

**Regulation Governing Review of Changes in Ownership and  
Legal Reconstitutions of Out-of-State and Nonpublic Institutions**

I. Purpose. Pursuant to N.C. Gen. Stat. § 116-15(g) (hereinafter G.S.), and Section 400.4.3[R], VI.B., subsections 3., and 4., of the UNC Policy Manual, the University of North Carolina System Office (UNC System Office) staff will review the license of an institution when the institution is legally reconstituted and when a preponderance of all of the assets of the institution changes pursuant to a single transaction or a recognizable sequence of transactions or agreements.

II. Definitions

A. "Change in ownership," as used herein, means a change in the ownership of a preponderance of an institution's or corporate parent's assets pursuant to a single transaction or a recognizable sequence of transactions or agreements. Change of ownership does not include:

1. A transfer of the entire portion of a natural person's ownership interest to that person's parent, stepparent, sibling, stepsibling, spouse, child or stepchild, grandchild or step-grandchild; spouse's parent or stepparent, spouse's sibling or stepsibling, spouse's child or stepchild, spouse's grandchild or stepgrandchild; child's spouse, and sibling's spouse; or

2. A transfer of the entire portion of a natural person's ownership interest, upon the retirement or death of that person, to a natural person with a pre-existing ownership interest in the school who has been involved in management of the school for at least two years preceding the transfer, and who has established and retained the pre-existing ownership interest for at least two years prior to the transfer.

B. "Legal reconstitution" means a change in the corporate form of the institution or its corporate parent, including a change from a for-profit to a nonprofit corporation or from a nonprofit to a for-profit corporation.

C. "Preponderance of the Assets" means:

1. Greater than 50 percent of the ownership interest of an institution or its corporate parent; or

2. Assets worth greater than 50 percent of the institution's or corporate parent's fair market value.

III. UNC System Office Staff Response. Upon notification from the institution, UNC System Office staff will timely respond with initial inquiries to determine the size and scope of the required review. Staff will consider, among other factors, the proposed purchaser's projected changes to the institution in determining the review's size and scope. Upon completion of the review of licensure, staff will notify the parties to the transaction.

IV. Relationship of Change in Ownership reviews to Applications for New Licensure. A change in ownership which results in an already authorized institution becoming a branch campus of an unauthorized institution ordinarily requires the unauthorized institution to become authorized to conduct postsecondary degree granting activity in North Carolina. As long as the new branch campus remains otherwise authorized, it may continue to conduct postsecondary degree granting activity pending adjudication of the unauthorized parent institution's application to become authorized. UNC System Office staff determines whether the change in ownership will cause an already authorized institution will become a branch campus of an unauthorized institution. In making that determination, staff may consider whether the authorized institution will be considered a branch campus for accreditation or for Federal Student Aid purposes. A review of licensure because of a change in ownership ordinarily focuses on the immediate effects of the change in ownership on North Carolina students. The unauthorized parent institution's application to become authorized is based upon the standards found in G.S. § 116-15. Notification from staff that a change in ownership licensure review is complete does not imply that the unauthorized parent institution's application to be authorized to conduct postsecondary degree activity in North Carolina will be granted.

V. Other Matters

A. Effective Date. The requirements of this regulation shall be effective on the date of adoption of this regulation by the president.

B. Relation to Federal and State Laws and Policies. The foregoing regulation is meant to supplement, and does not purport to supplant or modify, those statutory enactments, regulations, and policies which may govern or relate to the subject matter of this regulation.