



**TO:** The Honorable the Members of the Board of Regents

**FROM:** John L. D'Agati *John L. D'Agati*

**SUBJECT:** New York Conservatory for Dramatic Arts: Transfer of provisional authority to confer degrees

**DATE:** July 6, 2017

**AUTHORIZATION(S):** *Margaret Elin*

**SUMMARY**

**Issue for Decision (Consent Agenda)**

Should the Board of Regents consent to transfer provisional authority to confer degrees to the prospective new owner of New York Conservatory for Dramatic Arts (NYCDA)?

**Reason(s) for Consideration**

Required by State regulation.

**Proposed Handling**

The question will come before the full Board at its July 2017 meeting where it will be voted on and action taken.

**Procedural History**

The current owner of NYCDA, David Palmer, proposes to sell NYCDA to Stanley Nasberg, current CEO of NYCDA and former Chairman of NYCDA's Board of Directors. The Department was notified of the impending sale in May 2017, and an application for transfer of authority to award degrees was received. To assess the Conservatory's compliance with the various laws, rules and regulations governing degree-granting institutions and to verify the information provided by the prospective owner in his application, the Department conducted a review of the application and documentation regarding the proposed sale and plans for the administration of the Conservatory.

## **Background Information**

NYCDA is a free-standing, for-profit institution which has been incorporated in the State of New York since 1981 as Three of Us Corporation, doing business as (d/b/a) New York Conservatory for Dramatic Arts. NYCDA is located in Manhattan, and was authorized by the Board of Regents to award the Associate in Occupational Studies (A.O.S.) degree in Film and Television Performance in 2012.

NYCDA is a member in good standing of the National Association of Schools of Theatre (NAST), which provides its national accreditation. The next NAST full review is planned to take place during the 2020-21 academic year.

Information in support of the recommendation is provided in the attachment to this item.

## **Related Regents Items**

N/A

## **Recommendation**

VOTED: That the Board of Regents consent to the transfer of provisional authority to award the Associate in Occupational Studies (A.O.S.) degree to the prospective new owner of the New York Conservatory for Dramatic Arts, upon the completion of the sale of the institution.

## **Timetable for Implementation**

If the Board of Regents consents to the transfer of provisional authority, the authorization will take effect upon completion of the sale and shall expire five years from the date such sale was completed. Pursuant to §3.58(c)(1) of the Rules of the Board of Regents, at least 12 months prior to the end of the provisional authority period, the owner shall apply for permanent authority to confer degrees. If the institution does not apply for permanent authority to confer degrees, the provisional authority to confer degrees shall expire at the end of the term of provisional authority.

## Information in Support of Recommendation

### Prospective Owner

Stanley Nasberg, the prospective owner, is the Chief Executive Officer (CEO) of NYCDA. The plans for transition began in April 2017, when the founder and Artistic Director of NYCDA, Ms. Joan See, unexpectedly passed away. The sudden death of Ms. See, who was also the mother of the owner of the Conservatory, David Palmer, led to Mr. Palmer's decision to sell the Conservatory to Mr. Nasberg. Since then, Mr. Palmer and Mr. Nasberg have worked together to create a seamless transition to new ownership.

### Regulatory Provisions

The purchase of a proprietary college does not automatically include a transfer of degree-conferring powers. Pursuant to Regents Rule 3.58(e), the consent of the Board of Regents is required for the transfer of degree-conferring authority prior to the change of ownership and control of a proprietary college. Section 3.58 of the Regents Rules includes the standards, requirements, and procedures the Department shall use in determining whether to recommend to the Board that it consent to the transfer of authority to the new owner of a proprietary college.

**Standard (a): Evidence confirming the prospective owner's capacity to operate the institution in compliance with the Education Law, program registration standards set forth in Part 52 of this Title, other Rules of the Board of Regents and Regulations of the Commissioner of Education, other State statutes and regulations, and Federal statutes and regulations, relevant to the operation of degree-granting institutions.**

Mr. Nasberg is the Chief Executive Officer (CEO) of NYCDA and the former Chairman of NYCDA's Board of Directors. Mr. Nasberg worked as a chartered public accountant and was a managing partner of an accounting firm with over 500 employees. This company's business included many Title IV audits.

Mr. Nasberg stated in his application that he intends to maintain ownership of NYCDA on a long-term basis; defined as a minimum of ten years in duration.

Based on Mr. Nasberg's academic training and longstanding service to the Conservatory, he has the knowledge and capacity to operate the institution in compliance with the laws, rules and regulations governing degree-granting institutions.

**Standard (b): Evidence confirming that the prospective owner has sufficient financial resources to ensure satisfactory conduct of degree programs and achievement of the institution's stated educational goals.**

A review of the Buy/Sell agreement of NYCDA and financial statements provided by Mr. Nasberg demonstrates that the prospective owner has sufficient financial resources for the sale of the Conservatory. Mr. Nasberg has stated that he is "fiscally capable of continuing the work of the institution", and supplied documents describing his

assets and net worth. Account statements indicate assets that exceed the debt of the Conservatory.

The prospective purchaser's credit report also indicated the highest possible score.

Based on this review, the new owner will have adequate revenue and resources to continue the operation of NYCDA and its programs.

**Standard (c): Evidence of the prospective owner's experience operating an educational institution or other business or enterprise in an effective manner which demonstrates the prospective owner's capacity to operate a degree-granting institution.**

The prospective owner is currently the CEO of NYCDA. NYCDA accounting records indicate that approximately \$700,000 in loans was renegotiated and paid in full in May 2017, while under Mr. Nasberg's leadership. Mr. Nasberg formerly served as Chairman of NYCDA's Board of Directors and, therefore, is familiar with the administration of the Conservatory. The transition from CEO to CEO/Owner of the College is also described in the Buy/Sell agreement between the current and prospective owner and should allow for a smooth transition.

**Standard (d): Evidence that postsecondary education institutions that the prospective owner operates in New York State or elsewhere, if any, are in compliance with Federal and state statutes and regulations and accreditation requirements relevant to the operation of such institutions.**

The prospective owner has not owned other postsecondary education institutions in New York State or elsewhere.

**Standard (e): Evidence that the prospective owner has not engaged in fraudulent or deceptive practices.**

The Department's review revealed no evidence of fraudulent or deceptive practices by the prospective owner.

### **NEW OWNER'S PLAN FOR OPERATION**

The prospective owner plans no major changes to NYCDA. The current operational structure, mission, accrediting body, faculty, evaluation systems, and educational program, will stay in place. However, NYCDA is planning to apply for registration of additional programs in Theatre Performance and Musical Theatre Performance.

According to the application, enrollment in the existing program over the next five years will increase by 18 percent. In 2016, 276 students enrolled in the Film and Television Performance program.

The prospective owner plans to continue to operate NYCDA in its current location in Manhattan. NYCDA has no branch campuses, extension sites, or inter-institutional programs. The classrooms, computers and facilities are sufficient and will remain the same. However, in anticipation of the approval of new programs, the Conservatory is actively seeking a larger site at the current location. This plan and activity will continue under the new owner.

The curricular objectives and student expectations are stated in the catalog, printed materials, and online. The prospective owner intends to maintain the current catalog, online materials and policies.