enrollment. Merely changing the name on the

door will not make Polytechnic a Tier 1 institution, nor will it enable New Poly to enroll the types of students NYU attracts at its other divisions.

- Issues Relating to Control of New Poly

The MCC would transfer immediate legal ownership and control of the Polytechnic Corporation and all of its assets to NYU. At a minimum, it should be provided that a super-majority (*i.e.*, at least 75%) of Polytechnic's Board of Trustees must consist of Polytechnic alumni. Such an arrangement would not be without precedent; for example, over 95% of the NYU Law School Board are alumni of NYU Law School. The benefits of air rights which are currently the subject of negotiation with Forest City Ratner should belong to and be used solely for the benefit of Polytechnic. The provision in the MCC that the Polytechnic Board will maintain control of the Polytechnic real estate for five years is worthless on two fronts. First, it will not prevent NYU from disposing of the property for its own benefit at the end of that period (as Fordham has just done with Marymount College), and secondly, since there are no guarantees as to the composition of Polytechnic's Board, no conclusions can be drawn as to which entity's interests it will seek to prioritize. The Administration has acknowledged that NYU has guaranteed President Hultin a five (5) year term as president of New Poly. Notwithstanding, the conflict of interest element to this arrangement, NYU must be forthcoming with guarantees as to the composition of the New Poly board. Control and ownership of Polytechnic's assets must remain within the Polytechnic community for the foreseeable future. This point is critical if the proposed transaction is to be considered a merger, as claimed by the Administration, and not an acquisition, as appears from the substance of the MCC.

The MCC does not address what is to become of Polytechnic's faculty and other professional staff. Questions as to the transferability of tenure, pay scale and other benefits must be addressed and presented to the faculty to ensure that they know where they will stand and do not abandon Polytechnic due to uncertainty as to their future or their status. As high ranking members of the current Polytechnic Administration have received commitments from NYU for their continued employment, the rest of the Polytechnic staff and faculty must receive similar assurances.

- Issues Relating to the Preservation of Polytechnic's Legacy

Polytechnic's distinct legacy and its unique mission of providing educational opportunities to underprivileged and highly capable students must not be lost, and its preservation should be specifically provided within the NYU structure and the charter of New Poly. The MCC does not address this issue at all.

Of particular concern to Poly Alumni is the control of the admission process and standards. Once again, the MCC is silent on a critical issue. We can only assume that NYU will assume control of the admission process together with its taking over all other aspects of Polytechnic. NYU has indicated no intention to dilute its SAT average by continuing to accept students which Polytechnic is currently enrolling, nor has NYU indicated any interest in increasing scholarship grants by New Poly to the levels currently awarded by Polytechnic. Clearly, Polytechnic now routinely gives opportunities to students who might otherwise not have the wherewithal to pursue an engineering degree. Poly Alumni are committed to these ideals and believe that NYU should provide specific admission and scholarship guidelines which ensure that New Poly will continue to serve deserving students as it has for over a century and a half. One way to accomplish this would be to set aside Polytechnic's endowment and real estate assets and stipulate that they are to be used solely for these purposes.

Finally, no assurances have been given as to the official name by which New Poly will be known. Poly Alumni believe that the words "Polytechnic Institute" should be a part of New Poly's name. NYU has a history of keeping its schools individually named (*e.g.*, Tisch School of the Arts, Stern College of Business) and we see no reason why Polytechnic cannot be afforded equal status in that regard.

- Issues Relating to the Polytechnic Alumni

The MCC makes no mention of, nor does it provide in any fashion for Polytechnic's alumni. To ignore and apparently write off upwards of 20,000 alumni is an astounding and, in the view of the Poly Alumni leadership, a further significant omission in the proposed transaction. Additionally, no mention is made in the MCC of any commitments NYU will make in maintaining the value of existing Polytechnic diplomas. There are no commitments made to guarantee that pre-merger Polytechnic alumni will be

treated equally to post-merger alumni. There are no commitments to work with and to develop a meaningful relationship with the Poly Alumni Board or to assist with commitments to existing alumni. There are no commitments to develop plans to integrate pre-merger Polytechnic alumni into the existing NYU alumni framework. The Polytechnic alumni should be given equal consideration as members of the NYU alumni community, including the right to avail themselves of all benefits offered by NYU in the same manner as other NYU alumni. Polytechnic graduates (both past and future) should be offered the opportunity to apply to NYU's graduate schools on the same basis, and with the same preference (if any), that NYU currently gives to its students and alumni.

The 1998 Memorandum of Understanding between the Board of Trustees and the Poly Alumni must be specifically recognized and adopted by NYU, and assurances must be given that NYU will adhere to its terms. NYU should provide the resources and support necessary to integrate the Polytechnic Alumni Association into the NYU system and treat it equally with the alumni associations of the other NYU divisions.

Summary and Conclusions

The Polytechnic University Alumni Association respectfully submits that Polytechnic Trustees have not been given adequate time or information in order to consider the proposed transaction with NYU meaningfully or with the necessary due diligence required of the Trustees. The Polytechnic Alumni Association does not see the need for undue haste in this matter, nor have any facts been provided which support the alleged urgency as put forth by the Administration. Therefore, the Polytechnic University Alumni Association opposes committing to the proposed transaction with NYU on or prior to October 10, 2007. We believe that the issues set forth above, as well as others that may come to light, must be addressed in an orderly and diligent fashion, but not in a hasty one. Furthermore, the existence of meaningful alternatives to the NYU proposal should also be explored.

The members of the Polytechnic University Alumni Executive Council hereby commit to use their best efforts to make themselves available to meet with the Polytechnic Administration, as well as with NYU's representatives, on a regular and ongoing basis during this time.

Accordingly, the Polytechnic University Alumni Association respectfully requests that the members of the Polytechnic Board of Trustees reject the proposal before them and that the Trustees withhold approval of any transaction with NYU until such time as the Trustees have had a meaningful opportunity to review and consider the specifics of the NYU proposal and the viability of alternatives to the NYU proposal.