

SUMMARY OF POLICY CHANGES APPROVED BY THE BOARD
December 4, 2009

This document contains the following policies changes approved by the Board of Trustees at its meeting on December 4, 2009:

I. Policies Adopted on Second Reading (effective immediately)

A. Policies Related to Initial Status

II. Policies Approved on First Reading (second reading will occur in February 2010)

A. Policy Changes Related to Institutional Control, Structure, or Organization

B. Policy Changes Related to Candidacy

I. Introduction: Policy Adopted on Second Reading

A. Initial Status Actions

The policies in this section provide for the Board to assume responsibility of the review and approval of all institutions applying for initial candidacy and accreditation. Under current practice, the Accreditation Review Council, sitting as a Review Committee, has the authority to make these decisions, provided that there is consensus between the Review Committee and the Team about the appropriateness of the decision and consent by the institution. Board members validate these decisions by mail ballot. In cases where there is a lack of consensus, such cases come to Board for final review and approval.

Under the revised policies, the Review Committee will continue to conduct a hearing and provide a recommendation, but that recommendation, together with the recommendation of the team, will come before the Board for deliberation and final action regardless of whether there is consensus among the parties.

Effective Date

This policy is effective immediately.

II. Introduction: Policies Approved on First Reading

A. Change of Control, Structure, or Organization

In June 2009, the Higher Learning Commission Board of Trustees adopted new and amended policies related to change of control to better define the range of its oversight. Within the first few months of implementation of these policies, it became clear that some further modifications were needed to allow the Commission to address the increasingly complex nature of these transactions. In particular, the revised policy: 1) includes a new section clarifying an institution's eligibility for change of control; 2) amends other sections to clarify the role of the staff report; and 3) contains additional language explaining the Board's options regarding a change of control application, including approval subject to conditions, deferral of approval pending additional information from the institution, the state, etc., or additional review by other bodies prior to approval by the Board.

B. Candidacy

The amended policies provide for a two-year mandatory candidacy period for all applying institutions, but allow the Board to exempt from the requirement certain institutions in exceptional cases. The mandatory candidacy period allows the Commission a reasonable period of time to work with and understand institutions new to status and for the institutions to understand the expectations and responsibilities of affiliation with the Commission.

Key to Proposed Changes

Policy wording to be deleted or revised is shown as strike through (~~old wording~~); new policy language, whether through addition or revision, is shown in bold (**new wording**). Note that the Change of Control policy is new and provides new language related to review of this change.

Comments Invited

The Commission invites comments on these changes before the Board takes final action at its meeting on February 22-23, 2010. Comments are due January 19, 2010. Comments can be sent to ms_lists@hlcommission.org.

Effective Date

If approved, the policies on change of control will be effective immediately. If approved, the policies on candidacy will be effective for visits requested after December 7, 2009, for the 2009-10 or subsequent years.

I. POLICIES ADOPTED ON SECOND READING

A. POLICIES RELATED TO DECISIONS INVOLVING INITIAL STATUS

Policy no.: 3.3	<p>BOARD OF TRUSTEES DECISIONS</p> <p>The Board of Trustees will decide the official action on all team recommendations for initial candidacy and initial accreditation, notice, sanction (and removal of sanction), withdrawal or denial of affiliation, or moving an institution from accredited to candidate status. The Board of Trustees will validate official actions that shall be decided by the Review Committee and the Institutional Actions Council and will issue and remove all show-cause orders.</p>
	<p>Policy history: Adopted November, 1998; revised June 2004; revised June 2006; revised June 2009.</p>
Policy no.: 2.2(d)	<p>REVIEW COMMITTEE DECISIONS AND RECOMMENDATIONS</p> <p>The purpose of a Review Committee is to review all pertinent materials from the institution and the team and to hold a hearing to which the chief executive officer of the institution and a member of the evaluation team for that institution are invited. By majority vote, the Review Committee will either make an official decision or forward a recommendation to the Institutional Actions Council or to the Board of Trustees.</p>
Policy no.: 2.2(d)1	<p>REVIEW COMMITTEE PROCESS</p> <p>When the institution, the evaluation team, and a Review Committee concur on the appropriate official action, the Review Committee process will culminate in an official decision that is forwarded to the Board of Trustees for validation. When a lack of consensus occurs between the parties as identified in this section, the team recommendation, Review Committee recommendation, and institutional responses to both will be forwarded to the Institutional Actions Council where an official decision is made. The only exceptions will occur when, regardless of consensus, the recommendation involves initial candidacy or initial accreditation, sanction, withdrawal or denial of affiliation, or moving an institution from accredited to candidate status. In these situations, the team and Review Committee recommendations will be forwarded to the Board of Trustees where an official decision is made.</p>
	<p>Policy history: Adopted November, 1998; revised June 2009.</p> <p>Related Policy(ies): Policy 2.1(a)2.</p>

Notes	OTHER POLICY REVISIONS NECESSITATED BY THESE CHANGES
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Policy no.: 2.2(j)2	<p>SPECIAL NOTICE TO INSTITUTIONS IN LIMITED CIRCUMSTANCES</p> <p>Prior to placing an institution on probation, withdrawing accreditation, or denying initial candidacy or initial accreditation, the Board will notify an institution of the intended action. The notification will include the reasons for the action if such action has not previously been recommended by a team or Review Committee or the President, and the institution has not had an opportunity to respond. The institution will have thirty days to respond to the notice of the Board’s intended action. The Board also will determine when it will take final action, either at regular meeting or through any means permitted by policy. The Board will consider the institution’s response, if any, filed within the thirty day period, prior to taking final action.</p>
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**II. POLICIES APPROVED ON FIRST READING
(second reading will occur in February 2010)**

**A. POLICIES RELATED TO CHANGE OF OWNERSHIP,
CORPORATE CONTROL, STRUCTURE**

Policy no.: 3.3	<p>CHANGE OF CONTROL, STRUCTURE, OR ORGANIZATION</p> <p>An institution shall receive Commission approval prior to undergoing a transaction that affects, or may affect, how corporate control*, structure or governance occurs at the accredited or candidate institution (hereinafter the “affiliated institution”). Approval of the transaction resulting in the CHANGE OF CONTROL, STRUCTURE, OR ORGANIZATION shall be necessary prior to its consummation to effectuate the continued accreditation of the institution subsequent to the closing of the proposed transaction.</p> <p>*Control shall be understood to mean the possession, direct or indirect, of the power to direct or cause the direction of, the management and policies of an institution, corporation, partnership or other entity, whether through the ownership of voting securities, by contract or otherwise. (See related definition at 34 CFR § 600.31(b).)</p>
	<p>Policy history: Approved June 2009.</p>
Policy no: 3.3(a)	<p>ELIGIBILITY FOR CHANGE OF CONTROL</p> <p>No institution shall be deemed eligible for CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION merely by virtue of having accredited or candidate status with the Commission. Approval shall be at the sole discretion of the Commission’s Board of Trustees (“the Board” or “the Commission’s Board”). An institution shall apply for Commission approval</p>

	<p>of a proposed CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION transaction through processes outlined in this policy and must demonstrate to the satisfaction of the Commission's Board that the transaction and the institution affiliated with the Commission that will result from the transaction meet the requirements identified in this policy and that approval of the proposed CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION is in the best interest of the Commission.</p> <p>In those cases in which the Commission's Board decides to approve a proposed CHANGE OF CONTROL, STRUCTURE, OR ORGANIZATION, it may decide so subject to conditions on the institution or its accreditation. In those cases in which the Commission's Board decides, in its sole discretion, that the proposed transaction builds a new institution bypassing the Eligibility Process and initial status review through a comprehensive evaluation, the Commission shall not approve the CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION.</p> <p>The Board will not consider for approval any proposed CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION involving an institution that is under sanction, Show-Cause or loss of status or authorization from any other recognized accrediting agency or state entity or is under investigation by any state entity, or involving a buyer or investor who owns such an institution. The Board will also not consider for approval any proposed CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION for an institution the Board has determined within the previous twelve months to merit withdrawal of accreditation, even if a formal action to withdraw accreditation has not yet taken place.</p> <p>The Board will consider a CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION for a Commission-affiliated institution on sanction or under Show-Cause only if there is substantial evidence that the proposed transaction resolves the issues the institution must address during the sanction or Show-Cause period and the transaction otherwise meets each of the Approval Factors identified in this policy.</p>
	<p>Policy history: (None. New policy section.)</p>
<p>Policy no.: 3.3(b)</p>	<p>TYPES OF TRANSACTIONS</p> <p>The transactions that require prior Commission approval¹ include, but are not limited to, the following:</p> <ol style="list-style-type: none"> 1. Sale or transfer to, or acquisition by, a new owner of all, or a substantial portion, of the institution's assets, or the assets of a branch campus or site (not including any transfer that constitutes only the granting of a security interest); 2. Merger or consolidation of an institution with one or more institutions or entities. This includes the consolidation of an institution not accredited or in candidate status with the Commission into the structure

¹ Such transactions may or may not also require approval from the U.S. Department of Education.

	<p>of an institution holding status with the Commission;</p> <ol style="list-style-type: none"> 3. The division of the affiliated institution into one or more institutions or entities; 4. Stock transaction(s) including Initial Public Offerings of stock as well as those transactions wherein an individual, entity or group² acquires and controls 25% of the total outstanding shares of stock of the affiliated institution, or an individual, entity or group increases or decreases its control of shares to greater or less than 25%, through individual or cumulative transactions, of the total outstanding shares of the stock of the institution; 5. Change of corporate form, governance structure, or conversion, including, but not limited to, change from Limited Partnership to Corporation, from Limited Liability Corporation to a Corporation, from a Not-for Profit Corporation to a For-Profit Corporation, a Private to Public, a Not-for Profit Corporation controlled by members to one controlled by its Board of Directors, significant change in the size of the institution’s governing board; 6. Any of the transactions in items 1 through 5 above involving a parent corporation that owns or controls the affiliated institution or in any intermediate subsidiary of a parent corporation where that subsidiary has a controlling relationship to the institution and where the transaction may reasonably affect the control of the accredited institution as determined by the Commission or by the U.S. Department of Education; 7. Sale, transfer, or release of an interest in the affiliated institution such that there is change in the management or governance of the institution; and 8. Transfer of substantial academic or operational control of the affiliated institution to a third-party entity.
	<p>Policy history: Approved June 2009.</p>

<p>Policy no.: 3.3(c)</p>	<p>CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION REVIEW PROCESS</p>
<p>Policy no.: 3.3(c)1.</p>	<p>APPROVAL PROCESS</p> <p>The Commission’s Board will make all decisions regarding approval of transactions under this policy taking into consideration upon recommendation the summary report made by Commission staff. Commission staff may seek external assistance from peer reviewers or</p>

² For a definition of a “group” see Section 13(d)(3) of the Securities and Exchange Act of 1934.

individuals with appropriate expertise or may require an immediate on-site Fact-Finding-Visit **Review** to gather information about the proposed **CHANGE OF CONTROL, STRUCTURE, OR ORGANIZATION** prior to in making a ~~recommendation~~ **summary report** to the Board. **The summary report may contain a recommendation regarding approval of the transaction made by the institution's Commission staff liaison or by the Commission staff.** Commission staff will ~~inform~~ **provide** the institution about the ~~recommendation~~ with a **copy of the staff summary report, including the staff recommendation, if any,** being provided to the Board and allow the institution 14 calendar days to prepare a response to that ~~recommendation~~ **summary report**; that response will be shared with the Board prior to its decision.

The Board may act in agreement with any recommendation put forward by Commission staff or the Board may develop and act on its own recommendation. The Board may elect to provide the institution with thirty days to respond to any recommendation before the Board takes final action.

The Board may approve the change, thereby authorizing accreditation for the institution subsequent to the close of the transaction, or it may deny approval for the change. **The Board may defer its consideration of the proposed CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION to the next public Board meeting date pending receipt of additional information or action by a third party such as the state or another recognized accreditor. The Board may make use of OTHER OPTIONS identified in this section.**

The Board may approve the change subject to certain conditions. Such conditions may include, but are not limited to, limitations on new educational programs, student enrollment growth, development of new campuses or sites, etc. Related to these conditions, the Board may require that it review and approve certain changes at the institution prior to their inception. The institution and other parties involved in the transaction have 14 calendar days after receiving the Board's action letter to indicate in writing the acceptance of these conditions. If the institution and the other parties do not respond in writing or decline to accept the conditions, the Board may immediately act to rescind its approval. The parties to the CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION may not act to close the transaction until accepting in the writing the Board's conditions, if any.

The Board reserves the right to delegate to a Board subcommittee the review, prior to the decision by the full Board, of changes proposed under this policy and that subcommittee may make a recommendation to the full Board regarding the decision on the proposed transaction.

If the Board votes to approve the change **with or without conditions**, thereby authorizing accreditation for the institution subsequent to the close of the transaction, the Commission will conduct a Focused or other evaluation to the institution within six months of the consummation of the transaction. A previously-scheduled Comprehensive or Focused evaluation may fulfill this

	task provided that it is scheduled, or can be rescheduled, within the six-month timeframe.
	<p>Policy history: Approved June 2009.</p> <p>Related policies: See Policy 2.2(k), DEFERRAL OF ACTION.</p>

<p>Policy no. 3.3(c)2</p>	<p>APPROVAL FACTORS</p> <p>The Board will consider the following factors in determining whether to approve the transaction: 1) continuation the extension of the mission, educational programs, student body and faculty that were in place when the Commission last conducted an on-site evaluation of the affiliated institution; 2) the on-going continuation and maintenance of the institution historically affiliated with the Commission with regard to its mission, objectives, outreach, scope, structure, and related factors; 2) 3) substantial likelihood that the institution, including the revised governance and management structure of the institution, will continue to meet the Commission’s Eligibility Requirements and Criteria for Accreditation; 3) 4) sufficiency of financial support for the transaction; and 4) 5) previous experience in higher education and accreditation, qualifications, and resources of new owners, Board members or other individuals who play a key role in the institution or related entities subsequent to the transaction. If the Board determines in its sole discretion that the institution or the transaction fails to meet any of the approval factors, the Board will not approve the proposed CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION.</p> <p>The Board will consider a change of control, structure, or organization for a Commission-affiliated institution on sanction or under Show Cause only if there is substantial evidence that the proposed transaction resolves the issues the institution must address during the sanction period.</p> <p>Policy history: Approved June 2009.</p> <p>Related policies: See Policy 3.5, INSTITUTIONS WITH RELATED ENTITIES.</p>
<p>Policy no.:3.3(c)3</p>	<p>OTHER BOARD OPTIONS</p> <p>The Board may act, prior to approving the proposed CHANGE OF CONTROL, to require additional review through the Eligibility Process or through a Fact-Finding Review, which may be an additional such Review, conducted by peer reviewers or by other higher education, legal or accounting professionals regarding whether the proposed CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION constitutes the creation of a new institution such that it should be required to go through a period of time in candidacy or an initial status evaluation. The review shall be conducted within sixty days of the Board’s action requiring such review, and the results shall be available to the Board at its next regularly scheduled or special meeting. The institution will have seven working days to respond to the report prepared for the Board prior to the Board’s meeting.</p>

	<p>Any candidacy required by the Board under this section shall be known as a Change of Control Candidacy. The effective date of the Change of Control Candidacy shall be the closing date of the transaction. The Board shall establish the minimum and maximum length of the candidacy but not to exceed the maximum length of time for candidacy as identified in these policies as well as the schedule of evaluations during the candidacy period.</p>
	<p>Policy history: (None. New policy section.)</p> <p>Related policies: See Policy 1,1(b), CANDIDACY.</p>

Policy no.: 3.3(d)	EVALUATION VISITS OR REVIEWS RELATED TO CHANGE OF CONTROL, STRUCTURE, OR ORGANIZATION
Policy no.: 3.3(d)1	<p>FACT-FINDING VISIT OR OTHER REVIEW (PRE-TRANSACTION VISIT)</p> <p>Commission staff may call for an on-site Fact-Finding Visit Review prior to making a recommendation summary report to the Board regarding a proposed CHANGE OF CONTROL, STRUCTURE, OR ORGANIZATION. The role of the Fact-Finding Visit team Review will be to gather information and advise staff regarding the staff recommendation summary report to the Board. The Fact-Finding Visit Review Team will not prepare a formal team report but may prepare a written summary of activities and findings. A Fact-Finding Review may take place on-site at the institution or at any other location appropriate to its activities.</p> <p>In addition, the Board may call for a special Fact-Finding Review to determine, in certain cases, whether a proposed CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION may constitute the creation of a new institution. This review may take place through the Commission's Eligibility Process or through other mechanism as defined by the Board. This review may result in a recommendation that the Board approve a transaction subject to the institution's acceptance of a period of time as a candidate for accreditation.</p> <p>Policy history: Approved June 2009.</p>
Policy no.: 3.3(d)2	<p>FOCUSED OR OTHER EVALUATION AFTER THE TRANSACTION (POST-TRANSACTION VISIT)</p> <p>The Focused or other evaluation subsequent to the consummation of the transaction will be conducted according to the Commission's procedure for Focused or other evaluations. The evaluation will review the appropriateness of the approval of the change as well as whether the institution met any commitments made to the Commission prior to that approval. The evaluation team will also document that the institution continues to meet the Eligibility Requirements and Criteria for Accreditation or Candidacy Requirements, as applicable. The team may recommend further Commission monitoring,</p>

	<p>rescheduling of the next Comprehensive evaluation, or Commission sanctions or withdrawal of status. If the institution had been accredited by the Commission prior to the transaction, and the team determines that the institution continues to meet the Eligibility Requirements but not the Criteria for Accreditation and otherwise meets the requirements of the Candidacy program, the team may recommend that the institution be continued in status only as a Candidate for Accreditation. Recommendations for withdrawal, sanction or Candidate status will be reviewed by a Review Committee and decided by the Commission's Board of Trustees in keeping with Commission policy.</p>
Policy no.: 3.3(d)3	<p>COMPREHENSIVE EVALUATION AFTER THE POST-TRANSACTION VISIT</p> <p>The next Comprehensive evaluation shall take place no later than five years after the Post-Transaction Visit and shall assess whether the institution under new Control continues to meet the Criteria for Accreditation and bears a substantial relationship to the institution accredited by the Commission prior to the transaction.</p>
Policy no.: 3.3(e)	<p>CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION WITHOUT PRIOR COMMISSION APPROVAL</p> <p>The Board shall withdraw the accreditation or candidacy of an institution that completes a CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION without receiving prior Commission approval from the Board of Trustees. The President will take a recommendation for withdrawal to the Board upon learning of the change that took place without prior Commission approval. Prior to the Board's review, the institution will be informed about the recommendation and will have at least 14 calendar days to prepare and submit a response that the Board will have available when it considers the President's recommendation for withdrawal.</p> <p>Policy history: Approved June 2009.</p>
Policy no.: 3.3(f)	<p>NOTIFICATION TO THE COMMISSION REGARDING OTHER TRANSACTIONS</p> <p>An institution affiliated with the Commission must notify Commission staff of any other CHANGE OF CONTROL, STRUCTURE, OR ORGANIZATION that is not separately identified in this policy or that may be separately identified in the policy but may not be reasonably known by, or under the control of, the accredited institution, a parent entity or intermediate subsidiary prior to the transaction (e.g., disposal of stock by an investor). These changes include, but are not limited to, changes in the Chief Executive Officer of the affiliated institution, changes in the structure and composition of the Board of Trustees of the institution, other than those due to normal or mid-term completion of Board members' terms or removal or replacement of Board members or revision of corporate bylaws through regular review processes, and sale or transfer of a block of stock that constitutes less than 25% but more than 10% of the total outstanding voting shares of the affiliated institution, its corporate parent or other entity in a controlling relationship with the institution. These changes must be reported as soon as they are reasonably known to the</p>

	<p>institution. While such changes are to be reported for information, staff may determine in certain cases that they do constitute a Transaction under 3.3(a) that must be approved under this policy or that require Commission follow-up under Commission policies related to monitoring.</p>
	<p>Policy history: Approved June 2009.</p>
Policy no.: 3.3(g)	<p>FEES RELATED TO CHANGE OF CONTROL, STRUCTURE OR ORGANIZATION</p> <p>The Board will approve fees related to the changes under this section. These fees will be identified in the Commission’s fee schedule.</p>
	<p>Policy history: Approved June 2009.</p>

B: POLICIES RELATED TO CANDIDACY

Policy no.: 1.1(b)	<p>CANDIDACY</p> <p>Every institution seeking status with the Commission shall apply for and serve a period of candidacy. Such candidacy shall extend a minimum of two calendar years from the date action is taken to grant candidacy to the date action is taken to grant accreditation but not to exceed the maximum time limits of candidacy outlined in this policy. For good and sufficient cause the Board may, in exceptional circumstances, and based upon evidence that the institution meets all the Criteria for Accreditation and has met all other requirements laid out in Commission policies related to achieving accreditation waive the required candidacy period. (Proposed effective date: visits requested after December 7, 2009, for the 2009-10 or subsequent years would be subject to this new requirement.)</p>
	<p>Policy history: (None. New policy section.)</p>
Policy no.: 1.1(b)1	<p>ACHIEVING CANDIDACY AND CONTINUED CANDIDACY</p> <p>The Commission’s evaluation for either initial or continuing candidacy shall seek to ascertain that an organization of higher learning meets the following:</p> <p>(1)The Eligibility Requirements as adopted by the Commission;</p> <p>(2) Sufficient evidence to support the judgment that all of the Criteria for Accreditation can reasonably be met within four years of candidacy.</p> <p>An organization seeking candidacy will document through its self study that it meets the Eligibility Requirements. The self-study constitutes the official application for candidacy. In the self-study the institution seeking candidacy shall document that it meets each Eligibility Requirement. In the self-study It</p>

	<p>will also document the degree to which it meets each of the five Criteria, and through a carefully articulated plan and timetable show how it will meet fully each of them within the period of candidacy.</p> <p>To achieve candidacy an organization will be expected to provide emerging examples of evidence for each Criterion by addressing the Core Components related to that Criterion. In evaluating those examples of evidence, the Commission will judge (1) the basic organizational structure and strength as documented in the Eligibility Requirements, (2) the forthrightness and integrity of the organization's self-study, and (3) the potential of the organization to fulfill its plan and achieve accreditation within the period of candidacy.</p>
	<p>Policy history: Adopted August 1992, revised August 1996, <i>effective September 1996</i>, revised February 1998. <i>Revised Criteria for Candidacy</i> adopted February 2003, <i>effective May 1, 2003</i>, revised February 2007.</p>
<p>Policy no.: 1.1(b)2</p>	<p>CANDIDACY CYCLE</p> <p>The period of candidacy is four years. However, at any time during the candidacy period, subsequent to the completion of the two-year required minimum candidacy, the institution may request an on-site evaluation for initial accreditation. In exceptional situations, the Board of Trustees at its discretion may extend candidacy to a fifth year.</p> <p>Candidacy will be initiated through an on-site evaluation and maintained through a subsequent on-site evaluation for continued candidacy two years after candidacy is granted. Two years after this evaluation for continued candidacy, or at the end of the four-year candidacy period whichever comes first, an institution will have its evaluation for initial accreditation.</p>
	<p>Policy history: Adopted August 1992, revised August 1996, <i>effective September 1996</i>, revised February 1998. <i>Revised Criteria for Candidacy</i> adopted February 2003, <i>effective May 1, 2003</i>, revised February 2007.</p>