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12 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
13 **FOR THE COUNTY OF LOS ANGELES**

14 THE PEOPLE OF THE STATE OF
15 CALIFORNIA,

16 Plaintiff,

17 v.

18 CORINTHIAN SCHOOLS, INC., a Delaware
19 corporation doing business as Bryman College
and Everest College and TITAN SCHOOLS,
20 INC., a Delaware corporation doing business as
National Institute of Technology,

21 Defendants.
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CASE NO.

COMPLAINT FOR CIVIL PENALTIES,
INJUNCTION AND OTHER
EQUITABLE RELIEF

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1 **COMPLAINT**

2 Plaintiff the People of the State of California (“plaintiff”), by and through Edmund G.
3 Brown Jr., Attorney General of the State of California, is informed and believes and thereupon
4 alleges as follows:

5 **DEFENDANTS**

6 1. Defendant Corinthian Schools, Inc. is a Delaware corporation with its principal
7 place of business located at 6 Hutton Centre Drive, Suite 400, Santa Ana, California. Corinthian
8 Schools, Inc. is a wholly-owned subsidiary of Corinthian Colleges, Inc. and does now, and at all
9 relevant times did, business in California under the names Bryman College (“Bryman”) and
10 Everest College (“Everest”), among other fictitious business names.

11 2. Defendant Titan Schools, Inc. (“Titan Schools”) is a Delaware corporation with
12 its principal place of business located at 6 Hutton Centre Drive, Suite 400, Santa Ana, California.
13 Titan Schools is a wholly-owned subsidiary of Corinthian Colleges, Inc. and does now, and at
14 all relevant times did, business in California under the name National Institute of Technology,
15 (“NIT”), among other fictitious business names.

16 3. Corinthian Schools, Inc. and Titan Schools shall be referred to collectively as
17 “Corinthian” or “Defendants.”

18 4. Whenever reference is made in this Complaint to any act of Defendants, that
19 allegation shall mean that each defendant acted individually and jointly with the other defendant.
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21 5. Any allegation about acts of any corporate or other business defendant means that
22 the corporation or other business did the acts alleged through its officers, directors, employees,
23 agents and/or representatives while they were acting within the actual or ostensible scope of their
24 authority.

25 6. At all relevant times, each defendant committed the acts, caused or directed others
26 to commit the acts, or permitted others to commit the acts alleged in this Complaint.

27 7. The violations of law alleged in this Complaint occurred in Los Angeles County
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1 and elsewhere throughout California.

2 **DEFENDANTS' BUSINESS PRACTICES**

3 8. Operating under the names Bryman College, Everest College and the National
4 Institute of Technology, Corinthian offers vocational programs at approximately 14 schools
5 located throughout California, including in Los Angeles and San Jose Counties. The programs
6 are offered primarily to people who have left high school and are beyond the age for compulsory
7 attendance at high school. Programs typically last from six to thirteen months. Corinthian's
8 charges for these short vocational programs typically range between \$7,000 and \$15,000, with
9 some longer courses costing as much as \$27,000. The vocational programs Corinthian offers
10 include, among others, Dental Assisting, Massage Therapy, Medical Assisting, Medical
11 Administrative Assistant, Medical Billing, Pharmacy Technician, and Homeland Security. The
12 vast majority of students enrolled pay the high cost of these courses through financing
13 Defendants offer or arrange through lenders via a combination of government grants,
14 government subsidized loans, high-cost private loans and Corinthian's own credit programs.
15 Students who are unable to obtain a good-paying job in the field they studied may be saddled
16 with the debt and the negative consequences of that debt for years to come, because with a few
17 limited exceptions such debt is not dischargeable in bankruptcy.

18 9. Defendants have engaged in a persistent pattern of unlawful conduct. For many
19 of the vocational programs Corinthian offers, Defendants' own records show that a substantial
20 percentage of students do not complete the programs and, of those who complete the program, a
21 large majority do not successfully obtain employment within six months after completing the
22 course. In addition, the percentages of former students whom Corinthian's documents claim
23 successfully obtain employment are inflated. In some instances, Corinthian's records even list
24 non-existent businesses as the students' places of employment. The salaries Corinthian's records
25 claim that its former students earn are also often incorrect and inflated. Defendants have placed
26 intense pressure on their schools, particularly the recruitment employees and those who
27 supervise them to meet a pre-set quota of "starts." That means the employees are to enroll at
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1 least a certain number of students who stay in school beyond the five-day period during which
2 students may withdraw from school and obtain a full refund under California Education Code.
3 Defendants use various untrue and misleading statements to induce students to enroll and not
4 cancel Corinthian's programs, despite the poor chances of success, and engage in additional
5 unfair, unlawful or fraudulent business acts and practices.

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

7 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE**
8 **SECTION 17500 (UNTRUE OR MISLEADING STATEMENTS)**

9 10. Plaintiff incorporates all paragraphs of this Complaint set forth above.

10 11. Defendants have violated and continue to violate Business and Professions Code
11 section 17500 by making or disseminating untrue or misleading statements, or causing untrue or
12 misleading statements to be made or disseminated in or from California, with the intent to induce
13 members of the public to enroll in vocational training programs offered by Defendants and to
14 purchase other goods or services. Specifically, the untrue or misleading statements are the
15 following:

16 a. Statements to prospective students and others about how successful
17 Corinthian's students have been, or will be, in obtaining employment in the fields,
18 occupations or job titles for which they trained, or to which the programs were
19 represented to lead, including: (i) statements that indicate a very high percentage of
20 Corinthian's students obtain employment, which Defendants have no basis to believe is
21 true; (ii) statements that divert prospective students' and others' attention from
22 Corinthian's own statistics showing the low percentage of former students who obtained
23 such employment to other, less specific employment information of unknown reliability
24 and employment percentages not calculated in accordance with California law; (iii)
25 failing to disclose or adequately disclose Corinthian's own statistics showing the low
26 percentage of students who complete or graduate from Corinthian's programs; (iv) failing
27 to disclose or adequately disclose Corinthian's own statistics showing the low percentage
28 of former students who obtain employment; and (v) statements reporting a higher

1 percentage of students who obtained employment than is true. Among other reasons,
2 these statements are untrue or misleading for the reasons stated.

3 b. Statements regarding the starting salaries earned by their students who
4 have completed their programs and obtained employment in the occupations or job titles
5 to which the programs were represented to lead or secured employment in the field for
6 which they were trained. Among other reasons, Defendants' statements are untrue or
7 misleading because they overstate the starting salaries former students have earned.

8 c. Statements that Corinthian is authorized to offer the vocational programs
9 it offers. These statements are untrue or misleading because (i) some of those programs
10 do not meet the performance standards for student completion or for employment of
11 those who complete the program, which Defendants are required by law to meet; and (ii)
12 Defendants are prohibited from offering those programs that do not meet the applicable
13 performance standards for student completion and/or employment of those who
14 complete, or for job placement of enrollees, which Defendants are required by law to
15 meet.

16 d. Statements that Corinthian's programs will train students for careers in
17 particular job titles or occupations. These statements are untrue or misleading because
18 Defendants know that many students will not complete the programs they enroll in, and
19 even of those who do, a large majority will not find employment after completion of the
20 program in the occupations or job titles to which the programs of instruction are
21 represented to lead or in the vocational, trade or career field for which they are
22 purportedly trained.

23 e. Statements that Corinthian's schools or programs are approved by the
24 California Department of Education. These statements are untrue or misleading because
25 Corinthian schools are not so approved and state approval by another agency does not
26 imply any endorsement or recommendation by the state, but means only that the schools
27 met the minimum state standards at the time they obtained approval to operate or offer a
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1 program.

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3 12. Defendants knew or by the exercise of reasonable care should have known that
4 the statements set forth above were untrue or misleading at the time the statements were made.

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

6 **VIOLATIONS OF BUSINESS AND PROFESSIONS**
7 **CODE § 17200 (UNFAIR COMPETITION)**

8 13. Plaintiff incorporates all paragraphs of this Complaint set forth above.

9 14. Defendants have engaged in and continue to engage in unfair competition as
10 defined in Business and Professions Code section 17200 as set forth in this paragraph:

11 a. Defendants have provided inaccurate information regarding employment
12 of Corinthian students to the Bureau for Private Postsecondary and Vocational Education
13 and the Attorney General.

14 b. Defendants have failed to provide the disclosures required under section
15 94859 of the Education Code or failed to provide those disclosures accurately, including
16 disclosures regarding completion percentages, employment percentages and starting
17 salaries of Defendants' graduates.

18 c. Defendants have failed to provide the disclosures required under section
19 94816(a) of the Education Code or failed to provide those disclosures accurately,
20 including disclosures regarding completion percentages, employment percentages, and
21 starting salaries of Defendants' graduates.

22 d. In violation of section 94866 of the Education Code, Defendants have
23 failed to provide, or failed to provide an accurate, Notice of Student's Rights to students
24 that states that a student may cancel a class with no obligation at any time up to the fifth
25 business day following the first class session, or that students' have ongoing rights which
26 extend after that time to withdraw and obtain a refund.

27 e. Defendants have made untrue or misleading statements in violation of
28 section 94832(a) of the Education Code by engaging in the conduct more specifically set

1 forth in paragraphs 9 through 13 of the Complaint.

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3 f. Defendants have engaged in false, misleading or deceptive conduct in
4 violation of section 94832(b) of the Education Code by engaging in the conduct more
5 specifically set forth in paragraphs 9 through 13 of the Complaint.

6 g. Defendants have made false or misleading statements in violation of
7 section 94830(h) of the Education Code by engaging in the conduct more specifically set
8 forth in paragraphs 9 through 13 of the Complaint.

9 h. Defendants have violated section 94832(i) of the Education Code by
10 representing that their schools or programs are approved by the California Department of
11 Education, or are approved by the state without clearly and conspicuously also disclosing
12 that approval means only that the schools met the minimum state standards and does not
13 imply any endorsement or recommendation by the state.

14 i. Defendants have violated section 94816(b) of the Education Code by
15 failing to provide prospective students with a disclosure stating, among other terms, that
16 units earned in the specified program offered at Defendants' schools in most cases will
17 probably not be transferable to any other college or university.

18 j. Defendants have violated section 94854 of the Education Code by offering
19 programs subject to Education Code section 94854 that do not meet the performance
20 standards required by law. In particular, Defendants have violated subparagraphs (a)(1)
21 and (2) of section 94854 by offering programs without satisfying the requirements that:
22 (i) 60% (sixty percent) or more of those students who begin and do not cancel a program
23 (under section 94867) and who are not prevented from completing it for one or more of
24 the reasons set forth in section 94854(c), complete it within the applicable time period;
25 and (ii) 70% (seventy percent) or more of the students who complete a program within
26 the applicable time period obtain employment (as defined in section 94854(k)(2)(A))
27 starting within 6 months of completing the program, in occupations or job titles to which
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1 the program was represented to lead., and complete and start employment as defined in
2 section 94854(k)(2)(A).

3 k. Defendants have also violated section 94854(g) of the Education Code by
4 offering programs that fail to meet one or both of the standards under section 94854(a)
5 (60 percent completion, as defined, and 70 percent employment, as defined) and which
6 also fail to meet the minimum placement rate required by section 94854(f)(1)(B), as
7 defined and described in sections 94854(k), (m), (n) and (o), in that fewer than 42 percent
8 of those who enrolled, did not cancel under section 94867, and who were scheduled to
9 complete during the applicable time period, completed and obtained employment.

10 l. Defendants have improperly counted as having found employment
11 students who do not satisfy the requirements of section 94854(a)(2), as defined in
12 94854(k)(2) of the Education Code.

13 m. In violation of section 94832(h)(2) of the Education Code, Defendants
14 have falsified records, including records related to the percentage of students who
15 complete Corinthian's programs, the number of students who obtain employment in the
16 job titles or occupations to which their programs were represented to lead or in the fields
17 for which they were trained, and starting wages earned by those students.

18 n. In violation of section 94859(a) of the Education Code, Defendants have
19 failed to provide students with one or more of the following before the prospective
20 students sign any enrollment agreement: a school catalog, a copy of the enrollment
21 agreement, a disclosure of placement and completion percentages for the program in
22 which the student is enrolling, and a disclosure regarding the starting salaries of
23 Defendants' graduates for the program in which the student is enrolling.

24 o. In violation of section 94859(f) of the Education Code, Defendants have
25 failed to allow students a reasonable opportunity to read and review one or more of the
26 following before they sign an enrollment agreement: a school catalog, a copy of the
27 enrollment agreement, a disclosure of placement and completion percentages for the
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1 program in which the student is enrolling, and a disclosure regarding the starting salaries
2 of Defendants' graduates for the program in which the student is enrolling.

3 p. Defendants have engaged in the conduct more specifically set forth in
4 paragraphs 9 through 13 of the Complaint.

5 q. Defendants have violated section 17500 of the Business and Professions
6 Code by engaging in the conduct identified in the First Cause of Action to the Complaint.

7 r. Defendants have violated the Consumer Legal Remedies Act, in particular
8 subdivision (a)(5) of section 1770 of the Civil Code, misrepresenting that the percentage
9 of Corinthian's students who find employment in the occupations or job titles to which
10 their program of instruction is represented to lead, or secure employment in the field for
11 which they were trained, is higher than it in fact is; misrepresenting that the starting
12 salaries earned by Corinthian's students after completing their programs are higher than
13 they in fact are; and misrepresenting that the programs Corinthian offers meet the
14 requirements set by the Education Code when in fact the programs do not.

15 s. Defendants do not provide important information about the cost of their
16 programs and related charges, or about students' refund rights, all of which are required
17 by law to be contained in the enrollment agreement or otherwise provided to students
18 before they enroll, either because Defendants do not consistently provide the relevant
19 documents or because the documents do not contain the information required, but
20 Defendants nevertheless require students to sign documents that represent such
21 information has been provided to them.

22 t. Defendants have required confidentiality clauses in agreements settling
23 disputes with third parties, including students, former students, and graduates, which bar
24 those who settle from discussing any of the bases for their disputes with "any
25 governmental agency," and which purport to require those who settle to pay Defendants
26 liquidated damages, in the amount of the entire sum paid under any settlement, if such
27 confidentiality clause is violated.

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PRAYER FOR RELIEF

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WHEREFORE, Plaintiff prays for judgment as follows:

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1. Pursuant to Business and Professions Code section 17535, that all Defendants, their employees, agents, representatives, successors, assigns, and all persons who act in concert or participate with them be permanently enjoined from making any untrue or misleading statements in violation of Business and Professions Codes section 17500, including the untrue or misleading statements alleged in the First Cause of Action.

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2. Pursuant to Business and Professions Code section 17203, that all Defendants, their employees, agents, representatives, successors, assigns, and all persons who act in concert or participate with them be permanently enjoined from committing any acts of unfair competition, including the violations alleged in the Second Cause of Action.

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3. Pursuant to Business and Professions Code sections 17535 and 17203, that the Court make such orders or judgments as may be necessary to restore to any person in interest any money or property which may have been acquired by means of false or misleading advertising or unfair competition.

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4. Pursuant to Business and Professions Code section 17536, that Defendants, and each of them, be ordered to pay a civil penalty for each violation of Business and Professions Code section 17500 by Defendants.

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5. Pursuant to Business and Professions Code section 17206, that Defendants, and each of them, be ordered to pay a civil penalty for each violation of Business and Professions Code section 17200 by Defendants.

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6. That Plaintiff recover its costs of suit, including costs of investigation.

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3 7. For such other and further relief as the Court may deem just and proper.

4 Dated: July __, 2007

Respectfully submitted,
EDMUND G. BROWN JR.
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