

National Association of Schools of Theatre

**DRAFT DOCUMENT**

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**SPECIFIC OPERATIONAL STANDARDS FOR FREE-  
STANDING THEATRE INSTITUTIONS OF HIGHER  
EDUCATION; SPECIFIC OPERATIONAL  
STANDARDS FOR PROPRIETARY INSTITUTIONS OF  
HIGHER EDUCATION**

*For current standards in force, see the NAST Handbook 2019-20*

**COMMENT PERIOD**

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1 **XIX. SPECIFIC OPERATIONAL STANDARDS FOR FREE-STANDING THEATRE INSTITUTIONS**  
2 **OF HIGHER EDUCATION**

3 **NOTE:** The following standards apply to free-standing theatre institutions of higher  
4 education that offer professional education and training in theatre. They may be  
5 degree- and/or non-degree-granting; they may be not-for-profit or proprietary. These  
6 standards are in addition to Standards for Accreditation I.–XVIII. Additional standards  
7 apply to proprietary schools (see Standards for Accreditation XX.). Free-standing theatre  
8 institutions to which Standards for Accreditation XIX. apply must demonstrate  
9 compliance with all applicable standards below.

10 **Section 1. Standards for Accreditation**

11 In addition to meeting all operational and curricular standards of the Association  
12 appropriate to the scope of programs offered, as noted in Standards for Accreditation  
13 I.–XVIII., institutions of higher education to which Standards for Accreditation XIX. apply  
14 shall meet the following standards:

15 **A. Title.** The descriptive title of the institution shall be appropriate to its purpose, size,  
16 and complexity.

17 **B. Operating Authority.** The institution must have specific official documentation  
18 confirming that the institution has a charter and/or formal authority of  
19 incorporation and state recognition and/or licensure.

20 **C. Finances**

21 **1. Operation**

22 a. The institution must demonstrate that tuition and other fees are reasonable  
23 and appropriate in relation to subject matters taught; to goals, objectives,  
24 and time requirements of the degrees, credentials, or programs offered;  
25 and to any other relevant variables.

26 b. The institution must conduct an annual financial review resulting in an  
27 annual audit with opinion prepared by an independent certified public  
28 accountant. The annual audit must be completed within 180 days after the  
29 close of each fiscal year.

30 c. If the institution supplements tuition revenue with contributions private or  
31 public or earnings from endowment, evidence must be provided that there  
32 are appropriate policies, plans, procedures, and volunteer and/or  
33 professional resources to generate sustainable non-tuition revenue  
34 sufficient for the needs of the school.

35 **2. Review Protocol**

36 For the purpose of evaluating the financial stability and business policies of the  
37 institution, at least one member will be added to each NAST visiting team. This  
38 member shall have expertise and experience in the management, operation,

1 and assessment of financial practices, and in cooperation with other members  
2 of the team, be responsible for reviewing the practices and sufficiency of  
3 financial resources of the institution.

#### 4 **D. Governance and Administration**

5 **NOTE:** Standards for Accreditation XIX., Section 1.D.1.a. and D.3. apply to not-for-  
6 profit institutions only. The remaining paragraphs apply to both not-for-profit and  
7 proprietary institutions.

#### 8 **1. Governing Board**

##### 9 **a. Structure**

10 (1) A not-for-profit institution must have a governing board consisting of at  
11 least five members with the duty and authority to ensure that the  
12 overall mission of the institution is carried out.

13 (2) The governing board must be the legal body responsible for the  
14 institution it holds in trust.

15 (3) The presiding officer of the board, along with a majority of other voting  
16 members, must have no contractual, employment, or personal or  
17 familial financial interest in the institution.

18 (4) The board must have adequate representation of the public interest  
19 recognizing that institutions serve a public purpose when they provide  
20 educational services and opportunities. Public representatives receive  
21 no financial benefit from the operation of the institution.

22 **b. Financial Responsibilities.** For all institutions, the duties of the board  
23 include securing financial resources to support the achievement of  
24 institutional mission, goals, and objectives. The board is responsible for  
25 approving the annual budget, reviewing periodic fiscal audits, participating  
26 in and overseeing any non-tuition revenue gathering and management, and  
27 approving the long-range financial plan.

28 **c. Conflict of Interest.** In all institutions, the board shall maintain policies  
29 concerning conflict of interest, both with respect to its own actions and to  
30 actions of administration, faculty, and staff.

31 **d. Duties.** All institutions must have an official document that defines board  
32 duties, responsibilities, and operations, including the number of members,  
33 length of service, rotation policies, organization and committee structure  
34 for overseeing areas such as finance, properties, and programs, and  
35 frequency of regular meetings. Board policies shall clearly state that no  
36 member or committee acts in place of the board, except by formal  
37 delegation of authority by majority vote of the board of directors.

38 **2. Governance Scope.** If the institution is involved with multi-campus, off-campus,

1 continuing education, evening and weekend programs, etc., governance and  
2 administrative procedures must be clearly defined and appropriately integrated  
3 and incorporated into the total governance and administration system.

### 4 **3. Chief Executive Officer**

- 5 a. In all not-for-profit institutions, the institution must have a chief executive  
6 officer whose primary responsibility is to the institution and who is an  
7 employee of the institution.
- 8 b. The Board selects and regularly evaluates the institution's chief executive  
9 officer using consultative mechanisms described in the official document  
10 outlining duties of the board.
- 11 c. The chief executive officer must not be the presiding officer of the board,  
12 but may be an *ex officio* member of the board.
- 13 d. The board must delegate to the chief executive officer and, as appropriate,  
14 to other officers whose primary responsibilities are to the institution, the  
15 requisite authority and autonomy to manage the institution effectively and  
16 formulate and implement policies compatible with the overall structures  
17 and intents established by the board.

### 18 **4. Administration and Record Keeping**

- 19 a. The administrative structure of the institution must be sufficient in size and  
20 competence to cover business, registrar, maintenance, security, safety, and  
21 student services functions.
- 22 b. The institution shall have appropriate administrative and physical  
23 capabilities to protect the permanent records of students and any other  
24 permanent records as board policies and applicable laws and regulations  
25 may dictate.

## 26 **E. General Studies in Undergraduate Programs**

- 27 **1. Content.** Institutions granting associate degrees (with the exception of two-year  
28 vocational programs, which should follow standards in Standards for  
29 Accreditation VI.C.) or baccalaureate degrees must develop and operate or  
30 otherwise provide for general studies programs addressing the content listed in  
31 Standards for Accreditation VII.D. for liberal arts programs, or Standards for  
32 Accreditation VIII.A.6. and applicable portions of Standards for Accreditation IX.  
33 for professional programs.
- 34 **2. Evaluation.** Institutions shall have means for evaluating student achievement in  
35 general studies against general curricular and specific subject matter goals.
- 36 **3. Resources and Program Components.** Institutions providing general studies  
37 programs must document the presence and application of adequate resources  
38 and program components to support the content of each course or type of

1 study offered. These resources include, but are not limited to, qualified faculty,  
2 facilities and equipment, library and information resources, and distance  
3 learning if applicable. Program components include, but are not limited to,  
4 credit and time requirements, program continuity, and forms of instruction.  
5 Resources and program components for general education must be in  
6 compliance with applicable standards outlined in Standards for Accreditation II.  
7 and III.

8 **4. General Studies Offered by Other Institutions.** If any or all of the general  
9 studies requirements for degrees offered by the institution are offered through  
10 another institution, the second institution shall be accredited by the appropriate  
11 nationally recognized regional or national accrediting agency.

12 **5. Review Protocol.** If an institution administers its own general studies program,  
13 at least one member will be added to each NAST visiting team unless the team is  
14 empanelled for a specific purpose that does not include general education. This  
15 member(s) shall have expertise and experience in the operation and assessment  
16 of undergraduate general studies programs, and in cooperation with other  
17 members of the team, be responsible for reviewing the general studies program  
18 at the institution.

#### 19 **F. Facilities and Equipment**

20 1. If the institution depends on facilities, equipment, or resources outside of its  
21 direct control (for example, studio and performance facilities, library resources),  
22 there must be a written, clear, fixed understanding with those controlling the  
23 outside resources that ensures the reasonable continued availability of those  
24 resources during the accreditation period.

25 2. The institution must provide clear guidelines and procedures for its  
26 constituents' use of such resources and must ensure that such descriptions are  
27 readily available to students whose programs of study require use of these  
28 resources.

#### 29 **G. Student Services**

30 **1. General.** Consistent with its mission, goals, and objectives, the institution shall  
31 provide a physical, philosophical, and human environment that fosters the  
32 artistic, intellectual, and personal development of students. The institution's  
33 program of student services is derived from the relationship between specific  
34 goals for student development and the purposes of the institution.

35 **2. Personnel.** Student services shall be organized and managed by individuals with  
36 appropriate training, experience, and abilities.

#### 37 **3. Access**

38 a. All types of services shall be available to all students.

39 b. Institutions must provide an effective orientation program that acquaints

- 1 new and transfer students with all aspects of the institution related to their  
2 course of study and their personal well-being.
- 3 c. The institution shall provide and/or facilitate access to education,  
4 counseling, and professional care associated with the maintenance of  
5 physical and mental health.
- 6 d. The institution shall provide and/or facilitate access to counseling covering  
7 personal, social, vocational, and financial issues.
- 8 **4. Financial Transactions.** Students and the institution shall confirm in writing their  
9 mutual agreement regarding any financial requirements and conditions  
10 associated with enrollment, tuition, or scholarship awards.
- 11 **5. Financial Aid and Student Loans**
- 12 **a. Financial Aid**
- 13 (1) If the institution administers a program of financial aid, such aid shall be  
14 provided and administered in an organized and accessible manner.
- 15 (2) Awards are based on the equitable application of clear and published  
16 eligibility criteria.
- 17 (3) The financial aid program must be audited at least once a year.
- 18 (4) Records for financial aid shall be accurate and clearly documented.
- 19 **b. Student Loans**
- 20 (1) If the institution participates in student loan programs, such programs  
21 shall be provided and administered in an organized and accessible  
22 manner.
- 23 (2) Awards are based on the equitable application of clear and published  
24 eligibility criteria.
- 25 (3) Students must be made aware of the exact conditions under which  
26 loans are made.
- 27 (4) The student loan program must be audited by an independent auditing  
28 firm at least once a year.
- 29 (5) Records for student loans shall be accurate and clearly documented.
- 30 **6. Housing and Food Service**
- 31 a. If provided, housing must be conducive to individual well-being and  
32 personal development. Housing controlled by or affiliated with the  
33 institution must meet recognized standards of health, safety, and security,  
34 and be appropriately staffed.

1           b. If provided, food service must meet recognized standards of nutrition,  
2           sanitation, and safety. Food services must be professionally administered  
3           and operated.

4           **7. Student Records.** The institution must have policies regarding the kinds of  
5           information that will be included in the permanent record of students. It shall  
6           also have policies regarding the retention, safety and security, and disposal of  
7           records. Information-release policies shall respect the rights of individual  
8           privacy, the confidentiality of records, and the best interests of students and the  
9           institution.

10          **8. Complaints.** The institution must maintain policies concerning student  
11          responsibilities and rights, including complaint procedures. Policies must be  
12          clearly stated, well publicized and readily available, and administered fairly and  
13          consistently.

14          **9. Opportunities.** The institution should provide opportunities for student  
15          leadership consistent with its mission, goals, objectives, and policies. Students  
16          should be encouraged to develop their abilities to work with people in as many  
17          settings and contexts as feasible. Opportunities to be involved in appropriate  
18          institutional decision-making processes are highly desirable.

19          **H. Publication of Articulation Agreements**

20           In addition to the requirements of Standards for Accreditation III.A.4., the institution  
21           must make readily available to enrolled and prospective students a list of any  
22           institutions with which the institution has established an articulation agreement.

23          **I. Occupations of Graduates**

24           If NAST accreditation enables the institution's participation in federal student loan  
25           and grant programs, and if the institution participates in such programs or plans to  
26           participate in the next academic year, the institution must have systems for:

27           1. Requesting and compiling occupation information from graduates, particularly  
28           the most recent graduates.

29           2. Considering the compiled information in efforts to improve.

30           For purposes of this standard, *occupation* refers to employment or further study.

31          **J. Teach-Out Plans and Agreements**

32           **1. Conditions of Applicability**

33           NAST requires an accredited institution to which Standards for Accreditation  
34           XIX. apply to submit a teach-out plan requesting Commission review and action  
35           upon the occurrence of any of the following events:

36           a. The U.S. Secretary of Education notifies NAST that the Secretary has

1 initiated an emergency action against an institution, in accordance with  
2 section 487(c)(1)(G) of the HEA, or an action to limit, suspend, or terminate  
3 an institution participating in any Title IV HEA program, in accordance with  
4 section 487(c)(1)(F) of the HEA, and that a teach-out plan is required.

- 5 b. NAST acts to withdraw, revoke, or suspend the accreditation of the  
6 institution.
- 7 c. The institution notifies NAST that it intends to cease operations entirely or  
8 close a location that provides 100% of at least one program.
- 9 d. A state licensing or authorizing agency notifies NAST that an institution's  
10 license or legal authorization to provide an educational program has been or  
11 will be revoked.
- 12 e. The institution stops offering an educational program before all students  
13 enrolled in that program complete the program or transfer to another  
14 program.

15 **2. NAST Actions**

16 If one or more conditions stipulated in Standards for Accreditation XIX., Section  
17 1.J.1.a.–e. occurs:

- 18 a. NAST will evaluate the teach-out plan to ensure it provides for the equitable  
19 treatment of students under criteria established by NAST, specifies  
20 additional charges, if any, and provides for notification to the students of  
21 any additional charges.
- 22 b. If NAST approves a teach-out plan that includes a program that is accredited  
23 by another recognized accrediting agency, it will notify that accrediting  
24 agency of NAST's approval.
- 25 c. NAST may require an institution it accredits to enter into a teach-out  
26 agreement as part of its teach-out plan.
- 27 d. NAST will require an institution it accredits that enters into a teach-out  
28 agreement, either on its own or at the request of NAST, with another  
29 institution to submit that teach-out agreement to NAST for approval (see  
30 Rules of Practice and Procedure, Part II, Article V.). NAST will review and  
31 take positive action on the teach-out agreement only if the agreement is  
32 between institutions that are accredited by NAST or another accrediting  
33 agency recognized by the U.S. Secretary of Education; is consistent with all  
34 applicable NAST standards, the NAST Code of Ethics, and the NAST Rules of  
35 Practice and Procedure, as well as applicable federal and state regulations;  
36 and provides for the equitable treatment of students in terms outlined in  
37 Standards for Accreditation XIX., Section 1.J.3.
- 38 e. If an NAST-accredited institution plans to establish a teach-out agreement  
39 with another institution, the agreement must receive approval from the

1 NAST Commission on Accreditation prior to ratification of the agreement by  
2 the parties.

3 **3. Review Criteria**

- 4 a. The institution responsible for teaching-out students must have the  
5 necessary experience, resources, and support services to:
- 6 (1) Provide an educational program that is of acceptable quality and  
7 substantially similar in function, content, structure, and scheduling to  
8 that provided by the institution that is ceasing operations either entirely  
9 or at one of its locations; and
- 10 (2) Remain stable, carry out its mission, and meet all obligations to existing  
11 students.
- 12 b. The institution responsible for the teach-out must demonstrate that it can  
13 provide students access to the program and services without requiring them  
14 to move or travel substantial distances and that it will provide students with  
15 information about additional charges, if any.

16 **4. Definitions**

- 17 a. *Teach-out agreement* means a written agreement between accredited  
18 institutions that provides for the equitable treatment of students under  
19 certain conditions when an institution [or program] is closing.
- 20 b. *Teach-out plan* means a written plan developed by an institution that  
21 provides for equitable treatment of students under certain conditions when  
22 an institution [or program] is closing.

23 **Section 2. Procedural Requirements**

24 In addition to meeting all procedural requirements of the Association appropriate to the  
25 scope of programs offered, free-standing theatre institutions of higher education to  
26 which Standards for Accreditation XIX. apply shall be subject to the following  
27 procedures:

28 **A. Supplemental Annual Report.** In addition to the annual HEADS Data Survey,  
29 Accreditation Audit, and Affirmation Statement (see Rules of Practice and  
30 Procedure, Part II, Article III., Section 1.), the institution must file a Supplemental  
31 Annual Report at a time and in a format stipulated by the Association, which  
32 contains the following information:

- 33 1. Written confirmation of the institution's institutional accreditor.
- 34 2. Current tuition and fee schedules.
- 35 3. A complete summary of the institution's involvement with federal and state  
36 student loan and grant programs, with breakdowns for each loan and grant

- 1 program, and the percentage of general expenditures derived from Pell Grant  
2 funds. If the institution does not participate in these programs, it must so certify  
3 in writing as part of the Supplemental Annual Report.
- 4 4. The percentage of the institution's tuition income, and the percentage of its  
5 total income, derived from:
- 6 a. Federal loans and grants to students, with breakdowns by category of loan  
7 and grant.
- 8 b. State loans and grants to students, with breakdowns by category of loan  
9 and grant.
- 10 5. The annual audited financial statement of the institution with auditor's opinion.
- 11 6. Notice of any actions pending to review the institution by:
- 12 a. A state-wide authority that monitors operations of educational institutions.
- 13 b. Another institutional or specialized accreditor.
- 14 c. Federal or state student grants and loan authorities.
- 15 7. For the current and the previous academic year, the total enrollment of the  
16 institution and of any distance education programs it offers.
- 17 8. The status of any applications for accreditation or reaccreditation to other  
18 accrediting bodies.
- 19 9. If the institution participates in federal student loan and grant programs or  
20 plans to participate in the next academic year, summary information regarding  
21 the occupational record of the graduates of the previous year.
- 22 For purposes of this standard, *occupation* refers to employment or further  
23 study.

24 **B. New Curricula and Substantive Change.** If an accredited institution plans to add a  
25 new curricular program, or make a substantive change to current curricular  
26 programs or operations, in the United States or elsewhere, it must file applications  
27 for Plan Approval or Substantive Change as applicable following the timelines and  
28 procedures established and published by the Association (see Rules of Practice and  
29 Procedure, Part II, Articles V. and VI., in addition to procedural requirements  
30 regarding changes in this section of Standards for Accreditation XIX.).

31 **C. Major Changes in Control**

- 32 **1. NAST Policy.** Accreditation is not automatically transferable when there is a  
33 major change in control.
- 34 **2. Definition.** Major change includes but is not limited to sale; transfers of stock,  
35 assets, and liabilities; mergers; divisions; the complete replacement of one set

1 of board members by another, in less than a six-month period; or the change in  
2 over seventy-five percent of board membership at any one time.

3 **3. Institutional Responsibility.** All such changes must be reported in advance to  
4 NAST, or if the possibility of such changes is not known in advance, they must be  
5 reported immediately after the change. Institutions with major changes in  
6 control will be subject to special NAST procedures, described herein and in  
7 separate documents.

8 **4. NAST Review.** Continuation of accreditation will depend upon the institution's  
9 demonstration that it continues to meet requisite NAST standards for all  
10 programs offered.

11 a. This review will be conducted in accordance with standard evaluation and  
12 operational procedures or with appropriate monitoring when an institution  
13 is being closed.

14 b. A review for change of control may include a visit to the institution by NAST  
15 evaluators to determine the extent to which a change of control has  
16 affected conditions for maintenance of accreditation. Normally, such a visit  
17 will be scheduled within six months of a change of control. The institution  
18 will assume the responsibility for fees and expenses associated with this  
19 visit.

20 **D. Notification Rule.** As a USDE-recognized accrediting agency, NAST is required to  
21 report to the U.S. Secretary of Education enrollment information under the  
22 following circumstances if the institution offers distance education: an increase in  
23 headcount enrollment for the institution of fifty percent or more within the HEADS  
24 Data Survey, compiled by NAST. If the fifty percent threshold is reached or  
25 exceeded, this fact is provided to the Secretary within thirty days of the close of the  
26 HEADS project each year. The institution will also be notified at the same time NAST  
27 notifies the Secretary, except in cases where provisions of "Policies and Rules  
28 Concerning USDE Title IV" are applicable (see Rules of Practice and Procedure, Part  
29 II, Article IV., Section 4.).

30 **E. Starting a Branch Campus or Similar Entity**

31 1. If an accredited institution plans to establish a new branch campus, or similar  
32 entity that functions in the same manner, in the United States or elsewhere,  
33 that offers postsecondary and/or professional-level degrees or non-degree-  
34 granting programs in theatre, the following materials must be submitted at least  
35 six months prior to the opening of the branch:

36 a. A business plan. At minimum, the business plan must contain a complete  
37 description of:

38 (1) The educational program to be offered at the branch campus.

39 (2) The projected revenues and expenditures and cash flow at the branch  
40 campus.

- 1 (3) The operation, management, and physical resources at the branch  
2 campus.
- 3 At the same time, the institution must provide:
- 4 (4) Information showing the financial relationship of the branch to the main  
5 campus.
- 6 (5) The most recent audited financial statement of the institution.
- 7 b. Information in the standard NAST format which demonstrates compliance  
8 with all applicable standards including but not limited to: operational  
9 standards, applicable curricular standards, Standards for Free-Standing  
10 Theatre Institutions of Higher Education, and Specific Operational Standards  
11 for Proprietary Institutions of Higher Education.
- 12 2. Within six months of the opening of a branch campus or similar entity, the  
13 branch must schedule a visit and host a team of NAST visiting evaluators.
- 14 3. Approval of the branch campus or similar entity and its operations will depend  
15 upon the institution's demonstration that it meets requisite NAST standards  
16 applicable to the programs it offers and the operations that support those  
17 programs.

18 **F. Automatic Actions**

- 19 **1. Automatic Review.** The following circumstances will cause an automatic review  
20 of the institution's accreditation status:
- 21 a. Declaration or evidence of financial exigency.
- 22 b. Change in ownership or major change in control, provided NAST is given at  
23 least five days' advance notice in writing of the date of the change. This  
24 includes but is not limited to:
- 25 (1) The sale of the institution or the majority of its assets.
- 26 (2) The transfer of the controlling interest of stock in the institution or its  
27 parent corporation.
- 28 (3) The merger of two or more institutions.
- 29 (4) The division of one or more institution(s) into two or more institutions.
- 30 (5) The transfer of the controlling interest of stock in the institution to its  
31 parent corporation.
- 32 (6) Change in over seventy-five percent of board membership during a  
33 ninety-day period.
- 34 (7) The complete replacement of one set of board members of the

1 accredited institution by another within a six-month period.

2 However, the five-day advance notice rule does not apply in cases where  
3 transfer of ownership occurs by right of survivorship upon the death of an  
4 owner, or similar circumstances. In these cases, NAST must be notified  
5 within five days of the occurrence.

- 6 c. Any transfer of assets or liabilities between the institution and any parent  
7 corporation that would substantially alter the ability of the institution to  
8 remain current regarding compliance with NAST standards.
- 9 d. Notice to establish a branch campus or other entity that would offer  
10 degrees and programs eligible for review by NAST, or notice of intent to  
11 significantly expand affiliative uses of the institution's name.
- 12 e. Notice of intention to designate NAST as the institution's gatekeeper for the  
13 purpose of eligibility and participation in federal Title IV programs.
- 14 f. State or federal action that results in the removal of the institution's  
15 eligibility to participate in state or federal student loan and grant programs.
- 16 g. Failure to gain accreditation or candidacy status upon application to another  
17 nationally recognized institutional accrediting agency, or loss of  
18 accreditation or candidacy status held with such agency.

19 **2. Automatic Suspension of Accreditation Status.** Automatic suspension of  
20 accreditation status will occur under the circumstances articulated in the  
21 Bylaws, Article I., Section 3.D.

22 **Section 3. Policies and Protocols for Institutions Participating in Federal Student Loan**  
23 **Programs**

24 **A. Context of Accreditation Reviews.** In compliance with Public Law 102-325, the  
25 Higher Education Amendments of 1992, the NAST accrediting Commission must  
26 take into account the following information as it considers the accreditation or  
27 reaccreditation of any institution that participates in federal student loan programs  
28 and for which NAST is the institutional accrediting agency:

- 29 1. Default rates in student loan programs under Title IV of the Higher Education  
30 Act of 1965 as periodically amended, based on the most recent data provided to  
31 the institution and/or to the accrediting body by the U.S. Secretary of Education.
- 32 2. Records of any student complaints received by NAST that are eligible for review  
33 according to provisions of the NAST Complaint Procedure.
- 34 3. Evidence concerning compliance with program responsibilities under Title IV of  
35 the Higher Education Act of 1965 as periodically amended, based on the most  
36 recent data provided to the institution and/or to the accrediting body by the  
37 U.S. Secretary of Education, including any results of financial or compliance  
38 audits, program reviews, and such other information as the U.S. Secretary of

1 Education may provide to NAST.

2 **B. Arbitration Rule.** The institution shall provide in writing its agreement to abide by  
3 the initial arbitration rule in Section 496 of Public Law 102-325:

4 "The [U.S.] Secretary [of Education] may not recognize the accreditation of any  
5 institution of higher education unless that institution of higher education agrees  
6 to submit any dispute involving the final denial, withdrawal or termination of  
7 accreditation to initial arbitration prior to any other legal action."

8 **C. Change in Ownership or Major Change of Control.** Change in ownership or major  
9 change of control will result in an on-site review within six months of the change.  
10 The preparation for the visit, the visit, Commission review and Commission action  
11 shall follow regular NAST procedures. The institution will assume the responsibility  
12 for fees and expenses associated with this visit.

13 **D. Third-Party Comment Rule.** See Rules of Practice and Procedure, Part II, Article IV.,  
14 Section 1.

15 **E. Rules Concerning Notification of Action by the NAST Commission on Accreditation.**  
16 Notifications concerning actions by the NAST Commission on Accreditation are  
17 published consistent with the provisions of the Rules of Practice and Procedure, Part  
18 II, Article XI., Section 2.

1 **XX. SPECIFIC OPERATIONAL STANDARDS FOR PROPRIETARY INSTITUTIONS OF HIGHER**  
2 **EDUCATION**

3 Proprietary institutions shall not differ significantly in their educational operations from  
4 those of public or non-profit institutions.

5 **Section 1. Standards for Accreditation**

6 The institution must meet all operational standards of the Association and other  
7 standards and requirements appropriate to the scope of programs offered. In addition,  
8 proprietary institutions shall present or demonstrate the following:

- 9 A. The operation of the institution under the guidance of a specific institutional Board  
10 of Directors, at least one-third of whom have no ownership interest in the  
11 institution, and at least two-thirds of whom have no kinship with the principal  
12 owners. The membership of the Board shall reflect the public interest. This is to  
13 assure that the governing body includes individuals who do not represent per se the  
14 interests of the administration, faculty, or students, or of the proprietors; and that  
15 such representation is not merely a token representation but has an effective,  
16 although not necessarily a majority, vote in the affairs of the governing body.
- 17 B. The complete structure of the financial organization of the institution, including an  
18 annual financial audit with opinion prepared by a certified public accountant  
19 independent of ownership or governance relationships with the institution, and  
20 such balance sheets, operating statements, budgets, salary determinations, etc.,  
21 that will produce a complete fiscal picture of the institution and any parent  
22 corporation (see also Standards for Accreditation II.C. and, if applicable, Standards  
23 for Accreditation XIX., Section 1.C.).
- 24 C. An established record of fiscal allocation and management demonstrating that the  
25 fundamental purpose is educational excellence, and evidence that such policies will  
26 be continued. The distribution of gross income in support of educational purposes  
27 and goals is especially significant in this regard (see also Standards for Accreditation  
28 II.C. and, if applicable, Standards for Accreditation XIX., Section 1.C.).
- 29 D. The existence of clearly defined roles based upon individual qualifications for the  
30 owner(s), manager(s), administrative personnel, and faculty (see also Standards for  
31 Accreditation II.D. and, if applicable, Standards for Accreditation XIX., Section 1.D.).

32 **Section 2. Requirements for Change in Ownership to Maintain Eligibility for**  
33 **Accreditation**

34 A change of ownership may be effected in a number of ways, including but not limited  
35 to, outright sale or purchase, and/or sale or purchase of stock, and/or inheritance of  
36 stock. Accreditation is not automatically transferable with change in ownership.  
37 Therefore, to maintain eligibility for accreditation, the following information is to be  
38 fully documented and submitted to NAST within two weeks after change of ownership  
39 of an NAST accredited institution:

- 40 A. Exact date of change of ownership.

- 1 B. Curriculum vita of new owner (or new management).
- 2 C. A true and complete copy of the Sale or Transfer Agreement.
- 3 D. Financial statement of new ownership by an outside accounting firm.
- 4 E. Current financial statement of the institution by an outside accounting firm.
- 5 F. Current theatre program enrollments.
- 6 G. A notarized statement by buyer and seller or other transferring parties assuring  
7 NAST and any interested parties such as students, financial institutions, state, and  
8 government agencies, etc., that appropriate provisions have been made for all  
9 tuition refunds now due or which may become due for all students to whom the  
10 institution has an obligation.
- 11 H. Documentation that the institution still maintains its state license or approval.
- 12 I. All other pertinent information relative to changes in location, programs, refund  
13 policy, tuition, faculty, and administration.

14 A visit to the institution shall be made by NAST if the institution qualifies under  
15 Standards for Accreditation XIX., Section 3.C., or at the discretion of the Commission on  
16 Accreditation based upon the response of the institution to Standards for Accreditation  
17 XX., Section 2.A.–I. Any such action shall take place within six months of the date of  
18 change of ownership to cover the points above, as well as to determine that educational  
19 conditions consistent with the original accreditation continue to be met. A report of the  
20 visit will be submitted to the Commission for review and action concerning continuation  
21 of accredited status. The visit, Commission review, and Commission action shall follow  
22 regular NAST procedures.