

CHANGE OF OWNERSHIP POLICY ¹ AND GUIDE

Warning: When an institution is sold its accreditation is considered voluntarily relinquished UNLESS the new owner complies with all the requirements for a change of ownership.

The Commission must know, at all times, who is in control of an accredited institution. The Commission must be notified of any change in owner, or the proportion of partnership shares held, or proportion of stock owned (in a closely held corporation), or change in directors of a publicly held corporation. The accreditation process that will follow, depends on the category into which the change falls. The five general categories of change are described below. The owners are urged to contact the Commission before the change to learn the category that fits a contemplated change.

Definitions

Control: Authority to direct the actions of an institution.

Change of control: Any change whereby a new person or entity or combination of people or entities gains authority to direct the actions of an institution.

Close Corporation: A corporation defined as a “close corporation” under state law; generally has 30 or fewer stock holders and shares are not publicly traded.

Corporation: Business incorporated according to state law.

Majority interest: Sole proprietor. Person, combination of persons, entity, or combination of entities holding over 50% of shares in partnership or corporation.

Owner: A person or entity that is a sole proprietor or partner. Shareholder in a close corporation. A public corporation.

Partnership: Two or more people own shares, equaling 100%, in an unincorporated business.

Public Corporation: Corporation organized according to state and federal law the shares of which are traded on the stock exchange.

Sole proprietorship: One person owns 100% of an unincorporated business.

Categories of Changes of Ownership and Control

Category 1

1. Re-assignment, when a shareholder or partner dies or retires, of his or her shares among remaining partners or shareholders, without consideration.
2. Re-assignment of shares within a corporation or partnership, without consideration, and without any change of control.

¹ See Section 4.8 of the *Rules* for a complete definition of ‘change of ownership.’

Category 2

1. Transfer, through inheritance, to a family member and/or a current shareholder of the shares or interest of an owner who just died.

Category 3

1. Change in financial structure from a sole proprietorship or partnership to a corporation or vice versa, without the shareholders changing.
2. Transfer of the controlling interest of stock to the institution's parent corporation.
3. Transfer of the institution's assets or liabilities to its parent corporation.

Category 4

1. An individual, partnership, corporation or other entity which currently operates an accredited school purchases another accredited school or multiple NACCAS-accredited schools from the same owner.
2. A person or entity that used to hold or control 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.
3. Purchase by a person who has worked for five years or longer in a management position in the school.
4. Purchase by a person who has overseen the school purchased for five years or longer in an administrative position at the home office of multiple NACCAS-accredited institutions.
5. Division of one institution into two or more institutions.
6. A shareholder in the corporation or partnership acquires more than 50 percent of the outstanding voting stock or partnership shares.

Category 5

1. Acquisition of more than 50 percent of the total outstanding voting stock of the corporation or partnership shares by a person or entity not formerly a shareholder.
2. Acquisition of the controlling interest by a person or entity (individual, partnership, corporation or other entity) that has not owned a NACCAS-accredited school within the past five years.

Appendix #9

3. A person or entity acquires control of an institution that has been in withdrawal status (non-administrative) within the past eighteen months.

When a change has characteristics in more than one category, it will fall in the higher numbered category.

Change of Ownership Process by Category

Requirements Specific to Categories 1 and 2

1. At least 45 days before the change, notify NACCAS of the intended change.
2. At least 30 days before the change, submit a copy of the resolution or agreement which includes all of the terms of the transfer, without consideration, of stock or partnership shares. With this submit
 - a. Copy of state license issued in the name of the new owners (to be submitted within 30 days after the transfer of stock).
 - b. List of owners showing holdings before and after the change. The list must specify any family relationships between the old and new owners, and any current involvement in the management of the institution.
 - c. Copy of biographies of new owners.
 - d. Information on the parent corporation, if applicable
 - e. Name the owner or employee designated as liaison with NACCAS for accreditation processes
 - f. Submit evidence of the most recent accreditation workshop attended by this liaison, or registration for a workshop within the next four months.
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.
4. If the new owner has two years current involvement in the management of the institution no on-site evaluation is required. If the new owner is a family member of the old owner, but has less than two years current involvement in the management of the institution, the CEO has authority to require a change of ownership visit by a two-member team. The visit shall be at the school's expense.
5. For Categories 1 and 2 there is no specific application form and no fee.

Requirements Specific to Category 3

1. At least 45 days before the change, notify NACCAS of the intended change.
2. At least 30 days before the change, submit the required application form together with
 - a. A non-refundable application fee
 - b. Copy of state license issued in the name of the new owners (to be submitted within 30 days after the change in structure).
 - c. Copy of the certificate of incorporation
 - d. A report of any other changes that have been made or will be made in the near future (e.g., curriculum, staff, materials, equipment, location, etc.)
 - e. A balance sheet compiled by an independent certified public accountant on an accrual basis of accounting according to GAAP for the school at date of sale (to be submitted within 30 days after the change in structure).
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.
4. For Category 3 there is no visit requirement.

Requirements General to Categories 4 and 5

1. Notify NACCAS at least 45 days before the contemplated change. Both the current owner and prospective owner must sign. The notification must indicate whether or not the new owner intends to continue the institution as an accredited institution.
2. At least 30 days before the date the sales contract is executed, submit an application on NACCAS forms. Together with the application submit:
 - a. A non-refundable application fee.
 - b. A copy of the actual sales agreement or contract which includes all of the terms of the sale, or certificate of incorporation. (If a lease agreement, a copy of the lease agreement must be submitted.)

Appendix #9

- c. A copy of the state license showing the new owners or statement from the state licensing agency accepting the new owner for licensing (to be submitted within 30 days after the sale).
 - d. Biographies of the new owners. Indicate any family relationships to the former owners. Indicate any business or employment relationships with the former owners and the school acquired or another NACCAS-accredited school.
 - e. The name of the owner or employee designated as liaison with NACCAS for accreditation processes. Submit evidence of the most recent accreditation workshop attended by the liaison or registration for a workshop to take place within four months.
 - f. A balance sheet (indicating assets and liabilities) for the school after the date the sale was completed. (May be unaudited but must be signed by the school's accountant and must be submitted within 30 days of the change.)
 - g. A balance sheet and income statement for the previous owner for the last two fiscal years.
 - h. A signed statement indicating whether the new owner, or previous owner assumes the responsibility for refunds due to students attending the school prior to the sale.
3. The school can request an early renewal of accreditation to combine the change of ownership evaluation with an up-coming renewal process. The Institutional Self-Study could be submitted after the evaluation in order to carry out the evaluation within the six-month timeframe required for change of ownership on-site visits.
 4. 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 4

1. The school shall undergo a partial team on-site evaluation, at the school's expense, within six months.
2. If the original owners maintain 51% of the stock for at least three years, no fee is required.

Requirements Specific to Category 5

1. The school shall undergo a consultation prior to submitting the Modified Institutional Self-Study and undergoing the change of ownership visit. The consultation can be at a NACCAS workshop, the school, or the NACCAS office.
2. Within 90 days after the change or attendance at the Accreditation Workshop, whichever comes later, the school must submit a Modified Institutional Self-Study – change of ownership version.
3. Within six months the school must undergo a full-team on-site evaluation at the school’s expense.

Revised 09/06

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

| Requirements | Category of change | | | | |
|---|--------------------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Notify NACCAS at least 45 days prior to the change | X | | X | X | X |
| Submit notice as soon as possible but no later than 45 days after the change | | X | | | |
| Within 45 days, submit a copy of the resolution or agreement which includes all the terms of the transfer, without consideration, of stock or partnership shares. | X | | | | |
| Within 30 days after the sale, submit a copy of the state license showing the new owners, or a statement from the state licensing agency accepting the new owner for licensing | X | X | X | X | X |
| Submit a list of owners showing holdings before and after the change. | X | X | | | |
| List owners with specifics on any family relationships to the former owners. Indicate any business or employment relationships with the former owners and the school acquired, or another NACCAS-accredited school. | X | X | | X | X |
| Submit biographies of the new owners. | X | X | | X | X |
| Submit the name of the owner or employee designated as liaison with NACCAS for accreditation processes. | X | X | | X | X |
| Submit evidence of the most recent accreditation workshop attended by the liaison or registration for a workshop to take place within four months. | X | X | | X | X |

| Requirements | Category of change | | | | |
|---|--------------------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Submit information on the parent corporation, if applicable. | X | X | | | |
| If the new owner has two years current involvement in the management of the institution, no on-site evaluation is required. | | X | | | |
| Within six months after the change, undergo a partial-team on-site evaluation | | X | | X | |
| Within six months after the change, undergo a full-team on-site evaluation. | | | | | X |
| Submit application form at least 30 days before the change | | | X | X | X |
| Submit a non-refundable fee with the application | | | X | X | X |
| Submit a copy of the certificate of incorporation | | | X | | |
| Submit a copy of the actual signed sales agreement or contract which includes all the terms of the sale, or certificate of incorporation within 7 days following the transaction. (If a lease agreement, a copy of the lease agreement must be submitted.) | | | | X | X |
| Submit a balance sheet (indicating assets and liabilities) for the school, at the date of the sale, within 30 days after the date the sale was completed. (May be unaudited but must be signed by the school's accountant.) | | | X | X | X |
| Within 30 days following the sale, submit a balance sheet and income statement for the previous owner for the last two fiscal years. | | | | X | X |
| Submit a signed statement indicating whether the new owner, or previous owner assumes the responsibility for refunds due to students attending the school prior to the sale. | | | | X | X |
| Undergo a consultation at a NACCAS Workshop, the school, or the NACCAS headquarters. | | | | | X |
| Submit a modified ISS within 90 days after the change or attendance at an Accreditation Workshop, whichever comes later. | | | | | X |
| The school may request an early renewal of accreditation to combine the change of ownership evaluation with an up-coming renewal process. The ISS could be submitted after the evaluation in order to carry out the evaluation within the six-month timeframe required for a change of ownership on-site visit. | | X | | 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 | X | X | X | X | X |

| Requirements | Category of change | | | | |
|---|--------------------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| receipt of the request. | | | | | |
| Submit a list of shortened versions of the school name and where they will be used. | X | X | X | X | X |