

# HEDGE PAPERS No.10

A red apple with a single green leaf is positioned on top of a stack of several books. The books have various colored covers, including brown, blue, and green. The background is a dark, muted teal color.

The Double Standard  
of Success Academy

# HEDGE FUND HYPOCRISY: THE DOUBLE STANDARD OF SUCCESS ACADEMY

Success Academy—the charter-school chain and political launching pad for anticipated mayoral candidate Eva Moskowitz—is a favored charity for many hedge fund managers.



image from The Epoch Times

But beneath their rhetoric about fighting poverty and supporting academic achievement is a real double standard. It can be seen in two key ways:

1. Many of Success Academy's hedge fund board members contribute to political causes that harm the population that Success claims to serve.
2. Success Academy's hedge board members would never allow their own children to be subjected to the harsh disciplinary policies of the charter chain.

This is the first report of its kind to examine the hedge fund hypocrisy at Success Academy. It also reveals the more than 50 hedge fund managers and hedge fund spouses who have notable ties to Success Academy.

# HEDGE FUNDS HURT THE COMMUNITIES SUCCESS ACADEMY PURPORTS TO SERVE

The April 20 Success Academy gala at Cipriani is expected to turn out dozens of hedge fund titans -- whose self-congratulatory support of Success Academy may well be the only thing they do all year that could possibly be construed as giving back to poor communities of color.

*Fair-share tax policies and fewer tax loopholes for the rich would help communities more than charity*

In an economic landscape defined by the devastation hedge funds have wrought on New York jobs, and the influence they have bought in Albany, we should be demanding more from the hedge fund elite than a bit of charity.

Fair-share taxation and closing lucrative loopholes would help low-income communities far more than the sprinkling of charitable donations offered up at the Cipriani gala.



The wealthiest 0.01% of New Yorkers currently report an average of \$69.6 million in yearly income, with hedge fund managers making up a nice chunk of that 0.01%.

Because they earn money from their ownership in the limited partnerships that control wildly-profitable hedge funds, New York City-based managers are taking advantage of the “carried-interest” loophole in the New York City Unincorporated Business Tax that gives their businesses lower tax rates than car repair shops, bodegas and independent neighborhood restaurants and bars.

Closing the carried-interest loophole in New York City would yield \$200 million in additional revenue per year, according to the New York City Independent Budget Office.<sup>[1]</sup>

Hedge fund managers further stand to benefit from other absurd handouts given to them by their buddies in the Cuomo administration—tax breaks on luxury yachts,<sup>[2]</sup> the elimination of the corporate minimum tax, and special tax breaks for luxury condo owners.<sup>[3]</sup>

Hedge fund tax breaks and special treatment rob New Yorkers of funds that are vitally needed to restore equitable funding for New York’s public schools, which right now falls far short of the level mandated in the Campaign for Fiscal Equity lawsuit.<sup>[4]</sup>

Hedge Clippers has recommended a full set of fair-share revenue policies for Albany and New York City that would raise between \$3.1 billion and \$4.2 billion every day to help fund schools, affordable housing and transportation that would help provide a foundation of prosperity and economic stability for struggling New York families.<sup>[5]</sup>

We’ve also recommended elimination of tax loopholes for yachts and private planes<sup>[6]</sup>, and a significant increase in the minimum wage<sup>[7]</sup>—both of which have been opposed by billionaires and hedge funds.

*Political attacks and virulent racism – that’s not support for New York communities*

Success Academy serves a population that's over 70% African-American, with 82% of students qualifying for free and reduced lunch. But many of Success Academy's wealthy supporters spend much of their lives attacking the very populations that Success serves.

Take Dan Loeb – he'll almost certainly be at the Success fundraiser, as traveling to Cuba with his buddy Andrew Cuomo is probably not in the cards.<sup>[8]</sup>



Emails surfaced during a lawsuit (later dismissed) brought by a Canadian insurance company showed Loeb calling an Indian executive a “schwarze” which Reuters described as “a derogatory Yiddish word for a black person.”<sup>[9]</sup>

It's not the only racist missive that Loeb has fired off against an adversary—public relations executive John Liviakis also accused Loeb of making “racist sort of remarks about my Greek heritage” during a late-90s feud.<sup>[10]</sup>

Loeb's political activities have included backing Mitt Romney in 2012, after likening President Obama to an abusive husband.<sup>[11]</sup>

Loeb has since backed a slew of regressive Republican politicians, donating \$130,000 to Karl Rove's far-right PAC American Crossroads, which aired ads praising legislators for voting in favor of Voter ID bills.<sup>[12]</sup>

Another big Success Academy booster is hedge fund titan Bruce Kovner, founder of Caxton Associates.

Kovner's wife, Suzie, sits on the board of the Success Network. Kovner is also a major supporter of far-right politics, having previously chaired the American Enterprise Institute (AEI).

Fellows employed by AEI have advocated for policies that perpetuate poverty in America, including branding minimum wage increases as "simply reckless,"<sup>[13]</sup> and arguing that low-wage giant Wal-Mart is "saving America."<sup>[14]</sup> Kovner is reported to be a close personal friend of Dick Cheney's.<sup>[15]</sup>



image from Pblcity

While not a hedge fund manager, Success board member Charles S. Strauch is the most perfect representation of Moskowitz's morally-agnostic fundraising.

Strauch, the former head of a telecommunications company, has recently made a foray into venture capitalism.<sup>[16]</sup> He runs a blog "America's Greatness Under Attack From Within," which reads like the blog version of a cranky, conservative chain email.

Strauch is not shy about his views that America is in decline and under attack from progressive Americans. Strauch's website includes assertions that gay marriage is contributing to America's decay<sup>[17]</sup>, claims that global warming is a hoax, and contains many posts that are racially offensive.

Of particular offense, Strauch's blog seems to use the term "society's losers" to refer to African-Americans.

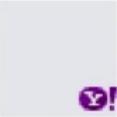
Strauch, paraphrasing a quote he claims to have heard from an anonymous cab driver, has claimed that "The majority of blacks (Democrats) consider themselves as permanent victims of society (losers!!)."

Keeping with the theme, Strauch appears to use the euphemism in another blog post about his support for Eva Moskowitz, who he describes as “fighting in the trenches against the NYC Democratic Party machine to loosen the stranglehold that the Democrat controlled teacher’s union have placed on ‘society’s losers’ in that city.”

Strauch has also used his blog to give voice to anti-Obama “birthers” like Richard R. Silverlieb, whose re-printed drivel questions why the President’s birth certificate didn’t describe him as a “negro.”<sup>[18]</sup>

Strauch’s wife, Nan Strauch, does not appear to take a more enlightened view of racial issues than her husband:

---

 **Perry Logan** , BWAHAHAHAHAHAHAHAHA!!!!  
★ Top Commenter (signed in using yahoo)

the truth really, really gets to you rightwing weaklings, I see.

Who in the world is more of an Uncle Tom than a black rightwing Republician?

Reply · Like ·  3 · July 9, 2012 at 10:36am

---

 **Nan Strauch**  
A black President

Reply · Like · July 14, 2012 at 10:06am

---

# HEDGE FUND MANAGERS WOULD NEVER LET THEIR OWN CHILDREN BE SUBJECT TO THE HARSH DISCIPLINARY POLICIES USED BY SUCCESS ACADEMY

It's a disturbing sort of paternalism: billionaire hedge fund managers are feverish in their promotion of Success whose disciplinary policies Success Academy's backers would never dare subject their own children to.

Hedge fund elites send their offspring to the best prep schools in the country, where they don't have to worry about standardized test performance, never mind worry about it so much that they wet themselves.

Children at these elite schools break the rules without consequence, and aren't subjected to the criminalization of childhood behaviors that occur at Success, where students are suspended at alarming rates for minor infractions.<sup>[19]</sup>

On the contrary, the children of the wealthy are practically encouraged to break the rules—and their parents are there to sue when they get suspended or throw alternate proms when they get caught with marijuana.<sup>[20][21]</sup>

We decided to examine three schools where, according to press accounts, some of Success Academy's wealthy backers sent their own children. The only metric where Success Academy compares favorably is in the compensation of Eva Moskowitz, who fits right in with the headmasters of these elite schools. [22]

	Success Charter Schools	Ethical Culture Fieldston	Ramaz School	Horace Mann
<b>School discipline:</b>	Success is known for its strict disciplinary policies, with suspension rates in some schools that exceed 20%. Punishments are meted out for relatively minor infractions.  A recent New York Times article described Success Academy as having proscribed rules for how students sit and walk.	"When a group of New York prep school students were banned from attending their senior prom last month after getting high on a class trip, their parents were angry-some at the school administration more than at their kids, students say. Quick to lay down the law, one or several of those parents reportedly rented a yacht and, in an interesting display of discipline, threw the banished seniors an alternative, private prom party"	Far from demanding hands-folded silence from their student body, a review of news reports shows that the students and parents at Ramaz have not shied from challenging school policy on previous campus speakers, school safety suggestions, and other issues.	In 2010, parents of a 10th grader at Horace Mann sued the school for suspending their son, calling the suspension a "scarlet letter" on his future college applications.
<b>Headmaster Salary:</b>	While Success Academy doesn't compare to New York's elite private schools in instruction, it's clear that Eva considers these schools peers when it comes to her salary. Moskowitz earned a reported \$567,500 in 2013.	The head of Ethical Culture made \$511,452 in 2013, according to non-profit returns.	Ramaz School, a religious organization, is not required to file public annual tax forms.	The headmaster at Horace Mann earned \$657,382 in 2013.
<b>Student-teacher ratio:</b>	28 to 1	10 to 1	6 to 1	8 to 1
<b>Standardized tests:</b>	Success Academy is obsessed with standardized test performance, forcing students to spend more than an hour a day preparing to take standardized tests. Test anxiety is reportedly so severe at Success Academy that staff keep "extra underwear and sweatpants" for students wet themselves due to anxiety.	As a private school, Ethical Culture is not required to administer New York State's standardized tests.	As a private school, Ramaz is not required to administer New York State's standardized tests.	As a private school, Horace Mann is not required to administer New York State's standardized tests.

# WE'RE MAKING A LIST...

Success Academy doesn't attract just handfuls of hedge fund managers – more like hordes. The following is a list of over 50 hedge fund managers and hedge fund spouses who have notable ties to Success Academy. Though the hedge fund industry's affinity for Success Academy is well known, this is the first time such a list has been published.

Hedge fund managers occupy nearly half of the seats on the Success Academy boards reviewed, a staggering percentage considering that the industry employs just a tiny slice of the population of New York City, has no special expertise in education, and otherwise appears mostly concerned with making money at all costs.

<b>Name</b>	<b>Hedge fund tie (current and/or recent)</b>	<b>Success Academy tie (current and/or recent)</b>
Daniel S Loeb	Third Point	Success Academy central board
Paul Singer	Elliott Management	Attended last year's Success Academy fundraiser
Daniel L Nir	Gracie Capital	Success Academy central board, Upper West board
Jill Erika Braufman	Wife of Daniel Nir of Gracie Capital	Success Academy central board
Joel Greenblatt	Gotham Capital	Success Academy central board, Harlem 3 board
Julie Greenblatt	Wife of Joel Greenblatt of Gotham Capital	Harlem 3 board
Campbell Brown	Wife of Dan Senor of Paul Singer's Elliott Management	Success Academy central board
Paul Tudor Jones	Tudor Investment	Major donor to Success Academy charter effort last year
John H Scully	SPO Partners	Success Academy central board
Regina Kulik Scully	Wife of John Scully of SPO Partners	Success Academy central board
Richard S Pzena	Pzena Investment Management	Success Academy central board, Harlem 2
Howard Shinker	Bow Street	Brooklyn 2 board, Williamsburg board
Cate Shinker	Wife of Howard Shinker of Bow Street	Harlem 3 board
Lance Rosen	Kinrose, formerly Perry Capital	Success Academy NYC board, Harlem 4 board, Harlem 3 board
Samuel Cole	Formerly Blue Mountain Capital Management	Harlem 3 board, Harlem 5 board
Steven Galbraith	Herring Creek Capital, formerly Pzena	Success Academy central board, Bronx 2 board
John Petry	Sessa Capital, formerly Gotham Capital	Success Academy central board, Harlem 1 board
John Sabat	Cubist Systematic Strategies, formerly SAC	Harlem Success Academy Charter School 4 board
Bryan Binder	Castleline, formerly SAC, Caxton	Success Academy NYC board, Harlem 3 board
Andrew Feldstein	Blue Mountain Capital	Upper West board
David N Roberts	Angelo, Gordon	Success Academy central board
Vinit Sethi	Greenlight Capital	Bronx 2 board
Sidney Hawkins Gargiulo	Partner, Covey Capital Management	Bronx board 2
John Gargiulo	Husband of Sidney Hawkins Gargiulo of Covey Capital	Bronx 2 board
Suzie Kovner	Wife of Bruce Kovner of Caxton	Success Academy central board

Scott Friedman	Soroban Capital Partners	Success Academy NYC board, Harlem 3 board
Kian Ghazi	Hawkshaw Capital	Harlem 4 board
Stephen Korn	Arch Capital	Harlem 4 board
Svetlana Artamonova	Coastal Investment Management	Harlem 4 board
Stirling Levy	Hound Partners	Harlem 4 board
Mark Cooper	Omega Advisors	Harlem 5 board
Evan Claar	CBI Capital	Harlem 5 board
Nik Mittal	JANA Partners	Harlem 5 board
Kevin Eng	Columbus Hill Capital	Harlem 5 board
Molly O'Meara Sheehan	Wife of Joe Sheehan of Archon Partners	Harlem 5 board
Robert Azeke	Farol Asset Management	Harlem 3 board
Doug Hirsch	Seneca Capital	Harlem 3 board
Ben Appen	Magnitude Capital	Harlem 3 board
Greg Martin	Pzena Investment Management	Harlem 1 board
Richard Barrera	Roystone Capital	Success Academy NYC board, Brooklyn 1 board, Harlem 3 board
Suleman Lunat	Apollo Global Management	Success Academy NYC board, Brooklyn 2 board, Harlem 3 board, Williamsburg board
Jarrett Posner	Argonaut Capital	Success Academy NYC board, Upper West board, Harlem 3 board
Shaun Gordon	Ascend Global Investments	Bronx 1 board
Andrew Glaze	Claar Advisors	Upper West board, Brooklyn 2 board, Williamsburg board
Orlando Muyshondt	Tyrian Investments	Upper West board
Sam Martini	Omega Advisors	Brooklyn 1 board
Mike Pollack	Destrier Capital Management	Brooklyn 1 board
John Paulson	Paulson & Co	Attended last year's Success Academy fundraiser
Boaz Weinstein	Saba Capital	Attended last year's Success Academy fundraiser
Kyle Bass	Hayman Capital	Attended last year's Success Academy fundraiser

# FOOTNOTES:

- [1] <http://www.ibo.nyc.ny.us/iboreports/options2013.pdf>
- [2] <http://nypost.com/2015/03/31/new-york-state-giving-huge-tax-break-to-luxury-yacht-buyers/>
- [3] <http://www.mfa-cpa.com/Alerts-and-Insights/Alerts/2014/New-York-Governor-Cuomo-Signs-The-2014-2015-Budget-Bill-Into-Law>
- [4] <http://ny.chalkbeat.org/2015/02/19/new-database-estimates-how-much-schools-are-missing-from-equity-settlement/>
- [5] <http://hedgeclippers.org/hedge-funds-albany/>
- [6] <http://hedgeclippers.org/albany-budget-tax-free-yachts/>
- [7] <http://hedgeclippers.org/hedgepapers-no-9-hedge-funds-the-fast-food-economy/>
- [8] <http://www.vanityfair.com/news/2013/12/dan-loeb-cuba-car-accident>
- [9] <http://www.reuters.com/article/2011/03/11/us-hedgefunds-fairfax-loeb-idUSTRE72A4NH20110311>
- [10] <http://www.vanityfair.com/news/2013/12/dan-loeb-cuba-car-accident>
- [11] <http://www.cnn.com/id/40609823>
- [12] <http://www.americancrossroads.org/2014/04/american-crossroads-launches-tv-ad-supporting-speaker-thom-tillis-for-senate-in-north-carolina/>
- [13] <http://www.aei.org/publication/seattle-do-gooders-just-shot-themselves-in-the-foot/>
- [14] <http://www.thenation.com/article/meet-wealth-gap>
- [15] <http://gawker.com/550758/bruce-kovner>
- [16] <https://www.pearl.com/2013/11/lightsail-education-raises-3-5m-series-a/>
- [17] <http://wealthcreatesgood.blogspot.com/2015/04/america-under-attack-from-within.html>
- [18] <http://wealthcreatesgood.blogspot.com/2014/01/leadership-vacuum-truth-and-president.html>
- [19] <http://www.nydailynews.com/new-york/education/success-academy-fire-parents-fight-disciplinary-policy-article-1.1438753>
- [20] <http://www.nytimes.com/2010/09/01/nyregion/01about.html>
- [21] <http://www.nypress.com/punished-for-pot-fieldston-seniors-hold-an-anti-prom-on-a-yacht/>
- [22] <http://nypost.com/2015/02/06/the-eva-moskowitz-revenge-act/>

# WHO ARE THE HEDGE CLIPPERS?

The Hedge Clippers are working to expose the mechanisms hedge funds and billionaires use to influence government and politics in order to expand their wealth, influence and power. We're exposing the collateral damage billionaire-driven politics inflicts on our communities, our climate, our economy and our democracy. We're calling out the politicians that do the dirty work billionaires demand, and we're calling on all Americans to stand up for a government and an economy that works for all of us, not just the wealthy and well-connected.

The project is supported by the Strong Economy for All Coalition, a coalition of labor unions and community groups working to fight income inequality and build shared prosperity and economic & social justice in New York and around the country.



CAPITAL ADVISORS, L.P.  
CAPITAL INVESTORS, L.P.  
CAPITAL MANAGEMENT, L.P.  
The Fundamentals

VERI  
13 CIV  
ACT CARD



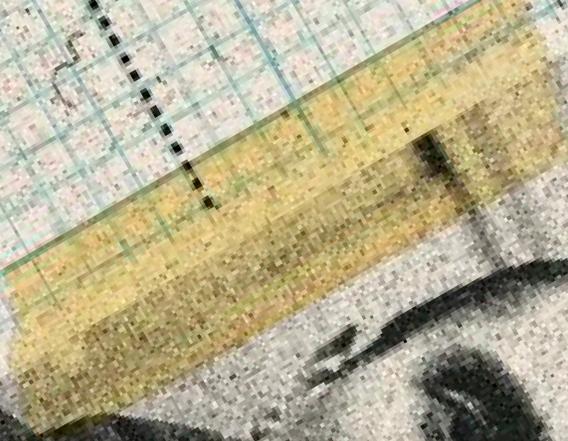
**MICHAEL STEINBERG**  
Portfolio manager

Wyeth

Head of

Elan

**STEVE COHEN**  
Founder of SAC Capital Advisors





**STEVE COHEN**  
Founder of SAC Capital Advisors

S. A. Capital



**ROSEANNE**  
Pediatrician



**MATHEW MARTOMA**  
Investor



[HEDGECLIPPERS.ORG](http://HEDGECLIPPERS.ORG)  
[@GOHEDGECLIPPERS](https://twitter.com/GOHEDGECLIPPERS)  
**HEDGE CLIPPERS**