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9 CALIFORNIA

ENDORSED
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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF SAN FRANCISCO

CGC-13-534793

15 THE PEOPLE OF THE STATE OF
16 CALIFORNIA,

Plaintiff,

17 v.
18

19 HEALD COLLEGE, LLC; CORINTHIAN
COLLEGES, INC.; CORINTHIAN
20 SCHOOLS, INC.; SEQUOIA EDUCATION,
INC.; CAREER CHOICES, INC.; MJB
21 ACQUISITION CORPORATION; TITAN
SCHOOLS, INC.; RHODES COLLEGES,
22 INC.; FLORIDA METROPOLITAN
UNIVERSITY, INC.; EVEREST COLLEGE
23 PHOENIX, INC.; and DOES 1 through 100,
INCLUSIVE,

24 Defendants.
25

Case No.

**COMPLAINT FOR CIVIL PENALTIES,
PERMANENT INJUNCTION, AND
OTHER EQUITABLE RELIEF**

Verified Answer Required Pursuant to Code of
Civil Procedure Section 446

1 The People of the State of California (“the People”), by and through Kamala D. Harris,
2 Attorney General, allege as follows:

3 1. The People bring this action to hold Corinthian Colleges, Inc. and its subsidiaries
4 that operate Heald, Everest and Wyotech schools (collectively “CCI”) accountable for violating
5 California law by misrepresenting job placement rates to students, misrepresenting job placement
6 rates to investors, advertising for programs that it does not offer, unlawfully using military seals
7 in advertising, and inserting unlawful clauses into enrollment agreements that purport to bar any
8 and all claims by students.

9 2. CCI is engaging in these unlawful, unfair, and fraudulent practices in connection
10 with the sale of programs that are very expensive. For example, Heald College in San Francisco
11 charges \$39,510 in tuition and fees and \$3,500 in books and supplies for an Associate of Applied
12 Science degree in Medical Assisting; Everest College in City of Industry charges \$38,341 in
13 tuition and fees and \$4,339 in books and supplies for its Criminal Justice Associate’s degree;
14 Wyotech in Long Beach charges \$35,000 in tuition and fees and \$2,000 in books and supplies for
15 an Automotive Technology with Applied Service Management Associate’s degree; and Everest
16 University Online’s Brandon Campus charges \$68,800 in tuition for an online Bachelor’s degree
17 in “Paralegal.”

18 3. CCI is selling these expensive programs to students throughout California, many
19 of whom head single parent families and have annual incomes that are near the federal poverty
20 line (\$19,530 for a three-person household). CCI targets this demographic, which it describes in
21 internal company documents as composed of “isolated,” “impatient,” individuals with “low self-
22 esteem,” who have “few people in their lives who care about them” and who are “stuck” and
23 “unable to see and plan well for future,” through aggressive and persistent internet and
24 telemarketing campaigns and through television ads on daytime shows like Jerry Springer and
25 Maury Povich.

26 4. CCI’s unlawful, unfair, and fraudulent practices are all the more egregious in light
27 of the fact that its Everest campuses are subject to a permanent injunction secured by the People
28 in 2007 that bars many of the practices at issue.

5. The People respectfully request that this Court use its equitable and legal authority to permanently end CCI's unlawful, unfair, and fraudulent practices.

PLAINTIFF

6. Plaintiff is the People of the State of California. The People bring this action by and through Kamala D. Harris, Attorney General. The Attorney General is authorized by Business and Professions Code sections 17204, 17206, and 17207 to bring actions to enforce the Unfair Competition Law (“UCL”); by Business and Professions Code sections 17535, 17535.5, and 17536 to bring actions to enforce the Fair Advertising Law (“FAL”); and by Government Code sections 12658 and 12660 to bring actions to enforce the Corporate Securities Law of 1968 (“CSL”).

DEFENDANTS

7. Defendant Heald College, LLC, is, and at all times mentioned herein was, an LLC organized and existing under the laws of the State of California. Heald College, LLC's principal place of business is in the City and County of San Francisco. At all times relevant herein, Defendant Heald College, LLC has transacted and continues to transact business throughout California, including at campuses in Concord, Fresno, Hayward, Modesto, Rancho Cordova, Roseville, Salinas, San Francisco, San Jose, Stockton and online. Heald College, LLC is a wholly owned subsidiary of Corinthian Colleges, Inc.

8. Defendant Heald College, LLC, its agents, employees, officers, and others acting on its behalf, as well as subsidiaries, affiliates, and other entities controlled by Defendant Heald College, LLC, are referred to collectively herein as “Heald.”

9. Defendant Corinthian Colleges, Inc., is, and at all times mentioned herein was, a corporation organized and existing under the laws of the State of Delaware. Corinthian Colleges, Inc.'s principal place of business is in Santa Ana, California in Orange County. At all times relevant herein, Defendant Corinthian Colleges, Inc. has transacted and continues to transact business throughout California, including at its headquarters in Santa Ana. Corinthian Colleges, Inc.'s direct and indirect subsidiaries operate schools and/or enroll students throughout California and include Corinthian Schools, Inc.; Rhodes Colleges, Inc.; Florida Metropolitan University, Inc.;

1 Titan Schools, Inc.; Career Choices, Inc.; Sequoia Education, Inc.; MJB Acquisition Corporation;
2 Everest College Phoenix, Inc.; and Heald College, LLC.

3 10. Corinthian Colleges, Inc.'s common stock has been listed on the Nasdaq National
4 Market System since February 1999 under the symbol "COCO." Corinthian Colleges, Inc.'s
5 common stock qualifies as a security as defined in Corporations Code section 25019. Corinthian
6 Colleges, Inc. qualifies as an issuer under Corporations Code sections 25010 and as a person
7 under Corporations Code section 25013.

8 11. Defendant Corinthian Colleges, Inc., its agents, employees, officers, and others
9 acting on its behalf, as well as subsidiaries, affiliates, and other entities controlled by Defendant
10 Corinthian Colleges, Inc., are referred to collectively herein as "Corinthian Colleges, Inc."

11 12. Defendant Corinthian Schools, Inc., is, and at all times mentioned herein was, a
12 corporation organized and existing under the laws of the State of Delaware. Corinthian Schools,
13 Inc.'s principal place of business is in Santa Ana, California in Orange County. At all times
14 relevant herein, Defendant Corinthian Schools, Inc. has transacted and continues to transact
15 business throughout California, including its Everest College campuses in Alhambra, Anaheim,
16 City of Industry, Gardena, Hayward, Los Angeles – Wilshire, Ontario, Ontario Metro, Reseda,
17 San Bernardino, San Francisco, San Jose, Torrance, and West Los Angeles and its Wyotech
18 campus in Long Beach. Corinthian Schools, Inc. is a wholly owned subsidiary of Corinthian
19 Colleges, Inc.

20 13. Defendant Corinthian Schools, Inc., its agents, employees, officers, and others
21 acting on its behalf, as well as subsidiaries, affiliates, and other entities controlled by Defendant
22 Corinthian Schools, Inc., are referred to collectively herein as "Corinthian Schools, Inc."

23 14. Defendant Sequoia Education, Inc., is, and at all times mentioned herein was, a
24 corporation organized and existing under the laws of the State of California. Sequoia Education,
25 Inc.'s principal place of business is in Santa Ana, California, in Orange County. At all times
26 relevant herein, Defendant Sequoia Education, Inc. has transacted and continues to transact
27 business throughout California, including at its Wyotech campus in Fremont. Sequoia Education
28 Inc. is owned by Career Choices Inc.

1 15. Defendant Sequoia Education, Inc., its agents, employees, officers, and others
2 acting on its behalf, as well as subsidiaries, affiliates, and other entities controlled by Defendant
3 Sequoia Education, Inc., are referred to collectively herein as "Sequoia Education, Inc."

4 16. Defendant Career Choices, Inc., is, and at all times mentioned herein was, a
5 Corporation organized and existing under the laws of the State of California. Career Choices,
6 Inc.'s principal place of business is in Santa Ana, California, in Orange County. At all times
7 relevant herein, Defendant Career Choices, Inc. has transacted and continues to transact business
8 throughout California, including through Sequoia Education, Inc., which it owns. Career Choices
9 Inc. is a wholly owned subsidiary of Corinthian Colleges, Inc.

10 17. Defendant Career Choices, Inc., its agents, employees, officers, and others acting
11 on its behalf, as well as subsidiaries, affiliates, and other entities controlled by Defendant Career
12 Choices, Inc., are referred to collectively herein as "Career Choices, Inc."

13 18. Defendant MJB Acquisition Corporation, is, and at all times mentioned herein was,
14 a corporation organized and existing under the laws of Wyoming. MJB Acquisition
15 Corporation's principal place of business is in Santa Ana, California, in Orange County. At all
16 times relevant herein, Defendant MJB Acquisition Corporation has transacted and continues to
17 transact business throughout California, including at its Wyotech campus in West Sacramento.
18 MJB Acquisition Corporation is owned by Titan Schools, Inc.

19 19. Defendant MJB Acquisition Corporation, its agents, employees, officers, and
20 others acting on its behalf, as well as subsidiaries, affiliates, and other entities controlled by
21 Defendant MJB Acquisition Corporation, are referred to collectively herein as "MJB Acquisition
22 Corporation."

23 20. Defendant Titan Schools, Inc., is, and at all times mentioned herein was, a
24 corporation organized and existing under the laws of Delaware. Titan Schools, Inc.'s principal
25 place of business is in Santa Ana, California, in Orange County. At all times relevant herein,
26 Defendant Titan Schools, Inc. has transacted and continues to transact business throughout
27 California, including through MJB Acquisition Corporation, which it owns. Titan Schools, Inc. is
28 a wholly owned subsidiary of Corinthian Colleges, Inc.

1 21. Defendant Titan Schools, Inc., its agents, employees, officers, and others acting on
2 its behalf, as well as subsidiaries, affiliates, and other entities controlled by Defendant Titan
3 Schools, Inc., are referred to collectively herein as "Titan Schools, Inc."

4 22. Defendant Rhodes Colleges, Inc., is, and at all times mentioned herein was, a
5 corporation organized and existing under the laws of Delaware. Rhodes Colleges, Inc.'s principal
6 place of business is in Santa Ana, California in Orange County. At all times relevant herein,
7 Defendant Rhodes Colleges, Inc. has transacted and continues to transact business throughout
8 California, including through its subsidiaries Florida Metropolitan University, Inc. and Everest
9 College Phoenix, Inc. Rhodes Colleges, Inc. is a wholly owned subsidiary of Corinthian Colleges,
10 Inc.

11 23. Defendant Rhodes Colleges, Inc., its agents, employees, officers, and others acting
12 on its behalf, as well as subsidiaries, affiliates, and other entities controlled by Defendant Rhodes
13 Colleges, Inc., are referred to collectively herein as "Rhodes Colleges, Inc."

14 24. Defendant Florida Metropolitan University, Inc., is, and at all times mentioned
15 herein was, a corporation organized and existing under the laws of the State of Florida. Florida
16 Metropolitan University, Inc.'s principal place of business is in Santa Ana, California, in Orange
17 County. At all times relevant herein, Defendant Florida Metropolitan University, Inc. has
18 transacted and continues to transact business throughout California, including through Everest
19 University Online, which it operates as part of institutions it owns with physical locations in
20 Brandon, Pompano Beach and Orlando, Florida. Florida Metropolitan University, Inc., is a
21 wholly owned subsidiary of Rhodes Colleges, Inc.

22 25. Defendant Florida Metropolitan University, Inc., its agents, employees, officers,
23 and others acting on its behalf, as well as subsidiaries, affiliates, and other entities controlled by
24 Defendant Florida Metropolitan University, Inc., are referred to collectively herein as "Florida
25 Metropolitan University, Inc."

26 26. Defendant Everest College Phoenix, Inc., is, and at all times mentioned herein was,
27 a corporation organized and existing under the laws of the State of Arizona. Everest College
28 Phoenix, Inc.'s principal place of business is in Santa Ana, California, in Orange County. At all

1 times relevant herein, Defendant Everest College Phoenix, Inc. has transacted and continues to
2 transact business throughout California, including through its online school, Everest College
3 Phoenix Online, which it operates as part of an institution it owns with physical locations in
4 Phoenix and Mesa, Arizona. Everest College Phoenix, Inc. is owned by Rhodes Colleges, Inc.

5 27. Defendant Everest College Phoenix, Inc., its agents, employees, officers, and
6 others acting on its behalf, as well as subsidiaries, affiliates, and other entities controlled by
7 Defendant Everest College Phoenix, Inc., are referred to collectively herein as "Everest College
8 Phoenix, Inc."

9 28. The true names and capacities, whether individual, corporate, associate or
10 otherwise, of defendants sued herein as Does 1 through 100, inclusive, presently are unknown to
11 the People, who therefore sue these defendants by their fictitious names. The People will seek
12 leave to amend this Complaint to allege the true names of Does 1 through 100 once they have
13 been ascertained. Does 1 through 100 participated in some or all of the acts alleged herein.

14 29. Does 1 through 50, their agents, employees, officers, and others acting on their
15 behalf, as well as subsidiaries, affiliates, and other entities controlled by Does 1 through 50, are
16 referred to collectively herein as "DOE Defendants 1 to 50."

17 30. Does 51 through 100, their agents, employees, officers, and others acting on their
18 behalf, as well as subsidiaries, affiliates, and other entities controlled by Does 51 through 100, are
19 referred to collectively herein as "DOE Defendants 51 to 100."

20 31. Heald, Corinthian Colleges, Inc., Corinthian Schools, Inc.; Sequoia Education, Inc.;
21 Career Choices, Inc.; MJB Acquisition Corporation; Titan Schools, Inc.; Rhodes Colleges, Inc.;
22 Florida Metropolitan University, Inc.; Everest College Phoenix, Inc.; DOE Defendants 1 to 50;
23 and DOE Defendants 51 to 100 are referred to collectively in this Complaint as "CCI," and/or
24 "Defendants."

25 32. Whenever reference is made in this Complaint to any act of "CCI," and/or
26 "Defendants," that allegation shall mean that each Defendant acted individually and jointly with
27 the other Defendants named in that cause of action.

1 33. At all times mentioned herein, each of the Defendants acted as the principal, agent,
2 or representative of each of the other Defendants, and in doing the acts herein alleged, each
3 Defendant was acting within the course and scope of the agency relationship with each of the
4 other Defendants, and with the permission and ratification of each of the other Defendants.

5 34. At all relevant times, Defendants have controlled, directed, formulated, known
6 and/or approved of, and/or agreed to the various acts and practices of each of the Defendants.

7 35. Whenever reference is made in this Complaint to any act of any Defendant or
8 Defendants, the allegation shall mean that the Defendant or Defendants did the acts alleged in this
9 Complaint either personally or through the Defendant's or Defendants' officers, directors,
10 employees, agents and/or representatives acting within the actual or ostensible scope of their
11 authority.

12 36. At all times mentioned herein, each Defendant knew that the other Defendants
13 were engaging in or planned to engage in the violations of law alleged in this Complaint.
14 Knowing that other Defendants were engaging in such unlawful conduct, each Defendant
15 nevertheless facilitated the commission of those unlawful acts. Each Defendant intended to and
16 did encourage, facilitate, or assist in the commission of the unlawful acts alleged in this
17 Complaint, and thereby aided and abetted the other Defendants in the unlawful conduct.

18 37. Each Defendant committed the acts, caused or directed others to commit the acts,
19 or permitted others to commit the acts alleged in this Complaint. Additionally, some or all of the
20 defendants acted as the agents of the other defendants, and all of the Defendants acted within the
21 scope of their agency if acting as an agent of another.

22 38. Each Defendant is a "person" as defined in Business and Professions Code section
23 17201.

24 39. All of the conduct that forms the basis for this Complaint has been undertaken by
25 Defendants by and through their agents, employees, officers, or others acting on their behalf.

26 **JURISDICTION AND VENUE**

27 40. This Court has original jurisdiction over this action pursuant to California
28 Constitution article 6, section 10.

1 41. This Court has jurisdiction over Defendants because each Defendant's principal
2 place of business is in California or each Defendant otherwise intentionally avails itself of the
3 California market so as to render the exercise of jurisdiction over it by the California courts
4 consistent with traditional notions of fair play and substantial justice.

5 42. The violations of law alleged in this Complaint occurred in the City and County of
6 San Francisco and elsewhere throughout California.

7 43. Venue is proper in this Court pursuant to Code of Civil Procedure section 395.5
8 because Heald College, LLC's principal place of business is in the City and County of San
9 Francisco.

10 44. Venue is also proper in this Court pursuant to Code of Civil Procedure section 393,
11 subdivision (a) because violations of law that occurred in the City and County of San Francisco
12 are a "part of the cause" upon which the People seek the recovery of penalties imposed by statute.

13 45. Venue for the People's cause of action against Corinthian Schools, Inc. is proper in
14 San Francisco pursuant to Business and Professions Code sections 17207, subdivision (b) and
15 17535.5, subdivision (b) because, as more particularly alleged herein, violations of the final
16 judgment of the Los Angeles Superior Court in *People v. Corinthian Schools, Inc., et al.* (Super.
17 Ct. L.A. County, 2007, No. BC374999) occurred in the City and County of San Francisco.

18 **DEFENDANTS' REPRESENTATIONS AND BUSINESS PRACTICES**

19 46. CCI operates nationally and regionally accredited schools throughout California
20 and online. The schools include Everest Colleges, Everest University, Everest College Phoenix,
21 Heald Colleges, and Wyotech.

22 **Misrepresenting Job Placement Rates to Students**

23 47. From a date unknown to the People and continuing to the present, CCI's
24 representations and advertisements related to job placement were untrue, misleading, or both. For
25 example, the data in the disclosures published on or about July 1, 2012 for all campuses in
26 California and online campuses does not match or agree with the data in CCI's own database
27 systems and/or in student files. In numerous cases, the placement rate data in CCI's files shows
28 that the placement rate is lower than the advertised rate.

1 48. CCI's marketing studies show that student "[e]nrollment largely hinges on selling
2 affordability & [job] placement." As Bob Bosic, Corinthian Colleges, Inc.'s Executive Vice
3 President of Operations, stated: "Our students come to us primarily to gain skills and find a
4 position that will help them launch a successful career."

5 49. To help sell its programs to prospective students, CCI issues standardized
6 disclosures for each campus related to job placement. The disclosures contain placement rates for
7 each program. The consumer disclosures are published online and provided to students in hard
8 copy as part of the enrollment process.

9 50. The placement rates published by CCI are at times as high as 100 percent, leading
10 prospective students to believe that if they graduate they will get a job. These placement rates are
11 false and not supported by the data. In some cases there is no evidence that a single student in a
12 program obtained a job during the time frame specified in the disclosures.

13 51. These violations are all the more egregious given senior CCI executives' firsthand
14 knowledge of the misconduct. More specifically, CCI management knew that CCI had a
15 placement compliance problem:

16 (a) On or about September 23, 2011, CCI's CEO, Jack Massimino, e-mailed a
17 presentation that was to be read by the ELT [Executive Leadership Team] in
18 advance of an offsite meeting. One of the slides stated: "We have a placement
19 compliance problem now."

20 (b) On or about December 7, 2011, the Accrediting Commission of Career
21 Schools and Colleges (ACCSC) sent a letter to the Campus President of Everest
22 College Hayward noting that "39 of the 167 [medical assistant] students reported
23 as employed in field were employed by the same agency, Select Staffing" and that
24 the documentation provided by Everest "did not clearly demonstrate that the
25 employment at Select Staffing constitutes sustainable employment in a related
26 field." In response, Everest College Hayward admitted that the positions were
27 health screening fair positions but stated that the positions were valid placements.

1 On or about June 6, 2012, ACCSC sent a follow-up letter to the Campus President,
2 noting that “the majority of placements with Select Staffing resulted in two days of
3 employment and did not clearly demonstrate that the employment at Select
4 Staffing constitutes ‘sustainable’ employment for a reasonable period of time in a
5 field related to the graduate’s educational program.”

6 (c) On or about February 10, 2012, CCI’s Western Division President,
7 Nicole Carnagey, e-mailed the Executive Vice President of Operations, Bob Botic,
8 to tell him that in 2011 Everest College Hayward and Everest College San
9 Francisco paid a temporary agency, Remedy Temp, “to place students to meet the
10 accreditation deadline and minimum placement %.” Botic responded, asking her
11 to find the answers to numerous questions regarding the placements and noted
12 “This is the [expletive omitted] that got [Everest College] Decatur in trouble and
13 the types of questions that need answering.”

14 (d) On or about March 20, 2012, An Everest College San Francisco internal
15 audit showing that 53 percent of student placement files reviewed were missing
16 employment verification forms was emailed to the CEO, Jack Massimino, and
17 other senior executives.

18 (e) On or about April 13, 2012, an Everest Online internal audit presentation
19 emailed to David Poldoian, Executive Vice President of Corinthian Colleges,
20 Inc.’s Online Learning Division, showed a placement file error rate of 53.6 percent
21 to 70.6 percent.

22 (f) On or about April 27, 2012, CCI’s Executive Vice President of
23 Operations, Bob Botic e-mailed all division presidents and stated “the placement
24 verification issues we discussed Monday were shared over the last two days and
25 were not well received. We will discuss Monday, but together we’ll need to
26 demonstrate improvement. I will be interested in your thoughts on how we can
27 tighten this up so future audits reflect greater accuracy and completion of
28 documents.”

1 (g) On or about May 12, 2012, CCI's Executive Vice President of Operations,
2 Bob Botic, e-mailed the Chief Administrative Officer Ken Ord and Carmella
3 Cassetta, Senior Vice President and President, Online Learning a copy of a
4 presentation regarding placements which stated "No current guidelines and
5 training to define a placement - mistakes are repeated constantly because no clear
6 definition of a placement exists;" and "inconsistent processes on what passes as in-
7 field or related [placement]."

8 (h) On or about May 18, 2012, CCI's Western Division President, Nicole
9 Carnagey and Executive Vice President of Operations, Bob Botic exchanged e-
10 mails regarding the Renton, Washington Everest campus's failure of an internal
11 audit due to backdating of signatures on placement files. The e-mails discussed
12 how Everest College Gardena (in California) "almost got hit" as well and saying
13 that "If the current RVPO [Regional Vice President of Operations] was there she
14 would have been in a world of [expletive omitted]." The Executive Vice President,
15 Bob Botic also told the Western Division President, Nicole Carnagey that "you
16 are correct that all the other campuses in yours and other divisions that made it
17 through [verification audits] this time are lucky."

18 (i) On or about June 14, 2012, CCI's Executive Vice President of Operations,
19 Bob Botic, e-mailed the CEO, Jack Massimino, regarding the findings of an
20 internal review of placement procedures and stated that the review found that there
21 was a "Lack of workable definitions for a Placement" and that the lack of specific
22 definitions resulted "in subjective decisions at all levels;" that there "is no
23 consistent process for Placement (or other areas of Career Services) and lack of
24 SOP's [Standard Operating Procedures];" that there "is generally no training at the
25 process level for Placement (since there is no standard process);" and that
26 "Campus Vue [CCI's data management system] is not fully utilized [which]
27 [l]eads to poor data or lack of data availability as well as duplication of data across
28 forms and the Placement Verification system."

1 (j) On or about July 13, 2012, CCI's Vice President of Compliance, Michelle
2 Reed e-mailed Beth Wilson, Executive Vice President, regarding results of a
3 review of Wyotech Long Beach self-employment placements. The review showed
4 that the files for 28 of 74 such placements had missing documents, or included
5 Craigslist ads that purported to be from the students in question, but that had in
6 fact been created by CCI. An additional 15 files were suspicious. Despite these
7 known irregularities, as of 8/12/2013, the Long Beach disclosures (published on
8 7/1/2012) had not been amended to take into account the audit's findings.

9 (k) On or about July 16, 2012, CCI's Assistant Vice President of Student
10 Outcomes e-mailed Division Presidents regarding Career Services Operating
11 Procedures, with a copy to the Executive Vice President of Operations. The
12 emails stated that, **"[o]ver the past year, several campuses have had challenges**
13 **providing adequate documentation for placements and waivers** [emphasis in
14 original]. Issues that have surfaced during audits and Employment Verification
15 reviews are missing key fields such as signatures, inconsistencies with
16 CampusVue / other backup and in some cases, documentation that was never
17 procured or cannot be found."

18 (l) On or about August 28, 2012, the results of a third-party audit conducted
19 by Hyper Core solutions on behalf of an accreditor, ACCSC, were e-mailed to
20 CCI's Executive Vice President and Chief Academic Officer. The review, which
21 examined a random sample of 330 student records showed substantial issues at
22 each CCI campus examined (Everest campuses including West Los Angeles, City
23 of Industry and Reseda). In particular, the review found that 30 percent of the
24 placements could not be verified and that there were no records to substantiate a
25 further 9 percent of the placements. At Everest College West Los Angeles, only
26 30 percent of criminal justice program placements could be verified and 20 percent
27 were identified as no record found. At the same campus, only 36 percent of dental
28

1 assistant program placements could be verified and 55 percent were identified as
2 no record found.

3 52. The consumer disclosures provided to students by CCI and published online are
4 misleading and/or false for the reasons articulated above, including but not limited to the fact that
5 (a) the data in the system used to generate them do not support them; (b) the paper files do not
6 meet accreditor standards; and (c) CCI managers knew that the placement numbers were
7 unreliable and unsubstantiated and failed to publicly amend or qualify them.

8 **Misrepresenting Job Placement Rates to Investors**

9 53. From a date unknown to the People and continuing to the present, Corinthian
10 Colleges, Inc. made representations to investors related to job placement that were false and/or
11 materially misleading when made. Such representations include but are not limited to the
12 following:

13 (a) On or about August 24, 2012, Corinthian Colleges, Inc. stated in its
14 Annual Report (Form 10-K) that: "Our colleges endeavor to obtain information
15 regarding their students' employment following graduation. The reliability of that
16 information depends, to a large extent, on the completeness and accuracy of the
17 data provided to our colleges by graduates and their employers. Additionally, a
18 dedicated team at the campus support center conducts a verification process to
19 check the accuracy of the placement information gathered by our campuses.
20 Based on information received from these groups of people, we believe that
21 approximately 68.1% of our graduates in calendar year 2011 who were available
22 for placement have been placed in a job for which they were trained by June 30,
23 2012, using accrediting agency standards."

24 (b) On or about August 20, 2012 and October 31, 2012, Corinthian Colleges,
25 Inc.'s CEO used a version of a presentation with investors that stated "CY
26 [Calendar Year] 11 placement 68.1% vs. 67.6% in CY 10."
27
28

1 (c) On or about January 24, 2013, Corinthian Colleges, Inc. incorporated its
2 Annual Report (and the 68.1 percent job placement number) into a Registration
3 Statement (Form S-8) for its Employee Stock Purchase Plan.

4 (d) On or about January 31, 2013, March 11, 2013 and April 30, 2013,
5 Corinthian Colleges, Inc.'s CEO made a presentation to investors that 33,316 of
6 48,930 eligible graduates in the 2011 graduation cohort were "placed in field."

7 (e) On or about January 31, 2013, Corinthian Colleges, Inc.'s CEO stated in a
8 call with investors that: "In the area of placement, we continue to achieve solid
9 results for the 2012 cohort graduates. We currently expect our calendar 2012
10 placement rate to meet or slightly exceed our placement rate in calendar 2011,
11 which was 68.1%."

12 (f) On or about March 11, 2013, Corinthian Colleges, Inc.'s CEO stated:
13 "This is just a quick slide on information we've given you over the years around
14 graduation and placement. And one of the things we're pretty proud of is in a
15 pretty difficult time, we have done a pretty remarkable job in terms of placement.
16 We have over 800 placement people in our organization today helping our students
17 get jobs in the areas we trained them for. We're very tight on our definitions. And
18 so if you're a medical assistant, for example, with us and you get a job at a doctor's
19 or the hospital, those count. If you get a job as an aide in a nursing home, that
20 does not count even though you're making \$10 to \$12 an hour. So we're very tight
21 on our definitions around what is and what isn't included in our placements. We've
22 been averaging over the course of this very difficult time up to around 68%, 69%,
23 and we're about there again this year."

24 54. The statements concerning the 2011 graduation cohort were false when made and
25 CCI senior executives knew they were false. In fact, CCI's own data and files suggest that the
26 actual rate is much lower and has been subject to manipulations and assumptions not disclosed to
27 investors, included but not limited to:

1 (a) On or about July 31, 2012, Beth Wilson Executive Vice President of CCI
2 instructed her team to exclude 2011 graduates from what she deemed "Closed
3 Schools" including Fife, Washington, Chicago, Illinois, Ft. Lauderdale, Florida,
4 Decatur, Georgia and Arlington, Texas from the calculation to bring the placement
5 rate higher. This adjustment was not disclosed to investors.

6 (b) The data used by CCI to generate the placement rate included a substantial
7 number of placements that occurred outside the time frame specified by the
8 disclosures.

9 (c) The data used by CCI to generate the placement rate included a substantial
10 number of double-counted placements.

11 (d) On or about November 16, 2012 (nearly three months after the disclosure
12 of the 68.1 percent placement rate in the annual report), Michelle Reed, Vice
13 President of Compliance, emailed a spreadsheet showing that a substantial number
14 of placements and waivers for the 2011 graduation cohort had still not been
15 verified.

16 55. Corinthian Colleges, Inc.'s CEO and/or senior management were, at all relevant
17 times, aware of the falsity, inaccuracy, and unreliability of job placement data and the statements
18 they made concerning the data, yet they did not disclose that fact to consumers or investors, or
19 take any action to make consumer disclosures and statements to investors accurate.

20 56. Written illustrations of this knowledge include, but are not limited to, the
21 allegations set forth in Paragraph 51 above. They demonstrate that Corinthian Colleges, Inc.'s
22 CEO and/or senior management knew all of the following at the time the placement
23 representations concerning the 2011 graduates were made to investors: (1) CCI had a placement
24 compliance problem; (2) two CCI schools paid temporary agencies to employ graduates; (3)
25 audits at CCI programs showed that over half of the placement files were missing; (4) there were
26 company-wide placement verification issues, including a lack of any definitions or standard
27 procedures; (5) placement files at one CCI campus were backdated; (6) self-employment files
28 were being fabricated at one CCI campus; (7) campuses were not providing adequate or accurate

documentation; and (8) a third-party review ordered by ACCSC of 330 randomly selected files found that 39 percent of placements could not be verified.

57. Despite senior management's knowledge that the statements they made in securities filings and to investors were false and/or materially misleading, none of the false representations were amended and/or restated by Corinthian Colleges, Inc. Instead, as alleged herein, senior management continued to repeat and reinforce the false representations and make new ones. For example, CCI's CEO's knowingly false statement that CCI was "tight" on its definitions of what constitutes a placement.

58. The misstatements concerning the placement rate are material to investors because a reasonable investor would consider the rate important in reaching an investment decision. For example, CCI's CEO considers the job placement rate to be "the most important metric in the company." It is material to investors for several reasons related directly to Corinthian Colleges, Inc.'s ability to access government funds and enroll students;

(a) *First*, as discussed above, placement drives enrollment. The company-wide graduate placement rate is an important measure of its ability to attract and enroll new students. A poor or unmarketable placement rate therefore leads to fewer enrollments and less revenue.

(b) *Second*, the majority of CCI's campuses are accredited by the Accrediting Commission of Career Schools and Colleges (ACCSC) and/or the Accrediting Council for Independent Colleges and Schools (ACICS). Both accreditors require schools to meet minimum placement rates by school and by program. The ACCSC "Established Benchmark Employment Rate" is 70 percent and the ACICS standard is 65 percent. Where CCI's job placement rate as a company falls relative to the 65 and 70 percent requirements set by ACCSC and ACICS is therefore indicative of CCI's ability to keep its campuses accredited and, relatedly, its ability to access federal funds.

(c) *Third*, if graduates cannot find work, they are likely to default on their loans, including subprime loans for which CCI bears the risk of default. The job

1 placement rate is also important to the cohort default rate (CDR), a measure used
2 by the Federal Department of Education and the California Student Aid
3 Commission. For example, in California schools must keep their CDR rate below
4 15.5 percent to draw Cal Grant funds.

5 (d) *Fourth*, CCI faces a substantial risk that its access to federal funds, which
6 account for almost all of its revenue, will be tied to how well its graduates perform
7 in the job market. Specifically, the Federal Department of Education recently
8 announced the establishment of a negotiated rulemaking committee to establish
9 gainful employment regulations which will govern CCI's access to federal funds.

10 59. Moreover, CCI's strategy is to close or sell campuses that are not meeting
11 placement outcomes. This strategy is reflected in a May 5, 2012 e-mail exchange between the
12 Executive Vice President of Operations, Bob Bosic, and the Division President of Wyotech
13 Michael Stiglich, referring to job placement metrics. Securities analyst reports concerning CCI
14 demonstrate that the market is aware of and concerned about CCI's strategy of closing
15 underperforming schools.

16 **Advertising for Programs that CCI Does Not Offer**

17 60. Heald, Corinthian Schools, Inc., and Corinthian Colleges, Inc. do not offer
18 ultrasound technician programs, x-ray technician programs, radiology technician programs or
19 dialysis technician programs in California.

20 61. Despite this fact, from a date unknown to the People and continuing to the present,
21 Heald, Corinthian Schools, Inc., and Corinthian Colleges, Inc. have nevertheless run millions of
22 online and mobile ads stating that they do offer ultrasound technician, x-ray technician, radiology
23 technician or dialysis technician programs, certificates, diplomas, or degrees at their California
24 campuses. Illustrative examples are attached as Exhibit A hereto.

25 62. Consumers are routinely tricked by these ads into entering their information to be
26 contacted by Heald, Corinthian Schools, Inc., and Corinthian Colleges, Inc. on the internet or
27 into contacting Heald, Corinthian Schools, Inc., and Corinthian Colleges, Inc. directly.

1 63. In some cases, a Heald, Corinthian Schools, Inc., or Corinthian Colleges, Inc.
2 representative convinces the consumer to visit the campus without ever disclosing that the
3 program is not offered, while in other cases the Heald, Corinthian Schools, Inc., and Corinthian
4 Colleges, Inc. representative pressures the prospective student into considering a different
5 program that is offered by Corinthian Colleges, Inc.

6 64. The fact that these false ads mislead students is known by Heald, Corinthian
7 Schools, Inc., and Corinthian Colleges, Inc. Call center employees who try to tell prospective
8 students the truth are disciplined by CCI managers.

9 **Unlawfully Using Military Seals In Advertising**

10 65. From a date unknown to the People and continuing to the present, Heald and
11 Corinthian Colleges, Inc. included the official seals of the United States Department of the Army,
12 the United States Department of the Navy, the United States Department of the Air Force, the
13 United States Marine Corps, and the United States Coast Guard in mailings, electronic messages,
14 and Internet Web sites to solicit information, or to solicit the purchase of or payment for a product
15 or service.

16 66. The seals and related content were used in a manner that reasonably could be
17 interpreted or construed as implying federal government connection, approval, or endorsement.

18 67. For example, the seals were prominently displayed on Healdmilitary.com until
19 recently and they continue to be prominently displayed in online ads run by Heald, an example of
20 which is attached hereto as Exhibit B.

21 68. Heald and Corinthian Colleges, Inc. have no expressed connection with or
22 approval by the United States Department of the Army, the United States Department of the Navy,
23 the United States Department of the Air Force, the United States Marine Corps and the United
24 States Coast Guard.

25 69. Heald and Corinthian Colleges, Inc. have never included the statutory disclaimers
26 indicated by Business & Professions Code section 17533.6 on any mailings, electronic messages,
27 and internet websites containing the seals of the United States Department of the Army, the
28

1 United States Department of the Navy, the United States Department of the Air Force, the United
2 States Marine Corps, or the United States Coast Guard.

3 **Inserting Unlawful Clauses into Enrollment Agreements**

4 70. CCI enrollment agreements contain language that violates Civil Code section 1770,
5 subdivision a, paragraph 14, because they purports to confer rights and remedies on CCI that are
6 expressly prohibited by law. The agreements contain clauses that are substantially identical to the
7 following language:

8 GENERAL RELEASE OF CLAIMS. I hereby release and hold
9 this School harmless from and against any and all claims of any
10 kind whatsoever, including allegations related to needle sticks,
11 allied health and automotive practice and techniques, slips and falls
12 and quality of equipment and instruction, (collectively, "Claims"),
13 against the School (including its present and former parent
14 companies, insurers, representatives and all persons acting by or
15 through them), which I may have for any reason arising out of or
16 relating to my education. I am aware of the risks involved with my
17 education and knowingly assume those risks following my
18 investigation into possible injuries and the nature and quality of my
19 education. I further agree that if I bring any Claim against the
20 School, I shall reimburse the School for its attorney's fees and costs
21 incurred as a result thereof. I may opt out of this general release of
22 Claims provision by delivering a written statement to that effect
23 received by the School within 30 days of my first execution of an
24 Enrollment Agreement with the School.

25 71. Because the clause claims that CCI is exempt from responsibility from "any and
26 all claims of any kind whatsoever" and therefore from its "own fraud, or willful injury to the
27 person or property of another, or violation of law, whether willful or negligent," it is per se
28 invalid under Civil Code section 1668.

1 72. Nevertheless, in violation of Civil Code section 1770, subdivision (a), CCI
2 continues to use the invalid clause to unlawfully represent that it has rights that it does not have
3 (e.g., the right to fees if sued), and/or that students have obligations they do not have (e.g., the
4 obligation to refrain from suing CCI under all circumstances).

5 **FIRST CAUSE OF ACTION AGAINST ALL DEFENDANTS**

6 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500**

7 **(UNTRUE OR MISLEADING REPRESENTATIONS)**

8 73. The People reallege all paragraphs set forth above and incorporate them by
9 reference as though they were fully set forth in this cause of action.

10 74. From a date unknown to the People and continuing to the present, Defendants, and
11 each of them, have engaged in and continue to engage in, aided and abetted and continue to aid
12 and abet, and conspired to and continue to conspire to engage in acts or practices that constitute
13 violations of Business and Professions Code section 17500 et seq., by making or causing to be
14 made untrue or misleading statements with the intent to induce members of the public to purchase
15 Defendants' services, as described in Paragraphs 47 to 52 and 60 to 69. Defendants' untrue or
16 misleading representations include, but are not limited to, the following:

17 (a) Defendants' statements regarding job placement rates, including but not
18 limited to their published job placement disclosures that were posted online and provided to
19 students during the enrollment process;

20 (b) Heald's, Corinthian Schools, Inc.'s, and Corinthian Colleges, Inc.'s
21 advertisements for programs, certificates, diplomas, or degrees they do not offer in California;

22 (c) Heald's and Corinthian Colleges, Inc.'s unlawful use of United States
23 government seals in advertisements.

24 75. At the time the representations set forth in Paragraph 74 were made, Defendants
25 knew or by the exercise of reasonable care should have known that the representations were
26 untrue or misleading.

SECOND CAUSE OF ACTION AGAINST ALL DEFENDANTS
VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200
(UNFAIR COMPETITION)

76. The People reallege all paragraphs set forth above and incorporate them by reference as though they were fully set forth in this cause of action.

77. Defendants, and each of them, have engaged in and continue to engage in, have aided and abetted and continue to aid and abet, and have conspired to and continue to conspire to engage in business acts or practices that constitute unfair competition as defined in the Unfair Competition Law, Business and Professions Code section 17200 *et seq.*, in that such business acts and practices are unlawful, unfair, and fraudulent within the meaning of that statute.

78. The business acts and practices engaged in by Defendants that violate the Unfair Competition Law include:

(a) As to all Defendants, publishing and/or providing students with untrue, misleading, unreliable, and/or inaccurate job placement rate information.

(b) As to Heald, Corinthian Schools, Inc. and Corinthian Colleges, Inc., running ads for programs, certificates, diplomas, or degrees they do not offer in California.

(c) As to Heald, Corinthian Schools, Inc. and Corinthian Colleges, Inc., failing to disclose to students on the phone that Defendants do not offer certain programs, certificates, diplomas, or degrees in California.

(d) As to Heald and Corinthian Colleges, Inc., unlawfully using official United States government seals to imply a connection to, approval by, or endorsement by the United States Department of the Army, the United States Department of the Navy, the United States Department of the Air Force, the United States Marine Corps, and the United States Coast Guard, when Heald and Corinthian Colleges, Inc. have no such endorsement.

(e) As to Corinthian Colleges, Inc., making untrue statements of material fact related to job placement rates and related information to investors.

1 (f) As to Corinthian Colleges, Inc., omitting material facts from statements to
2 investors related to job placement rates.

3 (g) As to all Defendants, including clauses in enrollment agreements that
4 falsely state that Defendants are immune from liability from any and all claims of
5 any kind whatsoever.

6 79. These business acts and practices are unlawful because they violate laws including.

7 (a) Business and Professions Code section 17500, as more particularly
8 alleged in Paragraphs 47 to 52, 60 to 69, and 73 to 75.

9 (b) Corporations Code section 25400, subdivision (d), as more particularly
10 alleged in Paragraphs 53 to 59 and 91 to 100.

11 (c) Corporations Code section 25401, as more particularly alleged in
12 Paragraphs 53 to 59 and 82 to 90.

13 (d) Business and Professions Code section 17533.6, as more particularly
14 alleged in Paragraphs 65 to 69.

15 (e) Civil Code section 1770, subdivision (a), paragraph 2, as more particularly
16 alleged in Paragraphs 60 to 69.

17 (f) Civil Code section 1770, subdivision (a), paragraph 3, as more particularly
18 alleged in Paragraphs 65 to 69.

19 (g) Civil Code section 1770, subdivision (a), paragraph 9, as more particularly
20 alleged in Paragraphs 60 to 64.

21 (h) Civil Code section 1770, subdivision (a), paragraph 14, as more
22 particularly alleged in Paragraphs 70 to 72.

23 80. These business acts and practices are unfair in that Defendants have:

24 (a) caused students to pay tens of thousands of dollars, undertake huge credit
25 obligations, and/or spend years of their lives in educational programs because they
26 hoped to get a job and believed they would get a job based on Defendants' untrue
27 and misleading representations;

- 1 (b) in the case of Heald, Corinthian Schools, Inc. and Corinthian Colleges,
2 Inc., caused consumers to call them, visit their campuses, and/or enroll at one of
3 their schools by misleading them into believing they offer programs, certificates,
4 diplomas, or degrees they do not offer;
- 5 (c) in the case of Heald and Corinthian Colleges, Inc., caused consumers,
6 including service members and veterans, to call them, visit their campuses, enroll
7 at one of their schools, and/or use federal benefits they accrued through service to
8 their country under the false pretense that they have a connection with, approval of,
9 or endorsement of the United States Department of the Army, the United States
10 Department of the Navy, the United States Department of the Air Force, the
11 United States Marine Corps, and/or the United States Coast Guard;
- 12 (d) included clauses in enrollment agreements that falsely stated that they are
13 immune from liability from any and all claims of any kind whatsoever, and
14 thereby dissuading students with valid legal claims from taking legal action;
- 15 (e) engaged in conduct that is immoral, unethical, oppressive, unscrupulous,
16 and/or substantially injurious to consumers.

17 81. These business acts and practices are fraudulent in that Defendants' untrue and
18 misleading representations regarding their: job placement rates; ads for programs, certificates,
19 diplomas, or degrees they do not offer; unauthorized use of official United States government
20 seals; and use of enrollment agreements that falsely state that Defendants are immune from
21 liability, and are likely to deceive the public.

22 **THIRD CAUSE OF ACTION AGAINST**
23 **CORINTHIAN COLLEGES, INC. AND DOE DEFENDANTS 1 TO 50**
24 **VIOLATION OF CORPORATIONS CODE SECTION 25401**
25 **(SECURITIES FRAUD)**

26 82. The People reallege all paragraphs set forth above and incorporate them by
27 reference as though they were fully set forth in this cause of action.

1 83. Pursuant to Corporations Code section 25401, it is “ unlawful for any person to
2 offer or sell a security in this state or buy or offer to buy a security in this state by means of any
3 written or oral communication which includes an untrue statement of a material fact or omits to
4 state a material fact necessary in order to make the statements made, in the light of the
5 circumstances under which they were made, not misleading.”

6 84. Corinthian Colleges, Inc. and DOE Defendants 1 to 50 offered for sale and sold
7 Corinthian Colleges, Inc.’s common stock, which is traded on the Nasdaq National Market
8 System, to investors in California.

9 85. Corinthian Colleges, Inc. and DOE Defendants 1 to 50 offered for sale and sold
10 Corinthian Colleges, Inc.’s common stock to employees in California and to employees of its
11 subsidiaries in California via an employee stock purchase program. On or about February 1, 2013,
12 Corinthian Colleges, Inc. filed a Registration Statement (Form S-8) with the Securities and
13 Exchange Commission for the plan.

14 86. Corinthian Colleges, Inc.’s common stock qualifies as a security as defined in
15 Corporations Code section 25019.

16 87. Corinthian Colleges, Inc. qualifies as an issuer under Corporations Code sections
17 25010 and as a person under Corporations Code section 25013.

18 88. Corinthian Colleges, Inc.’s and DOE Defendants 1 to 50’s misrepresentations were
19 made in connection with the offer and sale of securities within the meaning of Corporations Code
20 section 25017.

21 89. Corinthian Colleges, Inc.’s and DOE Defendants 1 to 50’s misrepresentations took
22 place within the State of California within the meaning of Corporations Code section 25008.

23 90. In offering for sale and/or selling its common stock, Corinthian Colleges, Inc. and
24 DOE Defendants 1 to 50 misrepresented the job placement rate of its graduates; the methodology
25 it used to calculate the job placement rate of its graduates; the number of graduates it placed; the
26 number of eligible graduates; the reliability of its placement and placement verification process;
27 the stringency of its definitions regarding job placements; its compliance with accreditor
28 mandated policies; and its compliance with its own policies. Corinthian Colleges, Inc. and DOE

1 Defendants 1 to 50 violated Corporations Code section 25401 because these statements were
2 untrue and misleading by virtue of the omission of material facts, including without limitation,
3 those set forth in paragraphs 51 and 54 to 59, above.

4 **FOURTH CAUSE OF ACTION AGAINST**
5 **CORINTHIAN COLLEGES, INC. AND DOE DEFENDANTS 1 TO 50**
6 **VIOLATION OF CORPORATIONS CODE SECTION 25400, SUBDIVISION (D)**
7 **(SECURITIES FRAUD)**

8 91. The People reallege all paragraphs set forth above and incorporate them by
9 reference as though they were fully set forth in this cause of action.

10 92. Pursuant to Corporations Code section 25400, subdivision (d), it is "It is unlawful
11 for any person, directly or indirectly, in this state . . . If such person is a broker-dealer *or other*
12 *person* selling or offering for sale or purchasing or offering to purchase the security, to make, for
13 the purpose of inducing the purchase or sale of such security by others, any statement which was,
14 at the time and in the light of the circumstances under which it was made, false or misleading
15 with respect to any material fact, or which omitted to state any material fact necessary in order to
16 make the statements made, in the light of the circumstances under which they were made, not
17 misleading, and which he knew or had reasonable ground to believe was so false or misleading."

18 93. Corinthian Colleges, Inc. and DOE Defendants DOE Defendants 1 to 50 offered
19 for sale, sold, and/or induced the purchase or sale of Corinthian Colleges, Inc.'s common stock by
20 others, which is traded on the Nasdaq National Market System, to investors in California.

21 94. Corinthian Colleges, Inc. and DOE Defendants 1 to 50 offered for sale, sold,
22 and/or induced the purchase or sale of Corinthian Colleges, Inc.'s common stock by its
23 employees in California and to employees of its subsidiaries in California via an Employee Stock
24 Purchase Plan. On or about February 1, 2013, Corinthian Colleges, Inc. filed a Registration
25 Statement (Form S-8) with the Securities and Exchange Commission for the plan

26 95. Corinthian Colleges, Inc.'s common stock qualifies as a security as defined in
27 Corporations Code section 25019.

1 96. Corinthian Colleges, Inc. qualifies as an issuer under Corporations Code sections
2 25010 and as a person under Corporations Code section 25013.

3 97. Corinthian Colleges, Inc.'s and DOE Defendants 1 to 50's misrepresentations were
4 made in connection with the offer and sale of securities within the meaning of Corporations Code
5 section 25017.

6 98. Corinthian Colleges, Inc.'s and DOE Defendants 1 to 50's misrepresentations took
7 place within the State of California within the meaning of Corporations Code section 25008.

8 99. In offering for sale, selling, or inducing the purchase and/or sale of its common
9 stock by others, Corinthian Colleges, Inc. and DOE Defendants 1 to 50 misrepresented the job
10 placement rate of its graduates; the methodology it used to calculate the job placement rate of its
11 graduates; the number of graduates it placed; the number of eligible graduates; the reliability of
12 its placement and placement verification process; the stringency of its definitions regarding job
13 placements; its compliance with accreditor mandated policies; and its compliance with its own
14 policies. Corinthian Colleges, Inc. and DOE Defendants 1 to 50 violated Corporations Code
15 section 25400, subdivision (d) because these statements were untrue and misleading by virtue of
16 the omission of material facts, including without limitation, those set forth in paragraphs 51 and
17 54 to 59, above.

18 100. At the time it made the misrepresentations set forth in paragraphs 53 and 99, above,
19 Corinthian Colleges, Inc. and DOE Defendants 1 to 50 knew or had reasonable ground to believe
20 the representations were false and/or misleading as set forth in more detail in paragraphs 51 and
21 54 to 59, above.

22 **FIFTH CAUSE OF ACTION AGAINST**
23 **CORINTHIAN SCHOOLS, INC. AND DOE DEFENDANTS 51 TO 100**
24 **VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17207**
25 **(VIOLATING INJUNCTION)**

26 101. The People reallege all paragraphs set forth above and incorporate them by
27 reference as though they were fully set forth in this cause of action.

1 102. On July 31, 2007, the Los Angeles Superior Court in *People v. Corinthian Schools,*
2 *Inc., et al.* (Super. Ct. L.A. County, 2007, No. BC374999), entered a final judgment permanently
3 enjoining and restricting Corinthian Schools, Inc. and Titan Schools, Inc., their predecessors,
4 agents, employees, officers, directors, representatives, successors, partners, assigns and any and
5 all persons acting in concert or participating with Corinthian Schools, Inc. (with the exception of
6 Wyotech campuses) from engaging in or performing, directly or indirectly, certain statements and
7 activities related to advertising and student enrollment, including but not limited to the following:

8 (a) Paragraph 7, subdivision (A) prohibits making or causing to be made any
9 “statement related to Defendants’ own students’ employment or salaries that is not
10 substantiated by Defendants’ records” or “any statement based on information in
11 Defendants’ records that Defendants know or should know is inaccurate”;

12 (b) Paragraph 7, subdivision (D) prohibits making or causing to be made any
13 “untrue, misleading or deceptive statement” in connection with any matter relating
14 to the offer of any program of instruction;

15 (c) Paragraph 8, subdivision (A) prohibits “making or causing to be made any
16 statement regarding any student whom Defendants’ records state is self-employed
17 unless Defendants possess documents evidencing the student’s self-employment.”

18 The final judgment was issued, in part, pursuant to Business and Professions Code section 17203.

19 103. Corinthian Schools, Inc. and DOE Defendants 51 to 100 intentionally violated the
20 final judgment in the following manner:

21 (a) Publishing and/or providing students with untrue, misleading, unreliable,
22 unsubstantiated, and/or inaccurate job placement rate information, as more fully alleged in
23 Paragraphs 47 to 52, and including without limitation: (i) publishing and/or providing students
24 with job placement data for its Hayward and San Francisco campuses without notifying them that
25 it had paid a temporary agency to place students to meet accreditation deadlines; (ii) publishing
26 and/or providing students with job placement data for medical assistant programs for its Hayward
27 campus without notifying them that a substantial percentage of the placements were to health
28 screening fairs, the majority of which resulted in two days of employment and were not

1 sustainable; and (iii) failing at the Reseda, West Los Angeles, and City of Industry campuses to
2 maintain documents sufficient to substantiate employment of its graduates at those campuses.

3 (b) Running ads for programs, certificates, diplomas, or degrees they do not
4 offer, including but not limited to ultrasound technician, x-ray technician, radiology technician, or
5 dialysis technician programs, certificates, diplomas, or degrees in California, as more fully
6 alleged in Paragraphs 60 to 64.

7 (c) Failing to disclose to students on the phone that Defendants do not offer
8 certain programs, certificates, diplomas, or degrees, including but not limited to ultrasound
9 technician, x-ray technician, radiology technician, or dialysis technician programs, certificates,
10 diplomas, or degrees in California, as more fully alleged in Paragraph 63.

11 104. Violations of the final judgment constitute intentional violation of an injunction
12 within the meaning of Business and Professions Code section 17207.

13 **SIXTH CAUSE OF ACTION AGAINST**
14 **CORINTHIAN SCHOOLS, INC. AND DOE DEFENDANTS 51 TO 100**
15 **VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17535.5**
16 **(VIOLATING INJUNCTION)**

17 105. The People reallege all paragraphs set forth above and incorporate them by
18 reference as though they were fully set forth in this cause of action.

19 106. On July 31, 2007, the Los Angeles Superior Court in *People v. Corinthian Schools,*
20 *Inc., et al.* (Super. Ct. L.A. County, 2007, No. BC374999) entered a final judgment permanently
21 enjoining and restricting Corinthian Schools, Inc. and Titan Schools, Inc. their predecessors,
22 agents, employees, officers, directors, representatives, successors, partners, assigns and any and
23 all persons acting in concert or participating with Corinthian Schools, Inc. (with the exception of
24 Wyotech campuses) from engaging in or performing, directly or indirectly, certain statements and
25 activities related to advertising and student enrollment, including but not limited to the following:

26 (a) Paragraph 7, subdivision (A) prohibits making or causing to be made any
27 “statement related to Defendants’ own students’ employment or salaries that is not
28

1 substantiated by Defendants' records" or "any statement based on information in
2 Defendants' records that Defendants know or should know is inaccurate";

3 (b) Paragraph 7, subdivision (D) prohibits making or causing to be made any
4 "untrue, misleading or deceptive statement" in connection with any matter relating
5 to the offer of any program of instruction;

6 (c) Paragraph 8, subdivision (A) prohibits "making or causing to be made any
7 statement regarding any student whom Defendants' records state is self-employed
8 unless Defendants possess documents evidencing the student's self-employment."

9 The final judgment was issued, in part, pursuant to Business and Professions Code section 17535.

10 107. Corinthian Schools, Inc. and DOE Defendants 51 to 100 intentionally violated the
11 final judgment in the following manner:

12 (a) Publishing and/or providing students with untrue, misleading, unreliable,
13 unsubstantiated, and/or inaccurate job placement rate information, as more fully alleged in
14 Paragraphs 47 to 52, and including without limitation: (i) publishing and/or providing students
15 with job placement data for its Hayward and San Francisco campuses without notifying them that
16 it had paid a temporary agency to place students to meet accreditation deadlines; (ii) publishing
17 and/or providing students with job placement data for medical assistant programs for its Hayward
18 campus without notifying them that a substantial percentage of the placements were to health
19 screening fairs, the majority of which resulted in two days of employment and were not
20 sustainable; and (iii) failing at the Reseda, West Los Angeles, and City of Industry campuses to
21 maintain documents sufficient to substantiate employment of its graduates at those campuses.

22 (b) Running ads for programs, certificates, diplomas, or degrees they do not
23 offer, including but not limited to ultrasound technician, x-ray technician, radiology technician, or
24 dialysis technician programs, certificates, diplomas, or degrees in California, as more fully
25 alleged in Paragraphs 60 to 64.

26 (c) Failing to disclose to students on the phone that Defendants do not offer
27 certain programs, certificates, diplomas, or degrees, including but not limited to ultrasound
28

1 technician, x-ray technician, radiology technician, or dialysis technician programs, certificates,
2 diplomas, or degrees in California, as more fully alleged in Paragraph 63.

3 108. Violations of the final judgment constitute intentional violation of an injunction
4 within the meaning of Business and Professions Code section 17535.5.

5 **PRAYER FOR RELIEF**

6 WHEREFORE, the People respectfully request that the Court enter judgment in favor of
7 the People and against Defendants, jointly and severally, as follows:

8 1. That Defendants, their successors, agents, representatives, employees, assigns and
9 all persons who act in concert with Defendants be permanently enjoined from making any untrue
10 or misleading statements in violation of Business and Professions Code section 17500, including,
11 but not limited to, the untrue or misleading statements alleged in this Complaint, under the
12 authority of Business and Professions Code section 17535;

13 2. That Defendants, their successors, agents, representatives, employees, assigns and
14 all persons who act in concert with Defendants be permanently enjoined from engaging in unfair
15 competition as defined in Business and Professions Code section 17200, including, but not
16 limited to, the acts and practices alleged in this Complaint, under the authority of Business and
17 Professions Code section 17203;

18 3. That the Court make such orders or judgments as may be necessary, including
19 preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of
20 any practice which violates Business and Professions Code section 17500, or which may be
21 necessary to restore to any person in interest any money or property, real or personal, which may
22 have been acquired by means of any such practice, under the authority of Business and
23 Professions Code section 17535;

1 4. That the Court make such orders or judgments as may be necessary, including
2 preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of
3 any practice which constitutes unfair competition or as may be necessary to restore to any person
4 in interest any money or property, real or personal, which may have been acquired by means of
5 such unfair competition, under the authority of Business and Professions Code section 17203;

6 5. That the Court assess a civil penalty of \$2,500 against each Defendant for each
7 violation of Business and Professions Code section 17500, in an amount according to proof,
8 under the authority of Business and Professions Code section 17536;

9 6. That the Court assess a civil penalty of \$2,500 against each Defendant for each
10 violation of Business and Professions Code section 17200, in an amount according to proof,
11 under the authority of Business and Professions Code section 17206;

12 7. That the Court assess a civil penalty of \$6,000 against Corinthian Schools, Inc. for
13 each violation of the final judgment issued by the Los Angeles Superior Court in *People v.*
14 *Corinthian Schools, Inc., et al.* (Super. Ct. L.A. County, 2007, No. BC374999) in an amount
15 according to proof, under the authority of Business and Professions Code section 17207;

16 8. That the Court assess a civil penalty of \$6,000 against Corinthian Schools, Inc. for
17 each violation of the final judgment issued by the Los Angeles Superior Court *People v.*
18 *Corinthian Schools, Inc., et al.* (Super. Ct. L.A. County, 2007, No. BC374999) in an amount
19 according to proof, under the authority of Business and Professions Code section 17535.5;

20 9. For a permanent and preliminary injunction enjoining Corinthian Colleges and its
21 agents, servants, and employees, and all persons acting under, in concert with, or for it, from
22 directly or indirectly or in any other manner engaging in the conduct as above alleged in violation
23 of Corporations Code sections 25401 and/or 25400, subdivision (d);

24 10. That the Court assess a civil penalty of \$25,000 against Corinthian Colleges, Inc.
25 for each violation of Corporations Code sections 25401 and/or 25400, subdivision (d) in an
26 amount according to proof, under the authority of Government Code section 12660.

1 11. For an order disgorging all profits and compensation obtained by Corinthian
2 Colleges, Inc. as a result of its violations of Corporations Code sections 25401 and/or 25400,
3 subdivision (d);

4 12. For an order requiring Corinthian Colleges, Inc. to make restitution to the
5 purchasers of its common stock in the principal amount paid by each purchaser by means of the
6 unlawful conduct alleged hereinabove, less the amount of any repayment of principal to any such
7 purchaser by Corinthian Colleges, Inc. with interest from the date of purchase of the common
8 stock on the amount of any such principal amounts remaining unpaid;

9 13. For an order awarding damages to the purchasers of Corinthian Colleges, Inc.'s
10 common stock in an amount sufficient to compensate the purchasers for loss suffered as a result
11 of Corinthian Colleges, Inc.'s violations of Corporations Code sections 25401 and/or 25400,
12 subdivision (d);

13 14. For the People's costs and attorneys fees in prosecuting Corinthian Colleges, Inc.'s
14 violations of Corporations Code sections 25401 and/or 25400, subdivision (d) under the authority
15 in Code of Civil Procedure section 1021.8, subdivision (a);

16 15. That the People recover their costs of suit, including costs of investigation;

17 16. That the People receive all other relief to which they are legally entitled; and

18 17. That the Court award such other relief that it deems just, proper, and equitable.

19
20 Dated: October 10, 2013

Respectfully Submitted,

21 KAMALA D. HARRIS
22 Attorney General of California

23 

24 NICHOLAS G. CAMPINS
25 Deputy Attorney General
26 *Attorneys for THE PEOPLE OF THE*
27 STATE OF CALIFORNIA

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EXHIBIT A

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