

## **Mount Canaan College of Leadership**

### **Questions, Objections and Answers**

#### **Why Do This?**

It is no longer conjecture but established fact that the United States of America has lost its sheen as the guiding light for world innovation in the field of education and leadership. Last year's Harvard's graduating undergraduates that came from foreign countries had to leave the country and could not get practical work experience because of America's visa policy which ranges from hostile to disarray. The value of a US education is severely depreciated if graduates cannot round off their academic studies with practical work experience. Other countries are creating situations specifically to soak up those that would otherwise be attending US universities. Parents abroad are increasingly preferring to send their children elsewhere rather than risk the uncertainties about US admissions policies and the perceptions that foreign students are simply unwelcome here.

In general, universities are being criticized for not delivering marketable graduates. Educational programs are increasingly viewed as too theoretical - a student can graduate college without knowing how to balance a checkbook or draft business correspondence.

World problems demand a greater class of leaders than seems currently available to solve them. To bring the game to a new level, perhaps it is better to build a better mousetrap designed to deliver a transformational experience to students at their most formative period and to see if an investment in the core infrastructure of leadership could make a difference to the next generation.

Worldwide recession that knocked much of the not for profit world off its feet is the wakeup call for the Mount Canaan College of Leadership. Tough times call for a more world and business-savvy and entrepreneurial leadership that could both anticipate and navigate uncharted waters caused by external forces, as well as implement the increasingly innovative initiatives being produced in the world of ideas that require both skills needed on the administrative level as well as sensitivities to things relevant to community of interests, a very tough combination to find. For example, a Bronfman-family sponsored study recently released states that 65% of mid-level and upper-level management of Jewish organizations are set to retire in the next decade and the Jewish world does not have the talent within its ranks to fill many of these positions with Jews. The Jewish community has one of the most robust communal infrastructures but its future vitality is in doubt; what about communities that are lesser developed?

The Mount Canaan College of Leadership will seek to fill such void. It will pragmatically and dynamically educate and train in leadership, administrative, political and entrepreneurial skills a select number of the world's best and brightest college-age students at a transformative time in their lives and provide them with an unparalleled network and practical experience that might be used toward communal leadership or in the world at large. The internship program will be part of the academic program, sidestepping issues of work upon graduation. The Meeting Point at the College will be the central point where people look to network at the highest levels across all denominations, provide a showcase for the best intellectual and cultural currents, and provide a forum for people of all religions to meet and nurture the college's academic and social environment. It will be a place where people want to be, and it will be designed to accommodate heads of state.

An Eton/Kennedy Government school-like academy plus a meeting place for the world's elite -- this should be an unprecedented and groundbreaking development that will shine as a light unto the nations and provide posterity in a tangible and accessible manner to those who establish it.

## **Why Do This Now?**

Global recession and the Madoff Affair are a once in a generation cataclysm that should spur fundamental reform. Organizations were not equipped to fully understand how to handle their investment portfolios or to think dynamically about how world economic crisis might affect them, and were at the mercy of professional investors who put their own incentive to make fees ahead of the basic imperative to preserve their own capital. Many organizations shut their doors or made major cuts that knifed a substantial part of their missions; the words "new initiative" became the two worst words in the philanthropic universe.

Now is the time to make a long term investment in future generations of leadership, to raise the level of the bar, so that people in position to make decisions and entrusted with community' assets and ideas have both the sensitivity to things of interest to their constituencies as well as the entrepreneurial and business savvy to be both competent and dynamic.

The most capital intensive portion of this expenditure will be to acquire and renovate a large property. The benefit of uniquely low construction and financing costs amid the downpoint in the economic cycle makes this the right time to procure this work and to borrow funds. The lure of scholarship aid is now at its highest, which makes the mission of recruiting initial students easier than it would be if the economic conditions were exuberant. The expectation that inflation and higher interest rates may return with a vengeance in several years makes the planned expenditure of capital-intensive projects such as this one compelling at this time. This particular real estate opportunity offers the chance to get preferred terms as a kick-start anchor to a development project and offers good quality buildings on a protected site that are hard to find that can be acquired and renovated at a distress-level cost and that fulfill the wish list of intended uses. At another time in history, this property would be much more expensive to acquire and the renovated property will immediately be worth much more than it cost.

## **How Will This Project Be Funded and Become Self-Sustaining in a Recessionary World?**

Initial funding for construction and initial operations will come from (a) 501(c)(3) credit-enhanced bonds paying an effective rate of 3-5% interest with tax advantages due to the non-profit nature of the issuer; (b) initial donations to the endowment fund which will be highly restricted and come with naming rights; (c) initial capitalization grants from public and private sources.

Ongoing funding will be secured by the operation of a hospitality facility which is expected to produce sufficient profit within 5 operating years to fully fund the college's operations on an ongoing basis. In addition, an endowment will be built with the objective of producing enough income from fixed income assets to fund the college's operations within 5 years. Students will each contribute \$10,000 per year to help defray the cost of capitalizing and operating the dormitory and providing their consumables (ie: food, books, utilities). In the future, successful alumni will be expected to donate to the endowment fund to keep the college strong financially. Together, all these sources of funds should be adequate both to operate the College as well as to fund future replacement and expansion.

## **Why Do This Here?**

The Horton Medical Campus occupies 18 acres and contains a 378,000 square foot hospital to be decommissioned in 2011 at which time the closing on the real estate will take place. The College will occupy 200,000 SF of this space in condominium with a NY Institute of Technology school of osteopathic medicine and an Allied Health medical training facility. It is still possible to own all of

the space. Set atop a high point in Middletown, NY, the top floors offer mountain views and the surrounding area contains a residential neighborhood and green area slated for the development of 400 townhouses. Middletown is in Orange County, one of the fastest growing counties in the country. The site is within 30 minutes of Stewart-Newburgh airport, served by 4 major airlines and growing. The location is within 5 miles of Bear Mountain, a major skiing center, within 20 minutes of Woodbury Commons, a major outlet shopping mecca, and within 2 miles of several major shopping centers, two major highways, a metro north railroad station and a bus station both offering frequent service to midtown Manhattan which is 65 miles or less than 90 minutes away. The condition of the property is excellent and renovation of the property will be significantly cheaper than other properties and could be readied in about a year's time in time for a 2012 opening. The architecture of the property allows for the housing of a college, dormitory and hotel under one roof in a manner that will be convenient and weatherproof but separate. The proposed purchase price of \$50 per square foot and a physical plant in excellent condition that would cost 4x the purchase price to replace represent a significant incentive to select this property. In addition, its location which is convenient to many summer camps, tourist attractions, a major metropolitan region and an airport that offers nonstops to South Florida and other areas of differing climates, offers the hotel a good opportunity to draw clients. Its location atop a hill behind a good deal of setback with low profile tenants sharing its residence makes it ideal as a high security facility.

## Why Us?

Starting from nothing is not new to Ivan Ciment, the co-founder of the Morningside Group of Companies. From starting in his apartment's dining room in 2000, the company now produces revenues in excess of \$10 million per annum and has been consistently profitable with offices in New York, Houston and Jerusalem. The company provides specialized legal translation services to the world's leading multinational companies, UN and US government agencies and universities. Ciment's other areas of expertise include being an attorney and licensed real estate broker with international contacts in over 80 countries and close to 20 years of professional experience, chief financial officer of Morningside and a licensed travel agent and travel news publisher who travels over 50 nights per year and is very familiar with the high end hospitality industry. The architect, Margulies Hoelzli, has experience in the areas of educational institutions, dormitories and hotels. The skills necessary to envision this project and to recruit a management team of the highest caliber to implement it are present with the current team.

## Risk Factors

**Security** - A terrorist attack could destroy the campus and its reputation. The campus will be constructed with the highest degree of deference to security issues. The building is set far back from roads on top of a hill. The Club will be constructed to serve the needs of the Secret Service so that any visiting dignitary can be attracted to the campus.

**Economy** - Tourists may not want to stay in the hotel. As per the latter, the hotel has a low breakeven threshold and its format can be adjusted to meet a low demand curve. The feasibility study envisions running the hotel in 4 different formats to best meet the demands placed upon it at various times of the year. Because the operating scenario envisions several sources of funding, each of which alone could carry the college's operating costs, any particular failure should not endanger the institution.

**Failure to Recruit Students and Faculty to a Startup** - Students may elect not to attend. Because the enrollment will be limited to 120 students each year on full tuition scholarship, it is hard to envision this at a time when Cooper Union's admissions (a tuition free university) are up 14x over the previous year. Initial years call for a faculty completely based on adjuncts; this means that

nobody will be asked to leave their jobs in order to teach at this college. The college schedule is designed to attract name professors to teach minicourses of 2-3 weeks in duration at a mutually convenient time that will not be disruptive to their other commitments. The hotel is designed to make it attractive to professors and dignitaries to visit the campus, creating star appeal needed to attract the best students. The budget calls for paying faculty at least 50% more than they would receive from other institutions, thus allowing the college to make offers hard to refuse.

**Loss of Endowment** - Investments made by the College could be lost. The endowment will be invested solely or mainly in fixed income investments through an established major institutional broker; any investment done otherwise will be limited to strict investment guidelines.

**Default on Bonds** - The College could run out of money and not be able to complete construction, commence or continue operations and default on its bonds. Construction will not commence without the knowledge that it can be completed and is not slated to begin before mid-2011 and be completed within one year. If this is the case, all endowment funds and unrestricted grants will be returned. A guarantee will be sought to assure bondholders that obligations will be honored. The College will endeavor to gain the support of a bank to endorse the bond project thus lowering the amount of interest it would have to pay.

**Accreditation** - The College might not receive accreditation or lose it. The College is being designed to conform with accreditation standards and its proposed curriculum and specs have been vetted by veterans of the higher educational system. The hotel is being designed to conform with accreditation standards for small luxury properties such as Relais Chateaux. These accreditations cannot be obtained until the college and/or hotel have been operating for some time. In addition, the College is examining the possibility of affiliating with an existing college to leverage its existing accreditation status; such a strategic partnership would be with the understanding that the College would be autonomous and that the affiliation might end once the College could achieve accreditation based on its own performance history. Partnering will also help the College seek financing if it can convince third parties to rely on the credit-worthiness of its partner. This College will be chartered by the NY Board of Regents which is stricter in its standards than the Middle States Association which will later be asked to accredit it. We have received preliminary indications from the New York State Department of Education that the proposed program is feasible under its requirements, subject to extensive regulatory review and consultation which is standard to colleges established in New York. One risk is that this review might not be completed in time for a 2012 opening. To alleviate this risk, work will be commenced early on toward the application process and care will be exercised to design the proposal in line with the guidance already received so that it can be approved on the first round.

**Construction Overruns and Delays** - The building might not be finished on time; unanticipated problems in construction or code compliance could create cost overruns. Extensive due diligence is taking place at an early stage to ferret out unknowns and reduce the contingency allowances. Because the transaction is taking place in close cooperation with the municipal authority, regulatory issues can be worked out prior to the closing of the transaction. Architectural, construction, engineering and environmental cleanup firms of extensive experience over time and on similar projects are being used to assure quality subcontracting, a high level of reliability and applicable knowledge base to this project. Because the use of the college will be phased in over a 3 year period, parts of the construction project can be deferred if necessary or desirable so that priority is given to the parts needed to be finished on time. A major risk that exists that cannot be eliminated through lock-in of options is that the cost of materials and construction may well rise between now and the time the project begins if and when the economy improves.

## **Competitive Factors**

There are other schools with programs in leadership in general and/or communal service but nothing on the scale of what is proposed. There are other tuition-free colleges in the US, but nothing

offering this type of program. There is no hotel outside of Israel that is kosher and of a high standard that is consistently open and the author is not aware of any halal-type facility of this nature. This is despite the fact that 40% of World Jewry lives in the US, with the largest segments living within one to two hours of the College.

## **Collaborative Possibilities**

The College will be well positioned to partner with other entities in a mutually beneficial manner. For example, the Center for Community Philanthropic Leadership can be created as a department of the college. That center could produce academic papers on the subject of philanthropy using student resources and serve not only a service organization to philanthropic entities but also the producer of academic research in the field of its work. It could organize conferences using the facilities of the College from a preferred home field position. Such a center could serve as a model for other communities in the world to organize their own philanthropic activities.

## **Why Should People Donate Significantly to This Endowment and Do So Now?**

This represents a good investment for America to regain its edge in the world. It will help regain influence among the next generation of world leaders, capture the imagination of elites worldwide, bring new ideas here to help the American economy, train Americans in a better way that will produce dividends to companies and public offices. This is also a Meeting Point. It is a place where people will go to see and be seen, families and friends can go on holiday, and where internationally significant events are likely to happen. It is near New York City, the leading place where the world meets, that people should put their names on for posterity. This project also represents an investment of smart money by philanthropists who have substantial assets at risk within current funding projects and want to be sure that the next generation of leadership does a better job at managing those assets. A key incentive to invest now is that the founders have agreed that this will be a closed-end fund to a self-sustaining program; there are no plans to expand the program or to build new facilities once the existing plan has been implemented. This proposal is meant to represent a once-in-a-lifetime opportunity to the builders of this campus.

## **About the Feasibility Studies**

The study as to the College was reviewed by Reine Sarmiento, a senior director of admissions at Laguardia College, a CUNY institution who previously held the position of CEO at a college. It was also reviewed by Gary Clinton, Associate Dean of University of Pennsylvania Law School. The hotel study was reviewed by Jacqueline Sanders, General Manager of the Ritz Carlton Westchester Hotel in White Plains, New York and Scott Robinson, General Manager of the Heritage Hotel and Conference Center in Southbury, Connecticut. The real estate transaction has been reviewed by Peter Weissbrod, Managing Partner of Summit Developers in Cranford, New Jersey.

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