

3. Policy on Change of Ownership/Management

When an accredited institution contemplates, or begins negotiations to sell all or a majority interest (51% or more of the outstanding shares) in an accredited institution's ownership, the institution and/or prospective buyer must contact the DETC Executive Director to apprise him/her of the potential for a change of ownership using form E.14. Application for Change of Ownership/Management.

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 majority 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 the proposed new ownership must be approved *before* the change is final, and it must have its accreditation re-evaluated as an institution operating within the changes that a new owner or management might initiate.

A proposed transfer of ownership will be approved only if it is determined by the Commission that the proposed new owners and managers have records of integrity and the capability to own and operate a DETC accredited institution in accordance with DETC Standards VI.A. and IX.A. that under the new ownership the financial condition of the institution will remain sound with sufficient resources for the operation of the institution and discharge of obligations to students, and that the institution will otherwise remain in continuous compliance with all accrediting standards.

Action

Approval of the New Ownership Prior to the Sale or Change: A minimum of 30 days before the change is proposed to take place, an institution seeking to change ownership must submit E.14. Application for a Change of Ownership, and include the application fee and all required attachments.

With its application for a change (E.14.), the institution must provide sufficient information to allow an assessment of its projected financial stability and responsibility under the proposed new ownership and by explaining the financing of the proposed transaction. Additional consideration may be required if the background of the proposed owners or managers raises questions concerning compliance with DETC Standard VI.A. as to their qualifications, the proposed ownership change raises concerns as to the soundness of the financial structure of the school or other concerns arise regarding the school's compliance with accrediting standards.

To ensure a successful transfer of accreditation following a change of ownership, the institution, the institution's proposed new owners, governing board members, and administrators must possess sound reputations and show a record of integrity and ethical conduct in their professional activities, business operations, and relations. The proposed new owners, board members and executive staff must have records free from any asso-

ciation with any misfeasance, including, but not limited to, owning, managing or controlling any educational institutions that have entered bankruptcy or have closed with students having been disadvantaged as a result.

The institution agrees that as part of the E.14. Application for a Change of Ownership/Management, the acquiring organization’s owners, officers and managers may be subject to a background check by DETC, which may include, but not be limited to, DETC surveys of state educational oversight agencies, Federal departments and agencies, consumer protecting agencies, checks on the credit history, prior bankruptcy, criminal background, debarment from Federal Student Aid Programs, the closing of educational institutions in which they were owners, managers or principals, or the loss of accreditation or state approval to operate an educational institution. The costs of such background checks will be borne by the applicant organization.

Upon review of the E.14. Application for a Change of Ownership/Management, the Commission may take one of the following actions:

1. Permit the transfer of ownership to move forward;
2. Defer the matter for further consideration;
- 3. Withdraw the accreditation under the new ownership; or** [adopted June 2011]
4. Take any other action deemed appropriate pursuant to Commission policies and standards.

Failure to Obtain Advance Approval

Failure to obtain prior Commission approval of the transfer of ownership as required will result in the expiration of accredited status of the institution as of the date that the change of ownership occurs.

When the sale is effective, or the 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 U.S. 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 accredited distance education activities of an ownership must become accredited, or none may be.

Post-Change of Ownership Examination

After a proposed change of ownership has been approved, and the transaction has been made final, the institution must submit a revised Self-Evaluation Report (SER) and undergo an on-site visit on a schedule determined by the Commission, normally within 6 months of the date of the sale or change closing. 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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