

Rules

PART 4 -- SUBSTANTIVE CHANGES AND NOTIFICATION REQUIREMENTS

Sub-Part A – General

Section 4.0 Changes Requiring Notification, Application and Approval

(a) During the period of accreditation granted by the Commission to an institution, it may undergo changes, which require notification to NACCAS and approval by the Commission, as well as the submission of fees in accordance with the fee schedule in Appendix #2. Failure to notify NACCAS and/or to obtain Commission approval of the change within the aegis of the institutional accreditation already granted, may result in withdrawal of accreditation or other action pursuant to Part 8 of these *Rules*.

(b) Changes covered by this Part include:

- (1) Change of mission, degree or credential granted;
- (2) Change of name;
- (3) Relocation;
- (4) Change of ownership or control;
- (5) Establishment of a branch campus;
- (6) Expansion of campus facilities;
- (7) Addition of Programs, or changes in programs;
- (8) Change in the way academic programs are measured;
- (9) Contracting education programs or courses;
- (10) Change in participation in federal student assistance programs; and
- (11) Teach-Out or school closure agreements.

Section 4.1 Change of Mission, Degree or Credential - 90 days before change

A school must notify the Commission in writing, at least ninety days in advance, of its intent to change the established mission or objectives of the institution or to offer any degree or credential at a level above that in the institution's current grant of accreditation. The school shall be required to undergo early renewal of accreditation.

Section 4.2 Change of Name⁴

30 days: An Application for Change of Name must be completed and returned to the Executive Director of NACCAS at least thirty (30) days prior to the new name going into effect. The application must include a reason for the name change. (See Appl. #11)

Sub-Part B – Changes of Location

Section 4.3 Categories of Relocation

There are two categories of relocation:

(a) **Category 1 Relocation**: A category 1 relocation takes place when an institution physically moves its facility from one location to another, where the new location is no more than 75 miles from the former location, and no further instruction is conducted at the former location. In addition to a physical move, there should be appropriate licensing and transfer of students, curriculum, administrative staff, teaching staff, equipment, supplies and records. The new facility should be of sufficient size to accommodate the students transferring locations.

(b) **Category 2 Relocation**: A category 2 relocation takes place when an institution, owned by a person or entity that has owned one or more NACCAS-accredited institutions for the most recent three years which have been in continuous good standing, moves from one location to another, where the new location is over 75 miles from the former location, and no further instruction is conducted at the former location. There should be appropriate licensing, administrative capability, quality of curriculum, teaching, and facilities.

Section 4.4 Requirements for Both Category 1 and Category 2 Relocation

(a) **Notice to Students**: Adequate notice of the relocation must be afforded students, and the institution shall make a good faith effort to provide for the education of students who are unable to transfer. The institution must give a pro rata refund to any

⁴ The Commission allows use of an abbreviated or shortened version of the school name in certain instances, without requiring a change of name application. However, NACCAS must be notified of the name. See the Policy on Advertising for examples.

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student who neither transfers to the new location nor accepts alternate educational options.

(b) Evaluation Visit: The Commission and its Committee shall have the right to order a visit to the school's former location, especially if the school proposes to continue the education of currently enrolled students at the former location. Such on-site evaluations shall be conducted in accordance with Part 3 of these *Rules*, and any such visit shall be conducted at the school's expense.

(c) Relocation across State Lines: Institutions relocating across state lines must meet the requirements of the state to which the school is relocating, must remain in continuous operation, and must re-contract students at no additional expense to the student. For students who transfer, if the new state requires more hours of training for the program or course, the institution may not charge more. If the new state requires fewer hours, the institution shall apply a pro rata refund.

Section 4.5 Requirements Specific to Category 1 Relocation

(a) 45 Days: A school must notify the Commission of an anticipated change of location at least forty-five (45) days prior to the relocation. Such notification shall be in writing and be sent to the Executive Director of NACCAS.

(b) 30 Days: An Application for Change of Location (Appl. #12) must be completed and returned to the Executive Director of NACCAS thirty (30) days prior to the date the school plans on relocating.

Section 4.6 Requirements Specific to a Category 2 Relocation – Phase 1

(a) 60 Days: A school must notify the Commission of an anticipated category 2 relocation at least 60 days prior to the relocation. Such notification shall be in writing and be sent to the Executive Director of NACCAS.

(b) 45 Days: At least forty-five (45) days before the date the school plans to relocate, the school must submit an application for a category 2 relocation with a business plan prepared according to “Requirements for Development of a Business Plan for Category 2 Relocation” to the Executive Director of NACCAS. The Executive Director of NACCAS shall require the school to submit any additional information needed to complete the record and provide the Commission with the information it needs to make a decision on the application.

Section 4.7 Requirements Specific to a Category 2 Relocation – Phase 2

(a) Visit within 90 days: Within 90 days of the category 2 relocation, the institution shall undergo an on-site evaluation, in accordance with Part 3 of these *Rules*,

to review the institution's compliance with all NACCAS standards with special attention to quality education and administrative capability, in accordance with the Category 2 Relocation Visit Check List. The institution must have available to the evaluation team all of the documents and information listed in Appendix #14. The visit shall be conducted at the school's expense.

(b) Renewal Within 24 months: Within 24 months of the category 2 relocation or prior to the institution's anniversary date, whichever comes first, the institution shall submit an Institutional Self-Study and undergo a full-team on-site evaluation. The visit shall be conducted at the school's expense.

(c) Commission action: While the Commission processes a change of location application, the institution's current grant of accreditation continues at the new location only. Upon denial of an application for change of location becoming final, neither the old nor the new location has accredited status. The institution may submit an application for initial accreditation in accordance with section 2.6 of these *Rules*.

Sub-Part C– Changes of Ownership⁵

Section 4.8 Change of Ownership (Control)

⁵ At the May 2005 Commission meeting the Commission decided to adopt language as found in the federal regulations governing changes of ownership of publicly held corporations (currently 34 CFR 600.31(c)).

Publicly traded corporations required to be registered with the Securities and Exchange Commission (SEC). A change in ownership and control occurs when--

(i) A person acquires such ownership and control of the corporation so that the corporation is required to file a Form 8K with the SEC notifying that agency of the change in control; or

(ii) (A) A person who is a controlling shareholder of the corporation ceases to be a controlling shareholder. A controlling shareholder is a shareholder who holds or controls through agreement both 25 percent or more of the total outstanding voting stock of the corporation and more shares of voting stock than any other shareholder. A controlling shareholder for this purpose does not include a shareholder whose sole stock ownership is held as a U.S. institutional investor, as defined in 17 CFR 240.15a-6(b)(7), held in mutual funds, held through a profit-sharing plan, or held in an Employee Stock Ownership Plan (ESOP).

(B) When a change of ownership occurs as a result of paragraph (c)(2)(ii)(A) of this section, the institution may submit its most recent quarterly financial statement as filed with the SEC, along with copies of all other SEC filings made after the close of the fiscal year for which a compliance audit has been submitted to the Department of Education, instead of the "same day" balance sheet.

(C) If a publicly-traded institution is provisionally certified due to a change in ownership under paragraph (c)(2)(ii) of this section, and that institution experiences another change of ownership under paragraph (c)(2)(ii) of this section, an approval of the subsequent change in ownership does not extend the original expiration date for the provisional certification provided that any current controlling shareholder was listed on the change of ownership application for which the original provisional approval was granted.

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When a change of ownership takes place, if the application for a change of ownership is not received, the accreditation of the institution shall have been voluntarily relinquished,

without any further requirement, effective the day following the due date for the application or on the date the new owner states, in writing, the intention of not continuing as an accredited institution, whichever comes first. An accredited school undergoing a change of ownership which submits the required application, shall remain in accredited status until such time as NACCAS denies the application and the institution subsequently fails to appeal or has exhausted its appeal rights

(a) A change of ownership or control is any action by which a person or corporation obtains authority to control the actions of an institution. These actions may include, but are not limited to:

- (1) The transfer of the controlling interest of stock of an institution to its parent corporation;
- (2) The merger of two or more institutions;
- (3) The division of one institution into two or more institutions;
- (4) The transfer of the assets or liabilities of an institution to its parent corporation;
- (5) The acquisition by an individual of the controlling interest of an institution, whether a proprietorship, partnership or corporation; as follows:
 - (i) A person acquires more than 50 percent of the total outstanding voting stock of the corporation or partnership shares;
 - (ii) A person who holds an ownership interest in the corporation or partnership acquires control of more than 50 percent of the outstanding voting stock or partnership shares;
 - (iii) A person who holds or controls 50 percent or more of the total outstanding voting stock or partnership shares ceases to hold or control that proportion of the stock or shares;
- (6) The change of partnership shares from general to limited partnership status or vice versa;
- (7) The sale of an institution.

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(b) 45 Days: A school must notify the Commission of a proposed change of ownership (control) of those listed in subsection (a) at least forty-five (45) days prior to

- (1) The date on which the sale is closed and title delivered; or
- (2) A corporate reorganization becomes effective.

Such notification shall be

- (i) Sent to the Executive Director of NACCAS;
- (ii) Signed by the current owner; and
- (iii) Signed by the prospective new owner if the intention is to seek continued accreditation for the institution.

(c) 30 days: The new owner must complete and return the appropriate change of ownership application and send it to the Executive Director of NACCAS at least thirty (30) days prior to the date the sales contract is executed, together with the applicable fee.⁶

(d) Within 6 Months: The Commission shall carry out a visit (announced or unannounced) at the institution within six months after the change of ownership is approved.

Section 4.9 Special Situations

(a) The following situations are not treated like changes of control, but notification and all documents required under section 4.8 b and c are required with the exception of the change of ownership application fee:

- (1) Stock or partnership shares are re-assigned within a corporation or partnership, without consideration, upon the death or retirement of the owner;
- (2) Stock or partnership shares are re-assigned within a corporation or partnership, without consideration⁷, and without any change in control.

(b) The following situation is not considered a change of control but notification to NACCAS is required within 30 days after the change. No application form or other documents are required unless the Commission requests them. A change of

⁶ Some attachments required for the application may be submitted after the date of sale. These are specified on the application form.

⁷ The term "consideration" includes any exchange of value including cash, promissory note, real or personal property, barter, trade, services or other.

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between 10% and 49% of shares or interest, as long as there is no change in control. There shall be no fee.

Section 4.10 Visit Following Multiple Changes

If a school undergoes a change in name, location, and ownership within a six-month period, the Commission shall not take final action on the changes until the school has submitted to a full team on-site evaluation at the school's expense.

Sub-Part D – Addition of Campuses and Expansion of Campuses

Section 4.11 Branch Campus⁸

(a) Definitions:

- (1) A "main campus" is a school of cosmetology arts and sciences which has been accredited by NACCAS for the three (3) most recent years. Any change in location of the main campus must comply with the procedures set out in Section 4.3 of these *Rules*. The main campus includes facilities located within a two (2) mile radius of the primary training site.
- (2) A "branch campus" is an additional training location of the main campus which provides the same administrative services as the main campus, and at least one complete program related to the programs offered at the main campus. A branch campus must be located further than two (2) miles from the main campus or any other branch campus which is under the same ownership and financial structure.

(b) A school seeking to have a branch campus approved within the accredited status of the main campus (school) must formally request such approval from the Commission by filing an Application for Provisional Branch Campus and undergoing a two-tiered review process. Schools seeking such approval must

- (1) Comply with the Separate Facilities Policy;

⁸ During the period following establishment of a branch campus, and until provisional branch accreditation is granted, the institution must notify its students that the branch is not accredited. If the main campus is certified to participate in federal student financial assistance programs, that certification does not extend to any branch; the branch must be accredited and be certified separately by the U.S. Department of Education before any federal student financial assistance may be disbursed to students at the branch.

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- (2) Be licensed, open and operating prior to submitting an application for provisional branch campus accreditation;
- (3) May offer any course(s) related to the programs offered at the main campus;
- (4) In the event of a change of ownership of a main campus, a new branch may not be established off the main unless the new owners have completed the change of ownership process including an on-site evaluation, review and approval by the Commission.

(c) Visits to Branch Campuses and Institutional Self-Study

- (1) Visit within 6 months: Within six months of establishment of a branch campus, the institution shall undergo an on-site evaluation.
- (2) Institutional Self-Study within 6 months: Within six months after the branch campus receives provisional initial accreditation, it must submit to the Commission an institutional self-study.
- (3) Between 12 and 18 months: Between 12 and 18 months after provisional branch campus accreditation status is granted the institution shall undergo a regular on-site evaluation.

(d) **Establishment of a Branch by a New Owner.** In the event of a change of ownership of a main campus, a new branch may not be established off the main unless the new owners have completed the change of ownership process including an on-site evaluation, review and approval by the Commission.

(e) **Change of Ownership of a Branch Campus.** In the event that a branch campus is sold and/or transferred independently of the main facility, the accreditation of such branch campus is terminated as of the date of such sale or transfer. An application for accreditation may be submitted to the Commission should accreditation be terminated under such circumstances. The application must be consistent with requirements for an initial applicant or a branch of another facility.

(f) **Change from Branch to Freestanding Institution.** In order for a branch campus to become an accredited freestanding institution, such branch must be in operation immediately preceding its application for a period of two years, and must undergo early renewal of accreditation.

(g) Renewal of Accreditation. The anniversary date of a branch campus and its main campus shall coincide.⁹

Section 4.12 Expanded Campus Facilities

A school seeking to expand facilities within the accredited status of the main campus must formally request such approval from the Commission by submitting a letter stating the rationale for adding the facility and identifying the street address of the location prior to initiating use of the space. Expansion facilities must be within two (2) miles of the main facility to ensure immediate supervision by the main school.

Sub-Part E - Changes and Additions of Programs

Section 4.13 Changes in Programs That Require Prior Approval

NACCAS approves programs offered by institutions within the aegis of institutional accreditation granted. Programs offered by an institution which were not approved during the most recent initial or re-accreditation evaluation of the institution may not be advertised or offered until they are approved in accordance with the procedures established in this section, and the NACCAS Addition or Change of Program Policy.

- (a) The approval of program process includes submission of
 - (1) An application form and required exhibits;
 - (2) Program Self-Study; and
 - (3) Fee.
- (b) This requirement covers
 - (1) Any program exceeding 150 hours in length or the equivalent in credits or competencies and/or leading to state licensing or certification;
 - (2) Specialized programs and courses within NACCAS' expanded scope shall be subject to a specialized review in accordance to the procedure set out in subsection (a) above. For purposes of this subsection, specialized courses shall include, but not be limited to, those specified in Appendix #1 of these *Rules* and those in cognate

⁹ If a branch or a main campus is granted a shorter period of accreditation, the main and all branches will have the same shortened period of accreditation.

areas which serve to supplement the practical, scientific and business skills of the cosmetology or massage profession;

- (3) Any previously approved programs whose length is increased or decreased.

Section 4.14 Additions or Changes in Programs That Do Not Require Prior Approval

(a) **Paid Employee Exception:** A program not needing to seek approval from NACCAS under Sub-Part D of this Part, would be any program where the institution does not charge an individual to attend, but instead pays the person as an employee. An example of such would be when a school employs an individual as a teachers aid while simultaneously training the individual as an instructor.

(b) **Market Test Exception:** An institution may advertise a maximum of one new program or course a year before it receives approval from NACCAS. However, the course must be advertised:

- (1) In accordance with the NACCAS Policy on Advertisement; and
- (2) An application for approval must be submitted within 15 days of the start of the first class.

In all other particulars, the course is subject to this section of the *Rules* and related sections, policies, and accreditation requirements.

Section 4.15 Approval

(a) **Before the new or changed program is offered:** Prior to the scheduled beginning of the first class of the new or changed program, the institution must submit the appropriate application and fee to NACCAS and obtain approval by the Commission.

(b) The Executive Director of NACCAS shall send the application to two outside program evaluators in accordance with section 3.3(d) of these *Rules* and the Addition of Program Policy who will recommend to the full Commission whether or not the program complies with requirements for approval and inclusion under the aegis of institutional accreditation already granted to the applicant.

Section 4.16 Simplified Addition of Program Procedure

The full addition of program procedure shall be replaced by a simplified procedure in the circumstances given below. In all cases, approval must be received before the program is taught.

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(a) The school combines into one program those complete programs previously approved by the Commission and the total length for the new combined course equals the length for the individual programs. For approval of a program under this subsection, the school must submit to the Commission:

- (1) Written notification via certified mail of such a program;
- (2) A revised enrollment agreement/contract identifying the new program; and
- (3) A revised catalog (or dated catalog insert) containing the following information for the new program:
 - (i) Admissions requirements;
 - (ii) Educational objectives;
 - (iii) Length of program/breakdown of hours, credits or competencies and units;
 - (iv) Graduation requirements;
 - (v) Type of graduation document; and
 - (vi) Tuition and fee information.

(b) The school combines into one program those complete programs previously approved by the Commission and the total length for the new program is less or more than the sum of lengths for the individual programs. For approval of a program under Sub-Part E, the school must submit:

- (1) All of the documents required in subsection 4.16(a) above; and
- (2) A program outline which identifies the redistribution of subjects to be taught. The program outline must comply with requirements identified in the Program Outline Guidelines and Standard VI.

(c) If approval is sought to change an existing program or add a new program that, with the exact same length and content, will be taught at several NACCAS-accredited institutions, under the same control, a single modified application and program self-study may be submitted for approval.

Section 4.17 Program Changed Due to State Mandate

(a) For approval of a program change required to conform to changes in state requirements, the school must:

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- (1) Notify the Commission in writing by sending a letter to the Executive Director of NACCAS with an explanation of the changes;
- (2) A copy of the new program outline; and
- (3) A copy of the mandate by the regulatory agency.

(b) There shall be a waiver of both the application fee and the submission of an addition of new program application.

Section 4.18 Measurement of Academic Programs and Conversions

A school may measure academically in terms of clock hours, credit hours or competencies. The burden of establishing the educational validity of any measurement values assigned rests with the institution. Those institutions which desire to initially measure in terms of credit hours, or desiring to convert from clock hours to credit hours, or the reverse, must secure approval from the Commission in accordance with NACCAS' Policy and Procedures Governing Measurement of Academic Programs.

Sub-Part F – Other Changes

Section 4.19 Contracting for Education Programs or Courses

An institution wishing to contract for educational programs or courses with another institution or organization, accredited or otherwise, must seek and obtain approval from the Commission in accordance with NACCAS' Policy on Contracting for Educational Programs or Courses (see Appendix #8).

Section 4.20 Change in Participation in Federal Student Financial Assistance Programs Established under Title IV of the Higher Education Act of 1965, as Amended

(a) The accreditation granted by NACCAS allows institutions to apply for participation in federal student financial assistance programs.

(b) Within 30 days of ending Title IV participation: An institution that withdraws or is terminated from participation in Federal student financial assistance programs established under Title IV of the Higher Education Act of 1965, must submit an application for change in the purpose of its accreditation, within 30 days of the change. This application must be accompanied by an eighteen-month business plan,¹⁰ in accordance with

¹⁰ The 18-month business plan for schools that cease T-IV participation covers the 18 months from:
a. the date on which the school's withdrawal from Title IV is effective, or

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NACCAS' requirements (see Appendix #11B), indicating how the institution will sustain programs and operations which meet NACCAS' accreditation standards.

Section 4.21 Teach-Out and School Closure Agreements

(a) Definitions:

- (1) **Teach-Out Agreement:** A voluntary agreement, not required by NACCAS, entered into by two or more NACCAS-accredited institutions, which meets the requirements of NACCAS' Cancellation and Settlement Policy, to assure that if, in the future, one of the institutions party to the agreement closes while students are still enrolled, the other institution(s) will receive those students to give them a reasonable opportunity to complete their education at a cost which does not exceed what they would have paid to the institution which closes.
- (2) **School Closure Arrangement:** When a NACCAS-accredited institution closes while students are still enrolled, NACCAS will work with state agencies, and the United States Department of Education, as appropriate, and other NACCAS-accredited institutions in the area, especially any that are parties to a teach-out agreement with the closed institution, to make arrangements, to the extent feasible, for those students to have reasonable opportunities to complete their education at a cost which does not exceed what they would have paid to the closed institution.

(b) Within 45 days: When two or more institutions enter into a teach-out agreement, one must be designated to notify the Commission and seek approval from the Commission. Official notification must be submitted to the Commission within forty-five (45) days after entering into the teach-out agreement. The notification must include

- (1) A copy of the teach-out agreement;
- (2) A copy of the enrollment agreement for each institution that will receive students under the agreement; and
- (3) A copy of the catalog of each institution that will receive students under the agreement;
- (4) Additional information, if any, requested by the Commission after items (1) through (3) have been received.

b. the date on which the school's termination from T-IV by the USDE went into effect.

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Schools may submit draft versions of the teach-out agreement to the Commission for an advisory opinion prior to the agreement being finalized. A favorable opinion by the Commission will not constitute approval of the agreement, and does not excuse the school from undergoing the review and approval process once the final agreement has been executed.

(c) Within 10 days: When an institution party to a teach-out agreement learns that another party to the agreement plans to close, or has closed, it shall notify NACCAS within ten (10) days of learning of the closure.

(d) 30 days before closing: When a school is going to close, it must notify NACCAS in writing at least thirty (30) days prior to the closure date and comply with the School Closure Policy set out in the Cancellation and Settlement Policy.

Section 4.22 Changes after Submission of Application for Candidate Status or Initial Application

(a) School in candidate Status: If an institution which has applied for or been granted candidate status undergoes any of the changes indicated in this Part, it must submit the appropriate application to the NACCAS Executive Director for approval. No fee will be charged.

(b) If an initial applicant undergoes any of the changes indicated in this Part after submitting the application for accreditation, a corresponding application for the change must also be submitted to the Commission for approval, including payment of required fees.

Sub-Part G – Commission Actions on Changes

Section 4.23 Commission Action on Changes

With respect to applications for changes under this Part, the record for the application will be taken up and considered by the full Commission.

(a) The Commission may receive recommendations from the Executive Director and/or a designated committee;

(b) The full Commission may approve the change, and continue the institution's accreditation or take any of the actions set out in Part 8 of these *Rules*; or

(c) Deny Approval: A denial of approval of a change under this Part is appealable in accordance with Part 9 of these *Rules*.

Related Documents

The following documents may be helpful to you in understanding the requirements of this Part of the NACCAS *Rules*. They are available on the NACCAS Web site at www.naccas.org, in the *NACCAS Handbook* sent to candidate, applicant, and accredited schools each year, and upon request.

Appendix #1	Statement of Scope
Appendix #2	Schedule of Fees – Posted on NACCAS’ Website
Appendix #4	Policy and Procedures Governing Measurement of Academic Programs
Appendix #5	Instructions for Conducting Institutional Self-Studies
Appendix #6	Addition or Change of a Program Policy
Appendix #7 or 7a	Instructions for a Program Self-Study
Appendix #8	Policy on Contracting for Educational Programs or Courses
Appendix #9	Change of Ownership Policy
Appendix #10	Separate Facilities Policy
Appendix #11A	Guidelines for Development of a Business Plan for an Institution Undergoing a Category 2 Relocation
Appendix #11B	Format for Eighteen-Month Business Plan Upon Withdrawal or Termination from Participation in Title IV Programs