

3. Policy on Change of Ownership/Management

When an accredited institution contemplates or begins negotiations to sell all or a majority interest in an accredited institution's ownership, the institution and/or prospective buyer should contact the Executive Director. Similar notice should be made if changes of management will occur. A "change of management" is defined as the replacement, since the last accreditation examination, of the senior level executive(s) of the institution, e.g., President, Chancellor, CEO, COO, Executive Vice President, or other top-level executives. The Executive Director will advise the prospective buyer of actions allowable within accreditation standards. If a final decision to "change ownership/management" is made, the accredited institution has the obligation to notify the Commission.

Accreditation does not automatically follow the institution when all or a major share of its interests are sold or when an institution undergoes major management changes. If the new ownership wishes to continue the institution's accreditation, it must advise the Commission *before* the change is made, and it must have its accreditation re-evaluated as an institution operating within the changes that a new owner or management might initiate.

When the sale is effective or new management is in place, the new owner or management must take immediate steps to have accreditation reaffirmed. Failure to do so will result in automatic loss of accreditation status. Before accreditation can be reaffirmed, the Commission will order that a report and site visit be made. The on-site visit must take place within **six** months of the change of ownership or management.

In the case where an institution is authorized and is participating in Title IV Federal student aid programs, where continuation of Federal eligibility is contingent upon uninterrupted accreditation, advance notice is required. The institution assumes the responsibility of ensuring timely notification and timely submission of reports to DETC in order to facilitate a seamless transfer of ownership and continuation of institutional eligibility. Please note that the Department of Education has very time-sensitive regulations regarding change of ownership.

The Accrediting Commission will not accredit a distance study institution with a franchise, distributorship, or similar sales arrangement. While "independent contractors" may be used by institutions on an individual basis in conformity with all of the DETC Business Standards, the use of a separate layer of management organization such as a franchise or distributorship does not meet the intent of the standards.

Any distance education institutions or programs owned or offered by the acquiring owner are subject to the "all or none rule." All distance education activities of an ownership must become accredited, or none may be.

Action

After the Executive Director is notified, the institution must submit a revised Self-Evaluation Report and undergo an on-site visit.

In preparing the SER for a change of ownership and/or management, the institution should take its most recent SER and update it by adding new paragraph(s) (in bold) under each Standard that addresses the way in which the change of ownership and/or management has or will affect that Standard, or if applicable, include a statement that the change of ownership does not affect that Standard. The institution need only supply any new material for exhibits.

For example, in addressing Standard I.A., “Description of the Mission, Goals, and Objectives,” the institution should explain whether the institution’s mission and objectives have or will change. In addition to reflecting the impact of a change of ownership and/or management, the institution should pay special attention to the following sections:

- **Eligibility:** Provide documentation that the institution is properly licensed, authorized, or approved by the applicable state educational authority.
- **VI. Qualifications of Institution, Owners, Governing Board Members, Administrators, Instructors/Faculty, and Staff:** Give particular emphasis on qualifications of the educational director and the chief administrator. Discuss any new courses/programs that may be added and the addition of any new instructors/faculty and staff.
- **VII. Admission Practices and Enrollment Agreements:** What changes are being made to admissions standards? Supply copies of new enrollment forms.
- **VIII. Advertising, Promotional Literature, and Recruitment Personnel:** Will there be a change in marketing approach? If so, explain fully. How will sales representatives/recruitment personnel, if any, be controlled? What is the background of the head of marketing?
- **IX. Financial Responsibility:** What is the financial impact of the change of ownership or change of management? What future impact is anticipated? State if any of the new corporate owners ever declared bankruptcy. If the institution is a small corporation (current assets of less than \$100,000), sole proprietorship, or partnership, then the institution must state whether the individual owners, officers, or directors have ever declared bankruptcy for any school or business they owned. Discuss any conditions of the sale or change of ownership/management that may have a financial impact on the institution.
- **XI. Plant, Equipment, and Record Protection:** State if and how the new owners/management plan to expand, and show how plant and equipment are adequate to accommodate this expansion.
- **XII. Research and Self-Improvement:** Discuss the new owners/management’s long-range plans for the institution respective to courses, facilities, technology, and number of enrollees.

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