

# Navigating Compliance Issues in Change of Ownership

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**NATIONAL ASSOCIATION OF STATE ADMINISTRATORS  
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# Presenters



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# Agenda

- Louisiana Requirements for Change of Ownership
- Case Studies:
  - Determining Ownership
  - Financial Documentation Discrepancies
  - Prolonged Change of Ownership
- Improvements: Streamlining Processes and Procedures
- Questions

# Louisiana Requirements for Change of Ownership

- Law for Change of Ownership
- Required Documents
- Time Frame



# Louisiana Requirements for Change of Ownership

## Law for Change of Ownerships:

- **RS 3140.3**

A. (1) No proprietary school subject to the provisions of this Chapter shall do business in this state unless the owner holds a valid license approved and issued by the board. Applications for licensure shall be made to the commission as provided in this Chapter and rules established by the board.

(2) No course of instruction shall be established, offered, or given, and no diploma, degree, or other written evidence of proficiency or achievement shall be offered or awarded until the owner of the school planning to offer or offering such course of instruction, diplomas, or degrees has obtained a license.

(3)(a) No license shall be transferable. In the event of a change of ownership of a school, the license shall be revoked unless the new owner notifies the commission within ten days of the sale and files a license application within the time period prescribed by the board.

# Louisiana Requirements for Change of Ownership

## Law for Change of Ownerships:

- **RS 3140.3**

(3)(b) If the school is owned by a corporation, a change of ownership is deemed to occur when fifty percent or more of all types in the aggregate of the corporation's stock has been transferred to a person or persons other than the person or persons who were stockholders at the time the school license was issued.

(c) For the purposes of this Chapter, an application for a change of ownership for a proprietary school already licensed by the board shall be treated as an initial license application with the additional submission of the bill of sale.

(4) Each application for a license shall be accompanied by a surety bond in the amount of ten thousand dollars.

B. (1) The fee for an initial license or change of ownership shall be two thousand dollars.

# Louisiana Requirements for Change of Ownership

## Ownership Verification Documents:

- Bill of Sale:
  - Must be submitted within ten days after the ownership changes.
- Secretary of State certificate of existence.
- School Surety Bonds

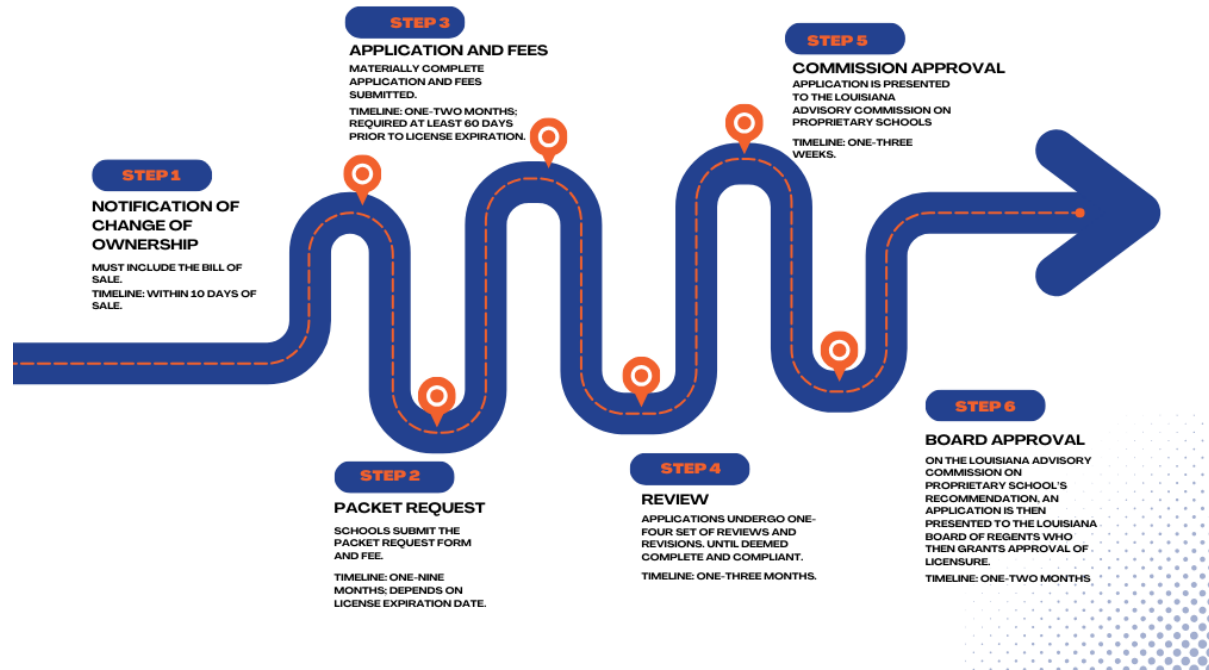
## Financial Documents:

- Balance sheet of new ownership.
- Business plan.

# Louisiana Requirements for Change of Ownership



## LOUISIANA PROPRIETARY SCHOOL CHANGE OF OWNERSHIP APPLICATION PROCESS AND IDEAL TIMELINE





# Case Studies

- Case Study One: Determining Ownership
- Case Study Two: Financial Documentation Discrepancies
- Case Study Three: Prolonged Change of Ownership

# Case Study One: Determining Ownership



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# Case Study One: Determining Ownership



## Scenario:

- School's license had met the requirements for annual renewal in the previous year.
- During the new license renewal period, the owner of record passed away.
- The mother of the deceased owner argued a change of ownership was not required because she and her husband were the legal owners of the school.

# Case Study One: Determining Ownership

## Conflicts:

- Was the mother's challenge valid?
- Was a change of ownership required?
- Was staff obligated to request additional documentation to determine ownership prior to original licensure?
- What documentation was necessary to establish ownership for the application process?

# Case Study One: Determining Ownership

## Resolution:

- Was the mother's challenge valid?
  - No. Legal counsel determined documentation submitted by the owner of record was binding.
- Was a change of ownership required?
  - Yes. Legal counsel determined that because documentation of record was binding a change of ownership was necessary.

# Case Study One: Determining Ownership

## Resolution (continued):

- Was staff obligated to request additional documentation to determine ownership prior to original licensure?
  - No. Legal counsel determined staff followed the law as prescribed.



# Case Study One: Determining Ownership



## Resolution (continued):

- What documentation was necessary to establish ownership for the application process?
  - All initial application documents
  - SOS Articles of Organization
  - SOS Articles of Incorporation
  - Operating Agreement in lieu of the Bill of Sale

# Case Study Two: Financial Documentation Discrepancies



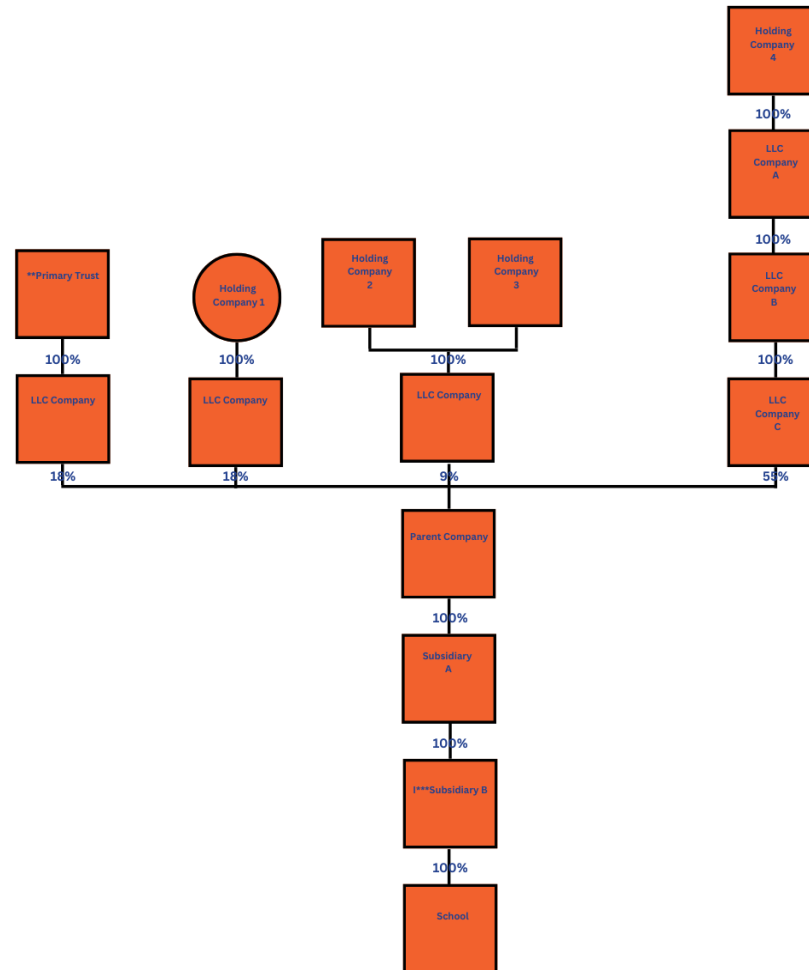
# Case Study Two: Financial Documentation Discrepancies



## Scenario:

- The school challenged what financial documentation should be submitted based on their corporate structure.

# Case Study Two: Financial Documentation Discrepancies



\*\* The Primary Trust is tied to the ownership of all entities note on the Organizational Chat.

\*\*\*Subsidiary B direct ownership of the school and operates independently of all entities noted on the organizational chart.

# Case Study Two

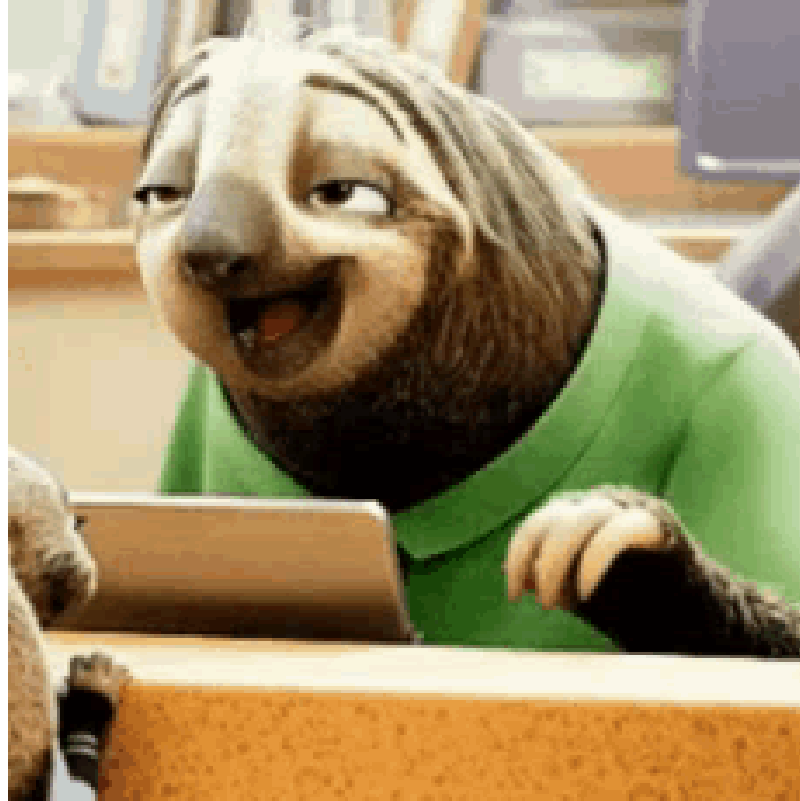
- Conflicts:
  - Was a change of ownership required?
  - Challenge with financial documentation that should be submitted based on the school's corporate structure.

# Case Study Two

- Resolution:
  - Was a change of ownership required?
    - Yes. Legal counsel determined that based on the operating structure of the school a change of ownership was necessary.
- Challenge with financial documentation that should be submitted based on the school's corporate structure.
  - An audited balance under the new ownership was required per legal counsel's determination that a change of ownership was necessary.



# Case Study Three: Prolonged Change of Ownership



# Case Study Three: Prolonged Change of Ownership



## Scenario:

- Owner of record decides to sell school.
- New owner has prolonged the change of ownership application process.

# Case Study Three: Prolonged Change of Ownership

- Conflicts:
  - Was required notification of change of ownership received?
  - Was appropriate documentation submitted as prescribed by law?
    - Documentation
    - Timeframe
  - Were internal processes followed?

# Case Study Three: Prolonged Change of Ownership

## Resolution:

- Was required notification of change of ownership received?
  - Yes, but not in the required timeframe.
- Was appropriate documentation submitted as prescribed by law?
  - Documentation
    - Yes.
  - Timeframe
    - Not in the timeframe prescribed by law.

# Case Study Three: Prolonged Change Ownership

## Resolution (continued):

- Were internal processes followed?
  - No, the new owner did not adhere to the internal processes established by staff to ensure compliance.
- Current updates:
  - The change of ownership application has been submitted and is under review.

# Improvements: Streamlining Processes and Procedures





# Improvements: Streamlining Processes and Procedures

- Implementation of EDvera.
- Requirement of additional ownership verification documents.
- Legislative changes with financial documentation requirements.
- Future rulemaking changes.
- Initial applicant training.

# Questions?



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# Thank you!

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