Directions for Change of Ownership

Texas Workforce Commission
Career Schools and Colleges

Chapter 132, Texas Education Code, prohibits the operation of a school in Texas without first obtaining a Certificate of Approval. This Certificate of Approval is issued to the owner of a school and is **nontransferable**. In the event of a change in ownership of a school, the new owner must apply for a Certificate of Approval **at least thirty (30) days prior to the change in ownership**. The new owner must have a Certificate of Approval **prior to consummation of the sale**; otherwise, any operation of the school after the sale would be in violation of the law.

The prospective owner will furnish the following at least thirty (30) days prior to change of ownership:

1. One original of the following:
   - CSC-001(R/S)—Application for Certificate of Approval using the new name of the owner of the school
   - CSC-001W—Owner's Affidavit for each owner listed on the application using the new name of the owner of the school
   - CSC-001V—Affidavit of On-Campus Enrollment using the new name of the owner of the school, if applicable (not required for schools with a Detachable Notice of Cancellation on enrollment agreement)
   - School Catalog—See Catalog Guide CSC-001X (Residence School) or Seminar Brochure (see guide CSC-001XS), using the new name of the owner of the school where applicable (addendum and paste-over may be used until next printing). All catalog changes shall be accompanied by the form CSC-042R/S Summary of Changes.
   - Enrollment Agreement—See Enrollment Agreement Checklist (CSC-190) enclosed, using the new name of the owner of the school, if applicable, with the Summary of Changes CSC-042R/S.
   - All other documents (and advertisements) where the name of the owner of the school appears, using the new name of the owner of the school where applicable

     Note: Forms are available on the Career Schools and Colleges website.
2. Appropriate fees—$3,000 for a large career school or college, $1,001 for a small career school or college. A small career school and college is defined by Title 40, Texas Administrative Code, as a career school and college that does not receive payment from federal funds under 20 United States Code 1070 et seq. and its subsequent amendments or a prepaid federal or state source for any student tuition, fees, or other charges, and either: (a) has an annual gross income from student tuition and fees that is less than or equal to $100,000 for programs regulated by the agency;

or, (b) exclusively offers programs to assist students to prepare for an undergraduate or graduate course of study at a college or university; or, (c) exclusively offers programs to assist students who have obtained or are in the process of obtaining degrees after completing an undergraduate or graduate course of study at a college or university to prepare for an examination.

3. Assumed name registration. Depending on whether the new ownership name is a sole proprietorship, general partnership or a corporation, submit the following:
   - For a sole proprietorship or general partnership, submit registration with the county clerk in the county(is) where instruction will be taking place.
   - For a corporation, please submit copies of:
     - registration with the county clerk in the county(ies) where instruction will be taking place; and
     - registration with the Secretary of State.

       Corporations Section
       Office of the Secretary of State
       P.O. Box 13697
       Austin, Texas 78711
       (512) 463-5582

4. Evidence of financial stability, including the following:
   - Statement of financial position (balance sheet) of the **purchaser** in a form consistent with generally accepted accounting principles (GAAP) and reviewed or audited (discussed below) by a licensed independent certified public accountant or public accountant registered with the appropriate state board of public accountancy. Specific requirements based on proposed ownership are outlined below:
     - **Individual:** The accountant must review the financial statement. This must be a personal balance sheet dated within four (4) months just prior to the date of submission. The notes to the personal balance sheet must disclose the amount of payments for the next five years to meet debt agreements as required by GAAP for other types of financial statements. For a review, please reference Statement on Standards for Accounting and Review Services, American Institute of Certified Public Accountants, December 1978.
     - **Partnership or Corporation:** One of the following must be submitted:
       - A balance sheet which has been audited by the accountant. The date must be within four (4) months just prior to the date of submission.
       - Financial statements for the last fiscal year which have been audited by the accountant. If more than four (4) months have elapsed since the fiscal year end, a separate balance sheet,

which has been compiled by the accountant, must also be submitted. The date of the compilation must be within the last four (4) months just prior to the date of submission. Compiled statements must include **all notes** required by GAAP.

- **Parent Corporation:** The audited financial statements for the parent corporation may be used to establish financial stability for the purchaser if the statements are accompanied by a certified resolution of the parent corporation's board of directors. This resolution must state that the parent corporation assumes full responsibility for ensuring that each student enrolled in the subsidiary school receives either the training agreed upon or a refund as provided in the Texas Career Schools and Colleges Act.

- The financial statement must be accompanied by a report of the accountant or accounting firm associated with the statement. **Note:** Out-of-state accountants must give their state license numbers.
- A pro forma balance sheet of the purchaser, or the existing corporation if stock is being purchased, reflecting the effect of the sale. If stock in the corporation is being sold, the pro forma should be of the existing corporation. If there are no changes, a letter will suffice. This must be prepared by an independent PA or CPA.
- Any other evidence or materials appropriate to establish financial stability.

5. A copy of the sales contract or agreement, including:
   - acceptance by the purchaser for all refund liabilities which may have arisen during the operation of the school by the seller or any other former owner;
   - a statement to the effect that the sale is subject to approval by the Texas Workforce Commission;
   - assumption by the purchaser of the liabilities, duties, and obligations under the enrollment contracts between the students and the seller which the seller is obligated to provide on or after the effective date of the sale; and
   - supportive documents to the sales contract, including:
     - articles of incorporation, minutes of the board of directors, or other evidence that the individuals acting as agent for the buyer and seller have authority to make the transaction;
     - any bills of sale or promissory notes associated with the contract, and if the closing date for the transaction has passed, evidence that each party has complied or is presently complying with the contract; and
     - a certified copy of the resolution to purchase or assume control of the school must be submitted if the school is being incorporated. **Note:** If the school has any approvals from other agencies, those

agencies must be contacted to check on their specific requirements regarding change of ownership.

6. For each sales representative, submit:
   - a fee in the amount of $90.00 with CSC-186 fee sheet; and
   - a new representative permit application. This application will be needed only **if** there has been a change in the name of the representative or home address of the representative. Otherwise, include the CSC-014A listing all approved representatives.
7. Corporations must send copies of all issued stock certificates (front and back). Provide an accounting of all stock certificates if those submitted are not sequential. Partnerships must send a copy of the executed partnership agreement.
   Note: Career schools and colleges are prohibited from using the term "college," "university," "seminary," "school of medicine," "medical school," "health science center," "school of law," "law school," or "law center" in the official name or title. Those wishing to use any of these terms in the school or corporate name must first obtain approval from:

   Texas Higher Education Coordinating Board
   P.O. Box 12788
   Austin, Texas 78711-2788
   (512) 427-6100
   Evidence of this approval must be submitted upon receipt.
   For questions about the Application for Approval forms, please contact Texas Higher Education Coordinating Board Institution and Program Development.

Items for the Change of Ownership should be mailed to:

Career Schools and Colleges—Controller
Texas Workforce Commission
101 East 15th Street
Austin, Texas 78778-0001

Note: An on-site survey will be conducted 90 days after the change of ownership. You will be contacted in advance. Refer to the attached CSC-100 Survey Checklist to learn what will be examined during this survey visit.