

CHANGE in LEGAL STATUS, FORM OF CONTROL, OR OWNERSHIP

Substantive Change Application

# INSTRUCTIONS for SUBMISSION

**General Instructions:** A minimum of 30 days prior to any proposed change in legal status, form of control, or ownership, complete the following Change in Legal Status, Form of Control, or Ownership Application. Submit the completed application and supporting documentation following DEAC’s *Guidelines for Electronic Submission*. Submit the completed application to DEAC’s director of accreditation.

After the proposed substantive change is approved by DEAC and the change of legal status, control, or ownership is closed, the institution provides written notification to DEAC within ten days following the effective date of its change in legal status, form of control, or ownership. Post-closing, the institution undergoes an on-site visit within six months of implementation. The institution shall submit a report on the effect of the substantive change on the institution’s compliance with DEAC accreditation standards at least five week prior to the scheduled on-site evaluation.

**SECTION 1:** Complete the chart, including all locations (e.g., domestic and international). Provide contact information for an individual who is physically located at each location and able to answer location-specific questions.

**SECTION 2:** Provide requested responses regarding the proposed change in legal status, form of control, or ownership.

**SECTION 3:** Provide total enrollment information for the last calendar year and the total number of students at the time of application.

**SECTION 4:** Review and acknowledge each institutional affirmation by marking the check box to the left.

**SECTION 5:** Provide the identified supporting documentation following DEAC’s *Guidelines for Electronic Submission*.

**SECTION 6:** The president/CEO and the representative for the prospective owner certify that all information and documentation provided is true and accurate.

Distance Education Accrediting Commission

1101 17th Street NW, Suite 808

Washington, D.C. 20036

**Tel:** 202.234.5100

**Fax:** 202.332.1386

**Email:** nan.ridgeway@deac.org

# CHANGE in LEGAL STATUS, FORM OF CONTROL, OR OWNERSHIP – APPLICATION

Accreditation does not automatically transfer to an institution when all or a majority share of its interests are sold or when an institution is sold or changes its legal status. If the new ownership desires to continue the institution’s accreditation, it must notify DEAC and receive DEAC approval before the change is made. Failure to obtain approval results in withdrawal of institutional accreditation as of the date the change of legal status, control, or ownership occurs.

A proposed transfer of ownership is approved based on the new owners, governing board members, and administrators possessing the capacity to own and operate a DEAC-accredited institution. The new ownership’s financial condition includes sufficient resources to continue sound institutional operations in fulfillment of all commitments to enrolled students. The financial stability allows the institution to remain in compliance with DEAC accreditation standards.

The institution’s proposed new owners, governing board members, and administrators 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, officials, and executive staff are free from any association with misfeasance, including any government enforcement action, owning, managing, or controlling any educational institutions that entered into bankruptcy or closed, to the detriment of the students.

An institution authorized for and participating in Federal Student Assistance Title IV programs assumes the responsibility of ensuring timely notification and submission of reports to DEAC to facilitate a seamless transfer of ownership and continuation of institutional eligibility. The Change of Legal Status, Control, or Ownership Report requires that copies of filings and submissions to the U.S. Department of Education be included, along with any correspondence received from the Department. The U.S. Department of Education has time-sensitive regulations regarding change of legal status, control, or ownership for institutions participating in federal student aid programs.

Check the requested substantive change below.

[ ]  A **change in legal status** is defined as a change in the legal definition of the company or corporation, which is typically defined by the state or United States government, such as changing from a for-profit to a nonprofit or from an S Corporation to an LLC.

**Note:** A change in legal status may not require an on-site visit.

[ ]  “**Control**” is the ability to direct or cause the direction of the actions of an institution. Examples of change of “form of control” are (1) the sale of all or majority interest of the institution’s assets, (2) sale or assignment of the controlling interest of the voting stock of a corporation that owns the institution or that controls the institution through one or more subsidiaries, (3) merger or consolidation of the institution with other institutions, or (4) an independent corporation owning an institution that becomes a subsidiary of another corporation with a different ownership. When an institution changes its form of control, as defined as the ability to direct or cause the direction of the actions of an institution, it is essentially changing ownership.

[ ]  A “**change of ownership**” is any transaction or combination of transactions that would result in a change in the control of an accredited institution.

## SECTION 1: INSTITUTION INFORMATION

**Institution Name:** Insert Institution Name

**Former Names:** Insert Former Name(s)

**Provide the address for the institution’s main facility1**

| **Address** | **City** | **State (Country, Province)** | **Zip Code** | **Local Contact** |
| --- | --- | --- | --- | --- |
| Address | City | State | Zip Code | Local Contact |

1Main Facility: A geographic location that houses the headquarters of an institution. The institution provides evidence it is approved in the state for the activity that it conducts at the location.

**Provide information for other locations (if any):** Complete the chart below. Add rows as needed.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Address** | **City** | **State (Country, Province)** | **Zip Code** | **Location Type2** | **Local Contact3** |
| Address | City | State | Zip Code | Choose an item. | Local Contact |
| Address | City | State | Zip Code | Choose an item.  | Local Contact |
| Address | City | State | Zip Code | Choose an item.  | Local Contact |
| Address | City | State | Zip Code | Choose an item.  | Local Contact |
| Address | City | State | Zip Code | Choose an item.  | Local Contact |

2Location Type: Other than a main facility, DEAC institutions can operate:

* Administrative Site: A separate office located geographically apart from the main headquarters location, which typically provides an off-site workplace for the convenience of institution officials who do not live near the headquarters. Neither educational programs nor instructional services to students are offered from an administrative site.
* In-Residence Component (Facility): Instruction that requires in-person delivery of curriculum, learning of certain manual skills, technical proficiency with specialized equipment, access to resources or the application of certain techniques under professional supervision. In-residence components must not exceed 49% of a DEAC-approved program.

3Local Contact: Provide contact information (full name, email address, and phone number) for an individual who is physically located at each location and able to answer location-specific questions.

**Website(s):** Insert Website Link(s)

**Main Telephone Number:** Main Telephone Number

**Institutional Mission Statement:** Insert Mission Statement

**Primary Contact:** Name of President/CEO

**Title:** Title

**Email:** Email

**Telephone:** Telephone Number

**Compliance Officer Contact:** Name of compliance officer

**Title:** Title

**Email:** Email

**Telephone:** Telephone Number

Note: This individual must have already completed the *Preparing for DEAC Accreditation* tutorial.

1. Is the institution eligible to participate in Federal Student Assistance Title IV funding programs?

[ ]  Yes [ ]  No

If yes, list the accreditor of record for Federal Student Assistance Title IV funds.

Insert Response

1. Is the institution and/or any of its programs accredited by any other accrediting organizations (institutional or programmatic)?

[ ]  Yes [ ]  No

If yes, list the name of each accrediting organization, date of original accreditation, and the most recent action by the accrediting organization.

Insert Response

1. Has the institution ever been denied accreditation, had its accreditation terminated, or voluntarily resigned its accreditation from any accrediting organization, including DEAC?

[ ]  Yes [ ]  No

If yes, please list the organization and date of action and include an explanation of the action taken the accrediting organization.

Insert Response

1. Does the institution have any pending accrediting action by any accrediting organization?

[ ]  Yes [ ]  No

If yes, please include an explanation.

Insert Response

1. Does the institution conduct recruiting, teaching, marketing, or other business-related functions outside the United States or country of domicile?

[ ]  Yes [ ]  No

If yes, please explain the institution’s engagement and activity within the global community.

Insert Response

1. Does the institution contract with any educational entities or agents outside the United States or country of domicile?

[ ]  Yes [ ]  No

 If yes, please explain the institution’s contract with the educational entities or agents.

Insert Response

##  SECTION 2: CHANGE IN LEGAL STATUS, FORM OF CONTROL, OR OWNERSHIP

1. Provide a detailed narrative on the rationale for the requested substantive change.

Insert Response

1. Provide a narrative describing how this substantive change supports the institutional mission.

Insert Response

1. Describe how the substantive change will impact the institution’s current curricular offerings and future growth.

Insert Response

1. How is the current ownership of the institution legally established (e.g., S corporation, C corporation, nonprofit corporation, partnership, publicly traded corporation, proprietorship)?

Insert Response

1. Provide the name of the legal entity that currently owns the institution.

Insert Response

1. If there exist multiple levels of ownership structures between the entity that directly owns or controls the institution and the ultimate parent entity, provide a complete description of each level of ownership, including at least the following information for each entity (including the parent company): the entity’s full name, how the entity is legally established (e.g., S corporation, C corporation, nonprofit corporation, partnership, publicly traded corporation, proprietorship), and the percentage of ownership of the institution that each level holds.

Insert Response, separately list the full name, legal establishment information, and percentage of ownership of each entity over the institution.

1. How is the proposed new ownership structure legally established (e.g., S corporation, C corporation, nonprofit corporation, partnership, publicly traded corporation, proprietorship)?

Insert Response

1. Provide the name of the legal entity proposed to own or control the institution.

Insert Response

1. If there will be multiple levels of ownership between the entity proposed to own or control the institution and the ultimate parent entity, provide a complete description of each level of ownership, including at least the following information for each entity (including the parent company): the entity’s full name, how the entity is legally established (e.g., S corporation, C corporation, nonprofit corporation, partnership, publicly traded corporation, proprietorship), and the percentage of ownership of the institution that each level would hold.

Insert Response

1. Describe the institution’s capacity to remain in compliance with DEAC accreditation standards during the transition of this substantive change.

Insert Response

1. Provide the date for the proposed change in legal status, form of control, or ownership.

Insert Response

Check “yes” or “no” next to the following questions and provide additional responses as applicable.

|  |  |  |
| --- | --- | --- |
| **YES** | **NO** |  |
|[ ] [ ]  Has any proposed new owner or manager been directly or indirectly employed by or affiliated with any institution that has lost or been denied accreditation by any accrediting agency during that individual’s period of employment of affiliation? If yes, please provide a statement of the facts and circumstances surrounding the action and identify the owner or manager involved. If the matter is not yet final, please describe the status of the matter (e.g., still under investigation, on appeal, etc.). If the matter is final, provide appropriate documentation.Insert Response |
|[ ] [ ]  Has any proposed new owner or manager been directly or indirectly employed by or affiliated with any institution that has closed without appropriately completing the education or training program for all enrolled students (e.g., an orderly teach-out plan/agreement) or has entered into bankruptcy during that individual’s period of employment of affiliation? If the answer is yes, provide a detailed narrative disclosing the circumstances surrounding that institution’s closure, bankruptcy, or both, as applicable.Insert Response |
|[ ] [ ]  Is any action pending (e.g., court action, audit, inquiry, review, administrative action), or has action been taken, by any court or administrative body (e.g., federal or state court, grand jury, special investigator, U.S. Department of Education, or any state agency), with regard to any proposed new owner or manager? If the answer is yes, provide a detailed narrative disclosing the person(s) and matters involved. Include a statement of the facts and circumstances surrounding the action, identifying the owner or manager and the institution involved. If the matter is not yet final, please describe the procedural status of the matter (i.e., still under investigation, preliminary decision under appeal, etc.) and the position taken by the proposed new owner or manager involved. If the matter is final, provide a copy of the final action documentation.Insert Response |
|[ ] [ ]  Has any proposed new owner or manager served in a similar capacity in any other institution where either that individual or the institution has been charged or indicted in a civil or criminal forum or proceeding alleging fraud, misappropriation, or any criminal act? If the answer is yes, provide a detailed narrative disclosing the person(s) and matters involved. Include a statement of the facts and circumstances surrounding the action, identifying the owner or manager and the institution involved. If the matter is not yet final, please describe the procedural status of the matter (i.e., still under investigation, preliminary decision under appeal, etc.) and the position taken by the proposed new owner or manager involved. If the matter is final, provide a copy of the final action documentation.Insert Response |

1. Provide a narrative on how the new ownership plans to ensure adequate infrastructure, management, and administrative capacity to implement the above changes and maintain compliance with DEAC accreditation standards.

Insert Response

1. Provide a narrative describing the capacity and experience of the proposed new owner that demonstrates the substantial likelihood that the institution will operate in compliance with DEAC accreditation standards.

Insert Response

1. Provide information that demonstrates the acquiring entity’s financial stability and responsibility, and explain the financing of the proposed transaction.

Insert Response

1. Provide a narrative describing any other educational institutions with which the principals of the acquiring organization entity or controlling interests have been involved, including full details on the accredited status and the operating history of such institutions.

Insert Response

1. Provide a comprehensive description of any contemplated future changes planned for the institution, including growth plans, governance structure and board membership and changes in management, senior academic staff, programs, marketing tactics, services, location, or any other significant areas of operation or institutional mission.

Insert Response

## SECTION 3: ENROLLMENT INFORMATION

1. Provide the number of new enrollments in the last calendar year.

Insert Response

1. Provide the total number of students as of the date of this application.

Insert Response

## SECTION 4: INSTITUTIONAL AFFIRMATIONS

Accreditation is a voluntary, peer review process. The institution assumes the burden of proof in demonstrating that its curricula are within DEAC’s recognized scope of authority and that all policies and procedures meet DEAC accreditation standards.

The president/CEO submits this application for the institution seeking the above noted substantive change and affirms the following:

|  |  |
| --- | --- |
| [ ]  | The institution is properly licensed, authorized, exempted, or approved by all applicable state education institutional authorities (or their equivalent for non-U.S. institutions). The institution is in compliance with all applicable local, state, and federal requirements. Exemptions from state law are supported by state-issued documentation or by express statutory/regulatory language. Should an institution lose its state licensure in its state of domicile for any reason, DEAC accreditation of an accredited institution is automatically withdrawn as of the date of the loss of state licensure. Such a withdrawal of accreditation may be appealed by an institution pursuant to DEAC’s appeal procedures. In any such situation, the institution shall not be entitled to receive any refund of fees already paid to DEAC nor shall DEAC have any liability to the institution associated with the termination of the substantive change application/evaluation process. |
| [ ]  | The institution has clearly articulated outcomes for its educational offerings and has an ongoing outcomes assessment program in place designed to measure student achievement and satisfaction. |
| [ ]  | The institution documents, through audited comparative or reviewed comparative financial statements that cover its two most recent fiscal years, that it is financially sound and can meet its financial obligations to provide instruction and service to its students. All financial statements submitted to DEAC are prepared in compliance with generally accepted accounting principles in the United States of America (GAAP) or International Financial Reporting Standards. If the financial operations of the institution are supported by a parent company or a third party, audited or reviewed financial statements are provided by the supporting entity to demonstrate that the supporting entity possesses sufficient financial resources to provide the institution continued financial sustainability, as well as the commitment to do so. If the institution’s financial performance is included within the parent corporation’s statements, a supplemental schedule for the individual institution is appended to the parent statement. |
| [ ]  | The institution demonstrates that its name is free from any association with any activity that could damage the standing of DEAC or of the accrediting process, such as illegal actions, unethical conduct, or abuse of consumers. |
|[ ]  The institution and the institution’s owners, governing board members, officials, and administrators possess sound reputations and show a record of integrity and ethical conduct in their professional activities, business operations, and relations. The owners, governing board members, officials, and administrators have records free from any association with any misfeasance, including, but not limited to, owning, managing, or controlling any educational institutions that have entered bankruptcy or have closed, to the detriment of the students. Ongoing state, federal or local indictments, enforcement activities, or other censure against an institution, an institution’s owners, governing board members, officials, and administrators must be promptly disclosed by an institution to DEAC regardless of whether initiated before or during the period in which an institution is applying for accreditation or reaccreditation and during any period during which an institution is accredited by DEAC (Section XI.B). The notice should include an explanation from the institution as to the circumstances giving rise to the governmental action and why the governmental action should not result in a declaration of ineligibility under this section and/or a violation of Standard X. Upon receipt of the notice, the Commission may, in its sole discretion, initiate investigative proceedings and/or make a determination that the governmental action places the institution in violation of this eligibility criterion and of Standard X. |
| [ ]  | The institution and the institution’s owners, governing board members, officials, and administrators possess sound reputations and show a record of integrity and ethical conduct in their professional activities, business operations, and relations. The owners, governing board members, officials, and administrators have records free from any association with any misfeasance, including, but not limited to, owning, managing, or controlling any educational institutions that have entered bankruptcy or have closed, to the detriment of the students. |
| [ ]  | The institution agrees that, as part of this Application for a Change in Legal Status, Form of Control, or Ownership, its owners, officers, and managers may be subject to a background check by DEAC, which may include, but not be limited to, DEAC surveys of state educational oversight agencies, federal departments and agencies, and consumer protection agencies; and 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. |
| [ ]  | The institution, and its corporate affiliates, are free from any pending or final action brought by a state agency or recognized accrediting agency to (1) suspend, revoke, withdraw, or terminate any one or more of such entities’ legal authority to operate or (2) deny accreditation or renewal of accreditation to one or more of such entities. |
| *The institution’s prospective owners understand that, in applying for change of ownership, the institution:* |
|[ ]  Voluntarily submits itself for review and decision by the Distance Education Accrediting Commission of its qualifications. |
|[ ]  Has reviewed the accreditation standards and supporting materials. |
|[ ]  Has the opportunity, as a part of the accreditation process, to demonstrate it meets all accreditation standards and assumes the burden of proof to document this compliance. |
|[ ]  Assumes the obligation to be honest, forthcoming, complete, and accurate in presenting information, answering questions, and providing information to the Distance Education Accrediting Commission and designated evaluators. |
|[ ]  Voluntarily accepts responsibility to comply with the accreditation standards and fulfill all the obligations of an accredited institution. |
|[ ]  Agrees to remain in compliance with all requirements set forth in the *DEAC Accreditation Handbook* and Bylaws. |
| [ ]  | Agrees to cooperate with DEAC in all aspects of the accreditation process, including, as applicable, DEAC’s policies and procedures for conducting on-site or virtual site visits, and in facilitating surveys and inquiries to students, recruiting personnel, state and federal consumer and regulatory agencies, employers of graduates, and other individuals, agencies, or groups that may have an opinion about the institution, its programs, or its services. |
| [ ]  | The institution acknowledges that accreditation information may be shared with other accrediting organizations, government entities, and the public in accordance with DEAC policies and procedures and applicable federal and state laws and regulations. |

## SECTION 5: DOCUMENTATION

* Non-refundable Change in Legal Status, Form of Control, or Ownership Application Fee (see *DEAC Accreditation Fees* document). Provide evidence of payment (scanned copy of check or similar). Insert Date Fee was Mailed
* Certificate of Completion from the *Preparing for DEAC Accreditation* Tutorial
* *DEAC State Authorization Form*
* Documentation of state authorization/licensure for institution’s state of domicile (where the institution maintains its primary facility, as listed in this application).
* Documentation of state authorization/licensure in any other states.
* Copies of filings regarding the change of control/ownership submitted to the appropriate state higher education agency.
* Curriculum vitae or résumés of the principals and senior managers of the acquiring entity or controlling interests.
* Organizational chart showing the institution, any parent or holding companies, governing boards, and key administrators at all levels, currently in place and as anticipated by the transaction. These charts should outline the relationship between the accredited institution and the corporate structure after the close of the transaction.
* A list of all board members, managers, and/or partners affiliated with each entity that is part of the proposed new ownership structure or new controlling interests and a description of how their experience and qualifications prepare them to oversee the operation of a DEAC-accredited institution and ensure that the institution will maintain compliance with DEAC accreditation standards under the new ownership.
* Copy of draft purchase agreement and related documents (e.g., share transactions, payments, etc.).
* Financial statements of the acquiring entity, up to and including the parent company’s audited or reviewed comparative financial statements covering the two most recent fiscal years and prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) or International Financial Reporting Standards.
* A pro forma balance sheet reflecting the financial condition of the institution as of the date of the application. The balance sheet must, at a minimum, break down current assets, fixed assets, other assets (if appropriate), current liabilities, long-term liabilities, and equity. The balance sheet must also reflect the estimated outstanding unearned tuition as of the date of the sale or change in control of the institution.
* Timeline for the transition and change in legal status, form of control, or ownership.
* All pertinent conditions of the transfer, including the date of sale. This may be in the form of a copy of the proposed sales contract or, if there is no contract, a letter of intent or similar document or other description of the terms of the agreement that is signed by both parties.
* **Federal Financial Assistance Title IV Institutions:** Present evidence that the institution has either begun or completed the pre-acquisition application process with the U.S. Department of Education as required for institutions that participate in any federal student financial assistance program (i.e., Title IV of the Higher Education Act).

If the pre-acquisition application process is not completed, please provide a copy of the institution’s pre-acquisition application and all correspondence between the institution/proposed new owner and the U.S. Department of Education. If the pre-application process is completed, provide the corresponding notice from the U.S. Department of Education.

## SECTION 6: CERTIFICATION

I certify that all of the information contained on this application and in the submitted documentation is true and correct, and I understand that, by electronically typing my name in this document, it is considered to have the same legally binding effect as signing my signature using pen and paper.

**Institution’s President/CEO:** Name of President/CEO

**Institution’s President/CEO Signature:** Print Name or Insert Digital Signature

**Date:** Insert Date

I certify that all of the information contained on this application and in the submitted documentation is true and correct, and I understand that, by electronically typing my name in this document, it is considered to have the same legally binding effect as signing my signature using pen and paper.

**Representative for Prospective Owner:** Prospective Owner or Representative Name

**Representative for Prospective Owner Signature:** Prospective Owner or Representative Signature

**Date:** Insert Date