

Appendices to the *Rules of Practice and Procedure*
January 2014

Appendix #9 – Change Of Control Categories And Requirements

Warning: When a Change of Control occurs, the institution is subject to the voluntary relinquishment provisions of [Section 8.13](#) (see page 112) of the Rules UNLESS the New Controlling Owner complies with all the requirements for a Change of Control.

The Commission must know, at all times, who is in Control of an accredited institution. The Commission must be notified of any change in the direct or indirect ownership of an institution (whether by transfer of Voting Interests or otherwise) and must approve any Change of Control (including any change in ownership that results in a Change of Control). The accreditation process that will follow a Change of Control will depend on the category into which the Change of Control falls. The three general categories of Change of Control are described below. Any person or entity that proposes to acquire an ownership interest in an accredited institution is urged to contact the Commission before the proposed acquisition becomes effective, in order to verify the category that fits a contemplated Change of Control.

Categories of Changes of Control

Category 1

1. Change in organizational structure from (a) a Sole Proprietorship or General Partnership to another form of Business Entity (or vice versa) or (b) from one form of Business Entity to another form of Business Entity, without either the Owners or their respective Ownership Interests changing.

Category 2

1. A Controlling Owner ceases to Control an institution.
2. An existing Minority Owner becomes a Controlling Owner.
3. A person or Business Entity which currently Controls a NACCAS-accredited institution acquires Control of another NACCAS-accredited institution or multiple NACCAS-accredited institutions from the same Owner(s).
4. Acquisition of Control by a person who has worked for five years or longer in a management position at the applicable institution.
5. Acquisition of Control by a person who has overseen the applicable institution for five years or longer in an administrative position at the home office of multiple NACCAS-accredited institutions.
6. Division of one institution into two or more institutions.

Category 3

1. Acquisition of Control by a person or Business Entity that, prior to such acquisition, was not an Owner.
2. Acquisition of Control by a person or Business Entity that has not Controlled a NACCAS-accredited institution within the past five years.
3. A person or Business Entity acquires Control of an institution that has been in (non-administrative) withdrawal status within the past eighteen months.

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When a Change of Control has characteristics in more than one Category, it will fall in the higher numbered Category.

Change of Control Process by Category

Requirements Specific to Category 1: A Category 1 Change of Control is a non-substantive change (see Rules [Section 4.16](#), page 88.) Refer to Notification Form #1 (Non-Substantive Change) for submission requirements.

Requirements General to Categories 2 and 3

1. At least 30 days before the expected effective date of the Change of Control, submit the required application form, together with:
 - a. A non-refundable application fee.
 - b. Fully-executed copies of the Transfer Agreement and all other closing documents, which include all of the terms of the transfer. (The closing documents must be submitted within 7 days after the effective date of the Change of Control). (If the New Controlling Owner is entering into a lease agreement, a copy of the lease agreement must also be submitted.)
 - c. A copy of the state license showing the Owner(s) or statement from the state licensing agency accepting the new Owner(s) for licensing (to be submitted within 30 days after the effective date of the Change of Control).
 - d. Biographies of the new Owner(s). Indicate any family relationships to the former Owner(s). Indicate any business or employment relationships with the former Owner(s) and the institution acquired or another NACCAS-accredited institution.
 - e. Evidence that the liaison has attended a workshop within the previous 24 months, or evidence the liaison is registered to attend a workshop within 90 days of the application date.
 - f. A balance sheet for the institution as of the effective date of the Change of Control (to be submitted within 30 days after the effective date of the Change of Control), compiled by an independent certified public accountant on an accrual basis of accounting according to GAAP.
 - g. A signed statement indicating whether (i) the new Owner(s) or (ii) the previous Owner(s) assume(s) the responsibility for refunds due to students attending the institution prior to the effective date of the Change of Control.
2. The institution can request an early renewal of accreditation to combine the Change of Control evaluation with an up-coming renewal process. The Institutional Self-Study must be submitted not later than 90 days after the effective date of the Change of Control, to permit the on-site visit to occur within the required six-month timeframe.
3. The NACCAS Board of Commissioners, a delegated Committee, or staff may request other pertinent information. This should be submitted within 15 days of receipt of the request.

Requirements Specific to Category 2

1. The institution shall undergo a partial team on-site evaluation, at the institution's expense, within six months after the effective date of the Change of Control.

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Requirements Specific to Category 3

1. The institution shall undergo a consultation prior to submitting the Institutional Self-Study and undergoing the Change of Control visit. The consultation can be at a NACCAS workshop, the institution, or the NACCAS office.
2. The institution must submit an Institutional Self-Study within 90 days after the date of approval of the Change of Control.
3. The institution shall undergo a full-team on-site evaluation, at the institution's expense, within six months after the effective date of the Change of Control.

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**GUIDE TO CHANGE OF CONTROL
CATEGORIES OF CHANGE AND THEIR REQUIREMENTS**

Requirements	Category of Change	
	2	3
Submit application form at least 30 days before the effective date of the Change of Control.	X	X
Submit a non-refundable fee with the application.	X	X
Submit a copy of the certificate of incorporation (or applicable organizational document) for the new Business Entity created. If an existing Business Entity was dissolved, submit a copy of the certificate of dissolution.		
List Owner(s) with specifics on any family relationships to the former Owner(s). Indicate any business or employment relationships with the former Owner(s) and the institution acquired, or another NACCAS-accredited institution.	X	X
Submit biographies of the new Owner(s).	X	X
Submit the name of the Owner or employee designated as liaison with NACCAS for accreditation processes.	X	X
Evidence that the liaison has attended a workshop within the previous 24 months, or evidence the liaison is registered to attend a workshop within 90 days of the application date.	X	X
Submit a signed statement indicating which of (1) the new Owner(s) or (2) the previous Owner(s) assumes the responsibility for refunds due to students attending the institution prior to the effective date of the Change of Control.	X	X
Submit a list of shortened versions of the institution name and where they will be used.	X	X
The NACCAS Board of Commissioners, a delegated Committee, or staff may request other pertinent information. This should be submitted within 15 days of receipt of the request.	X	X
Within 7 days after the effective date of the Change of Control, submit fully-executed copies of the Transfer Agreement and all other closing documents, which include all the terms of the transfer of Ownership Interests. (If a lease agreement, a copy of the lease agreement must be submitted.)	X	X
Within 30 days after the effective date of the Change of Control, submit a copy of the state license showing the new Owner(s), or a statement from the state licensing agency accepting the new Owner(s) for licensing.	X	X
Within 30 days after the effective date of the Change of Control, submit a balance sheet for the institution as of the effective date of the Change of Control (to be submitted within 30 days after the effective date of the Change of Control), compiled by an independent certified public accountant on an accrual	X	X

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Requirements	Category of Change	
	2	3
basis of accounting according to GAAP.		
Undergo a consultation at a NACCAS Workshop, the institution, or the NACCAS headquarters.		X
Submit an ISS within 90 days after the effective date of the Change of Control or attendance at an Accreditation Workshop, whichever comes first.		X
The institution may request an early renewal of accreditation to combine the Change of Control evaluation with an up-coming renewal process. The ISS must be submitted not later than 90 days after the approval of the Change of Control, to permit the on-site visit to occur within the required six-month timeframe.	X	X
Within six months after the effective date of the Change of Control, undergo a partial-team on-site evaluation	X	
Within six months after the effective date of the Change of Control, undergo a full-team on-site evaluation.		X