

1 CHAPIN FITZGERALD & BOTTINI LLP
 2 Edward D. Chapin (SBN: 053287)
 echapin@cfblawfirm.com
 3 Francis A. Bottini, Jr. (SBN: 175783)
 fbottini@cfblawfirm.com
 4 550 West C Street, Suite 2000
 5 San Diego, California 92101
 6 Telephone: (619) 241-4810
 Facsimile: (619) 955-5318

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8 *Attorneys for Plaintiff*

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

Betty Guzman, on behalf of herself and)
all others similarly situated,)

Plaintiff,)

vs.)

Bridgepoint Education, Inc. and)
Ashford University,)

Defendants.)

Case: 11cv0069 WQH (WVG)

**Second Amended Class Action
Complaint for:**

1. Violation of Business & Professions Code § 17200;
2. Violation of Business & Professions Code § 17500;
3. Violation of the Consumers Legal Remedies Act;
4. Violation of Civil Code § 1710(3); and
5. Negligent Misrepresentation

Jury Trial Demanded

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1 1. Plaintiff Betty Guzman brings this action as a class action on behalf
2 of a nationwide class of plaintiffs (the “Class”), composed of all persons who
3 enrolled in and/or attended classes at Defendant Ashford University (“Ashford”),
4 which is operated by Defendant Bridgepoint Education, Inc. (“Bridgepoint” or the
5 “Company,” and collectively referred to, together with Ashford, as
6 “Defendants”), during the period approximately from March 1, 2005 through the
7 present (the “Class Period”). During the Class Period, Bridgepoint and Ashford
8 violated California’s consumer protection statutes and common law. In support
9 of her claims, Plaintiff alleges as follows:

10 **I. SUMMARY OF THE ACTION**

11 **A. Through Illegal Recruiting Tactics, Concealment, And**
12 **Misrepresentations, Defendants Misled Plaintiff And The Class**
13 **to Enroll**

14 **(1) To Induce Students To Enroll, Defendants Systematically**
15 **Conceal Material Information And Disseminate**
16 **Misrepresentations**

17 2. Bridgepoint is a for-profit higher education company headquartered
18 in San Diego, California. The Company owns and operates two academic
19 institutions, Ashford and University of The Rockies (“The Rockies”), which offer
20 Associate, Bachelor’s, Master’s and Doctoral programs primarily online, although
21 Ashford also maintains campuses in Clinton, Iowa, and The Rockies in Colorado
22 Springs, Colorado.

23 3. Bridgepoint engaged in a pattern of improper and unlawful conduct
24 in order to recruit students and over-charge the federal government for federal
25 financial aid throughout the Class Period. The Defendants exploited Plaintiff and
26 all members of the Class through the use of standardized, misleading recruitment
27 tactics, including the following:
28

- 1 • Defendants concealed from students, both before and during their
2 enrollment, material information, which Defendants were
3 obligated to disclose under Title IV of the Higher Education Act of
4 1965 (“Title IV”), the California Private Postsecondary Education
5 Act of 2009 (the “CPPEA”), other federal and state laws and
6 regulations, and the rules and regulations of accreditation
7 organizations;
- 8 • Defendants misrepresented the true cost of attendance by falsely
9 claiming that Ashford and The Rockies provide “some of the
10 lowest cost tuition programs available,” quoting to prospective
11 students false and misleading tuition rates for degree programs,
12 and failing to disclose substantial non-tuition costs such as
13 administrative fees;
- 14 • Defendants misrepresented the quality of academic instruction; and
- 15 • Defendants misrepresented students’ post-graduation employability
16 and earnings potential.

17 4. Defendants made these misrepresentations, and failed to disclose
18 material information, in three ways: (a) through standardized written materials
19 (including on the schools’ websites) that were available and/or given to all Class
20 members; (b) through uniform scripted oral misrepresentations made by the
21 schools’ enrollment advisors; and (c) through material omissions of information
22 that Defendants had a duty to disclose under Title IV, the CPPEA, other state and
23 federal laws and regulations, as well as the rules and regulations of accreditation
24 organizations. Plaintiff and other Class members relied on, and were misled by,
25 such misrepresentations and concealment when they decided to begin and
26 continue their enrollment at Ashford.

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1 5. Because of Defendants’ concealment and misrepresentations,
2 Plaintiff and other Class members were misled, when deciding to enroll, into
3 believing that Defendants would provide a quality education at an affordable
4 price, and that they would graduate with a degree that would qualify them for
5 professional licensure and/or for high paying employment in their chosen
6 profession. Instead, students were forced to pay some of the highest tuition rates
7 in the country, were unwittingly placed in courses that were irrelevant to their
8 stated concentration, received low quality instruction from under-qualified
9 teachers who, among other things, improperly awarded grades for assignments
10 that had not even been completed, and graduated with a degree that neither
11 qualifies them to obtain the professional licensing that Defendants led them to
12 believe they would obtain nor qualifies them for any job placement other than
13 low-wage, low-skill employment.

14 6. Defendants systematically conceal these highly material facts
15 regarding financial aid, quality of the education, and post-graduation employment
16 prospects from prospective and enrolled students in order to (a) recruit and enroll
17 as many students as possible; and (b) profit as much as possible, regardless of the
18 students’ best interests.

19 **(2) Defendants Pressure Enrollment Advisors To Employ**
20 **Illegal Recruiting Tactics**

21 7. Defendants achieve their exploitive purpose in part through their
22 unlawful practice of setting enrollment quotas for enrollment advisors,
23 financially rewarding enrollment advisors who outperform these quotas, and
24 disciplining and/or terminating advisors who fail to reach these quotas.
25 Defendants require enrollment advisors and their supervisors to chart their
26 enrollment efforts and track the number of students they enroll and new referral
27 leads they generate in each six month period. Defendants then award advisors on
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1 teams that enroll more students with prizes, cash bonuses and rapid promotion –
2 in direct violation of Title IV’s prohibition against providing incentive-based
3 compensation for meeting enrollment quotas. Defendants reprimand advisors on
4 teams that enroll fewer students. Advisors that enroll fewer students are, in many
5 cases, terminated. Management’s sole concern throughout this process is to
6 increase enrollment and retention numbers to serve the ultimate goal of
7 maximizing Bridgepoint’s profits. Defendants’ policies and practices
8 demonstrate that providing accurate information to prospective students,
9 honoring the desires of prospective students, or working in these individuals’ best
10 interest is of “no concern at all.”

11 8. Bridgepoint enrollment advisors are familiar with the refrain that
12 “applications save your seat, retention gets you paid” and have been harshly
13 disciplined or even terminated when they fail to meet their quotas for enrolling
14 prospective students.

15 9. Defendants created and fostered a high pressure environment for
16 enrollment advisors and, in turn, encouraged them to employ boiler-room
17 pressure tactics on and disseminate uniform misrepresentations to prospective
18 students.

19 **(3) Defendants Mislead Students Regarding Financial Aid**

20 10. In addition to implementing deceptive tactics to induce prospective
21 students into enrolling, Defendants also misleadingly encourage students to apply
22 for federal financial aid in the form of student loans that Defendants know
23 students do not need and cannot repay. These tactics include, for example:

- 24
- 25 • pressuring students to apply for the maximum allowable amount of
26 federal financial aid, even when it exceeds the cost of attendance;
27 and

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- 1 • failing to disclose to students that they must begin repaying their
2 loans immediately upon enrollment – rather than upon completion of
3 the degree, as is standard for federal student loans.

4 11. Defendants also fail to inform prospective students of the material
5 fact that their Cohort Default Rates – the percentage of students who default on
6 their students loans - are significantly higher than average. Nor do Defendants
7 inform students that their student loans are not dischargeable through bankruptcy.
8 For example, Bridgepoint reported in its 2009 Form 10-K filed with the U.S.
9 Securities and Exchange Commission that the Cohort Default Rate for Ashford in
10 2008 (the latest year for which data is available) was 13.3%, nearly double the
11 average student loan default rate of 7.0%. The Department of Education
12 projected an unofficial Cohort Default Rate for Ashford as high as 17.4% for
13 2008, two and a half times the nationwide average. Defendants' omissions of
14 Cohort Default Rates is material because high student default rates are a leading
15 indicator that graduates cannot repay their loans, whether because their education
16 did not adequately prepare or qualify them for employment, because their degrees
17 only allow them to secure low-wage jobs, or because their schools' tuition rates
18 are excessive in relation to the schools' value in helping graduates find gainful
19 employment.

20 12. Plaintiff and the other Class members relied on these material
21 misrepresentations and omissions regarding federal financial aid when enrolling
22 at Ashford, and would not have enrolled had they known they would be
23 responsible for paying back more loans than necessary to finance their education,
24 that they would be responsible for immediately repaying their loans upon
25 enrollment, and that Bridgepoint students' federal loan default rate was twice the
26 national average.

1 13. Despite the high rates of default, Defendants profit because federal
2 student loans are fully guaranteed by the federal government, so that Bridgepoint
3 gets paid regardless of its students' ability to repay loans. In other words,
4 Bridgepoint's business model relies almost entirely on securing funding from the
5 federal government through misleading and deceptive tactics, selling a product
6 that essentially ensures that a significant number of the students who must repay
7 the loans will be unable to do so, and profiting at the expense of the students, the
8 federal government and, by extension, the American taxpayer.

9 **B. Defendants Exploit Federal Education Funding For Veterans**

10 14. Bridgepoint is motivated to make these misrepresentations to induce
11 prospective students to apply for federal student loans in maximum allowable
12 amounts, in part because Bridgepoint can derive up to 90% of its total revenues
13 from federal funding. Title IV allows for-profit universities to secure all but ten
14 percent of their total funding from the federal government, including federal
15 student loan money, a requirement known as the "90/10" rule. Defendants'
16 executives are aware of this ceiling and discuss ways in which to reach the 90%
17 maximum, including by pressuring students to "max out their federal loans."

18 15. Defendants also specifically target active military and military
19 veterans for their misleading recruitment practices to capture additional profits.
20 The money Bridgepoint receives from veterans, largely via federal tuition
21 assistance programs, such as the Post-9/11 GI Bill, does not count towards the
22 90% cap, even though it is federal money. Defendants exploit veterans and active
23 military to end-run the 90/10 rule, all in the name of profit.

24 16. Bridgepoint devotes significant energies to this end-run of the 90/10
25 rule by dedicating divisions of its enrollment advisors to focus on military
26 recruitment. Bridgepoint sends these divisions to bases to recruit active duty
27 personnel and veterans in person. These advisors are trained to engage in the
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1 same misleading practices to recruit and enroll as many students as possible,
2 without regard for the recruits' best interests.

3 17. Defendants' deceptive, illegal practices ruined the lives of tens of
4 thousands of students, including Plaintiff and other Class members, and harmed
5 the federal treasury. Yet Bridgepoint and its CEO have profited handsomely from
6 their wrongdoing: last year Bridgepoint CEO Andrew Clark earned more than
7 \$20 million.

8 **II. JURISDICTION AND VENUE**

9 18. Jurisdiction is proper pursuant to 28 U.S.C. § 1332(d)(2)(A), because
10 this is a class action in which minimal diversity exists, and the matter in
11 controversy exceeds the sum or value of \$5,000,000, exclusive of interest and
12 costs.

13 19. The amount in controversy, exclusive of interest and costs, exceeds
14 the jurisdictional minimum of this Court.

15 20. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(a)(2)
16 because Defendant Bridgepoint Education, Inc. is headquartered and maintains its
17 principal place of business in this District, a substantial portion of the transactions
18 and wrongs complained of herein occurred in this District, and Defendant
19 Bridgepoint Education, Inc. has received substantial compensation in this District
20 by doing business here and engaging in numerous activities that had an effect in
21 this District.

22 **III. PARTIES**

23 **A. Plaintiff**

24 21. Plaintiff Betty Guzman is a citizen and resident of Indiana. She
25 enrolled in online courses with Ashford in 2006 after speaking with an online
26 enrollment advisor and being exposed to Bridgepoint's false advertisements,
27 statements, and material omissions regarding, among other things, the tuitions and
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1 costs, federal financial aid, quality of education, accreditation, and post-
2 enrollment employment prospects. Ms. Guzman succumbed to Bridgepoint's
3 high pressure recruiting tactics, and relied on Bridgepoint's false advertisements,
4 misstatements, and omissions before and after deciding to enroll at Ashford. Ms.
5 Guzman completed approximately 20 online courses. Ashford alleges that she
6 owes them over \$3,600, and refuses to issue her diploma and release her
7 transcripts.

8 **B. Defendants**

9 22. Defendant Bridgepoint was founded in 2004 as a Delaware
10 corporation with its company headquarters at 13500 Evening Creek Drive North,
11 Suite 600, San Diego, California 92128. In 2005, Bridgepoint purchased The
12 Franciscan University of the Prairies, then a non-profit campus-only college in
13 Iowa, then renamed it Ashford University, and converted it into a for-profit online
14 school. Bridgepoint next purchased the non-profit campus-only Colorado School
15 of Professional Psychology, then renamed it University of The Rockies, and
16 converted it into a for-profit online school. Bridgepoint hires all employees for
17 both academic institutions, and maintains small campuses in Clinton, Iowa
18 (Ashford) and Colorado Springs, Colorado (The Rockies). Bridgepoint held an
19 initial public offering on April 14, 2009, and is one of the largest publicly-traded
20 for-profit college companies in the United States. Upon information and belief,
21 Bridgepoint is a citizen of Delaware and California.

22 23. Defendant Ashford University is an academic entity founded by
23 Bridgepoint in March 2005 to run the college formerly known as The Franciscan
24 University of the Prairies, founded in 1918. Ashford maintains a small campus in
25 Clinton, Iowa, but 99% of the institution's students are enrolled only in an
26 "online" program. Upon information and belief, Ashford is a citizen of Iowa.

1 **C. Non-Party The Rockies**

2 24. University of The Rockies is an academic entity founded by
3 Bridgepoint in September 2007 to run the college formerly known as Colorado
4 School of Professional Psychology. The Rockies maintains a small campus in
5 Colorado Springs, Colorado, but 99% of the institution’s students are enrolled
6 only in an “online” program.

7 **IV. FACTUAL ALLEGATIONS**

8 25. Bridgepoint, a for-profit higher education company, owns and
9 operates Ashford and The Rockies, offering Associate’s, Bachelor’s, Master’s
10 and Doctoral degree programs, primarily online. As of December 31, 2009,
11 Bridgepoint had more than 5,800 employees.

12 26. As of June 30, 2010, the Company had 67,744 students enrolled in
13 its institutions, 99% of whom were attending classes exclusively online. The
14 Company purports to offer approximately 1,200 courses and 70 degree programs
15 with 130 concentrations and specializations.

16 27. The Company has experienced skyrocketing student enrollment at its
17 universities. Total student enrollment at Ashford and The Rockies increased
18 115.4% to 42,025 students at March 31, 2009, compared with 19,509 students at
19 the end of the first quarter of 2008. New student enrollment for the first quarter
20 of 2009 at Bridgepoint’s academic institutions was approximately 16,800, an
21 increase of 90.9%, compared with new enrollments of approximately 8,800 for
22 the first quarter of 2008.

23 28. Bridgepoint’s explosive enrollment growth at its online academic
24 institutions is a direct result of misleading marketing tactics designed to recruit
25 students to attend its schools, and its implementation of federally-prohibited
26 employee incentive programs that were designed to encourage “enrollment
27 advisors” to recruit as many students as possible.

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1 **A. Bridgepoint’s Marketing Strategy Is Built On Concealment And**
2 **Misrepresentations**

3 29. Bridgepoint recklessly or negligently employs false and misleading
4 marketing tactics designed to entice prospective students to enroll at its
5 universities and apply for federal loans they do not need and cannot pay back.
6 Specifically, Bridgepoint fails to disclose highly material information to
7 prospective students. In addition, it hides information from prospective students
8 on its websites, and misleads students by affirmative misrepresentations or
9 material omissions regarding the true cost of attending its universities, the quality
10 of academic instruction, students’ post-graduation employability, and students’
11 need for federal student loans and their repayment obligations. These tactics are
12 designed to sign up as many students as possible, and to sign up students for as
13 much federal loan money as possible, all in order to maximize Bridgepoint’s
14 profits at the expense of its students, the federal government, and the American
15 taxpayer.

16 30. Ms. Guzman is one of the tens of thousands of students who fell
17 victim to Bridgepoint’s systematic false advertisements, material omissions,
18 dissemination of misstatements, and boiler-room pressure recruiting tactics. Ms.
19 Guzman’s initial contact with Bridgepoint started through the Internet. In the
20 one-month period before her enrollment at Ashford in 2006, a Bridgepoint
21 enrollment advisor used high-pressure sales tactics on her by calling her several
22 times a week. During that period, the Bridgepoint enrollment advisor made
23 numerous misrepresentations to Ms. Guzman, including:

- 24 • Bridgepoint schools offered the most affordable education to
25 students, and the tuition and costs were the “lowest” and could not
26 be found elsewhere;

- 1 • Federal financial aid would cover all tuition, books, fees, and other
- 2 costs, including costs for purchasing computers and software;
- 3 • The need to enroll as soon as possible and to apply for maximum
- 4 financial aid was urgent;
- 5 • Bridgepoint schools are fully accredited, and all credits awarded by
- 6 Bridgepoint schools are transferable to other higher education
- 7 institutions; and
- 8 • A high percentage of Bridgepoint graduates found jobs in their fields
- 9 of studies immediately following graduation, and earned tens of
- 10 thousands of dollars in annual income.

11 31. These statements are lies. Yet these statements are part of the
12 uniform script designed by Bridgepoint, and used by all Bridgepoint enrollment
13 advisors during their communications with prospective students.

14 32. These statements and other misrepresentations appear on
15 Bridgepoint’s website and other advertising vehicles, which are set forth in detail
16 below.

17 **(1) On Their Websites, Defendants Improperly Hide**
18 **Information From Prospective Students**

19 33. Federal law requires educational institutions that receive Title IV
20 funds from the federal government to “make certain information readily available
21 to enrolled and prospective students. Institutions may satisfy their disclosure
22 requirements by posting the information on their Internet websites. Information
23 to be provided includes: tuition, fees, and other estimated costs; the institution’s
24 refund policy; the requirements and procedures for withdrawing from the
25 institution; a summary of the requirements for the return of Title IV grant or loan
26 assistance funds; the institution’s accreditation information; and the institution’s
27 completion or graduation rate.” Both federal and California law require academic
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1 institutions to make this information readily available to prospective students
2 *before* they enroll in any program.

3 34. Prospective Ashford or The Rockies students obtain information
4 about the schools before enrolling primarily by accessing the schools' websites.
5 But Defendants employ a sophisticated – and misleading – tactic in displaying
6 information on their websites. When prospective students enter the search terms
7 “Ashford University” or “University of the Rockies” into an Internet search
8 engine, the first several search results direct individuals to a streamlined, basic
9 site that offers vague and misleading praise for the university and an option to
10 enroll online. A student who tries to find specific information on either site,
11 including the information required by federal disclosure law, is directed only to
12 an option to complete an online enrollment form, in violation of federal and
13 California law. Although more comprehensive websites exist for both schools,
14 they cannot be easily accessed by prospective students without previously
15 knowing the exact web addresses.

16 35. Like other Class members, Ms. Guzman frequently accessed
17 Bridgepoint's and Ashford's website, and relied on the misrepresentations made
18 on the website in deciding to enroll at Bridgepoint. When deciding to enroll and
19 to continue her enrollment, she was also misled by Defendants' concealment
20 regarding financial aid, quality of the education, and post-graduation employment
21 prospects.

22 **(2) Defendants Conceal And Misrepresent The True Cost Of**
23 **Attending Ashford And The Rockies**

24 36. Defendants uniformly misrepresent and conceal the true cost of
25 attending Ashford and The Rockies to all potential and enrolled students. In
26 particular, Defendants misrepresent to potential and enrolled students that
27 Ashford and The Rockies offer some of the lowest tuition, most affordable degree
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1 programs available when in fact they offer among the highest cost, least
2 affordable degree programs. Defendants systematically conceal the true cost of
3 attending Ashford from students at the time the students enroll.

4 37. For instance, Ashford's website claims that the school represents
5 "higher education made affordable . . . You deserve a quality education at an
6 affordable price . . . You'll find Ashford University, founded in 1918, is an ideal
7 choice for you as a working adult or someone with an uncompleted degree
8 because Ashford is affordable: *benefit from one of the lowest program costs.*"
9 The Web site's "Military Benefits" page also claims that Ashford "offers one of
10 the lowest tuition costs available" without specifying anywhere on its enrollment
11 site the actual cost of attendance.

12 38. In reality, Ashford's undergraduate tuition rates are among the
13 highest in the country, at \$372 per credit hour. The U.S. Department of Veterans
14 Affairs (the "VA") publishes an annual table listing the state-by-state rates for
15 "the highest in-state, undergraduate, public tuition" in each state in the country.
16 In determining which schools are the most expensive, the VA explains that "all
17 undergraduate program costs were taken into consideration to determine the
18 highest in-state maximum tuition per credit hour and the maximum fees per term.
19 These figures may include program tuition for high cost programs such as flight
20 courses taken as part of a degree requirement or undergraduate pharmacy, nursing
21 and engineering degrees." In other words, the VA's table lists the costs to attend
22 the most expensive public colleges in each state and territory in the country. In
23 the last updated table, published August 30, 2010, 28 states' most expensive
24 public colleges charged less than Ashford's \$372 per credit hour. Ashford
25 University charges more tuition per credit hour than all of the public colleges and
26 universities in over half of the states in the entire nation, despite its claims to the
27 contrary. Defendants conceal this highly material information regarding the true
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1 cost of attending Ashford from students, and fail to disclose the information to
2 students at the time they enroll or on the Ashford.edu website.

3 39. For students in many states the most expensive public school
4 alternatives cost less than half of what Ashford charges in tuition:

5	State/Territory	Maximum In-State Tuition Rate	Percentage of Ashford's Cost
6	Alaska	\$170	46%
7	Arkansas	\$210	56%
8	Montana	\$205	55%
9	Nebraska	\$251	67%
10	Nevada	\$156	42%
11	New Mexico	\$229	62%
12	Oklahoma	\$188	50%
13	Puerto Rico	\$90	24%
14	South Dakota	\$99	27%
15	Utah	\$238	64%
16	Virgin Islands	\$125	34%
17	Wyoming	\$99	27%

19 40. Defendants' claim that Ashford offers one of the most affordable
20 college educations for students is just not true. The harsh reality is that an
21 Ashford student who completes their undergraduate degree with the minimum
22 120 credits will pay nearly \$45,000 in tuition alone, not including the outrageous
23 hidden fees, described below.

24 41. Tuition at The Rockies is even more expensive, at \$682 per credit
25 hour for the school's Master's program and \$882 per credit hour for the doctorate
26 degree. The \$882/credit hour charge is far higher than average tuition rates.

1 42. The exorbitant costs, coupled with the relative worthlessness of the
2 degree for job placement purposes, make Bridgepoint's statements about its
3 institutions' "great value" false and misleading.

4 43. In addition to Defendants' written misrepresentations regarding the
5 value of a Bridgepoint education, prospective students are systematically orally
6 misled by Bridgepoint enrollment advisors, who misrepresent the true cost of
7 attendance through scripts provided by Bridgepoint. Enrollment advisors'
8 misleading claims that Ashford offers "one of the cheapest undergraduate degree
9 programs in the country" induce students to enroll and to stay enrolled.

10 44. Enrollment advisors, pressured to enroll every potential student to
11 maximize profit so they can keep their jobs, misrepresent the total cost of
12 attendance at Bridgepoint's schools by quoting to prospective students tuition
13 rates for nine months of attendance when a program actually lasts twelve months,
14 and by quoting only the tuition rates during the enrollment process, while failing
15 to disclose numerous hidden administration fees. Only after a student has
16 enrolled and promised to attend and pay for classes does s/he become aware of
17 the following fees:

Fee	Cost at Ashford	Cost at Rockies
Technology Service Fee	\$1,290	\$250
Sponsored Professional Training Assessment (per credit hr)	\$30	N/A
Prior Learning Assessment Experiential Learning Essay Assessment (per course)	\$125	N/A
Books and Materials (per course)	\$100	\$200
Graduation Fee	\$110	\$500
Education Partnership Fee	\$30	N/A

Fee	Cost at Ashford	Cost at Rockies
TOTAL (based on a min. 120 credit hrs for undergraduate degree at Ashford; 68 credit hrs. for doctoral degree at The Rockies)	\$14,030	\$5,350

45. Like other Class members, Ms. Guzman was never informed of the true costs of her enrollment.

46. In fact, Ms. Guzman was misled to believe that Bridgepoint would provide affordable education. In reliance on Defendants' systematic, uniform misrepresentations and concealment on their websites, Ms. Guzman decided to enroll at Ashford and continue her enrollment at Ashford.

47. As part of her enrollment process, and since she enrolled as an online student, Plaintiff was directed by Defendants to their websites for further information about Ashford and to complete her enrollment process and/or the process of enrolling in classes. Defendants' websites were a crucial and obligatory source of information for all Ashford online students since the websites were the main method by which students interacted with Defendants and completed their courses. Those websites concealed material information from students about the cost of attending Ashford, the quality of education, and the prospects for post-graduation employment.

48. For example, as reflected in snapshots taken on November 6, 2006 of Bridgepoint's website (www.bridgepointeducation.com), accessible through the Internet archive WaybackMachine, Bridgepoint omitted material information from its website concerning the true cost of attending Ashford and The Rockies and instead portrayed itself and Ashford as providers of affordable, high quality education:

Bridgepoint Education is an innovative leader in higher education, *providing students an affordable, accessible*

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and quality education. As an independent, higher-learning education company, Bridgepoint Education is committed to helping students improve their personal and career effectiveness by achieving their degree-completion goals.

In today's world, higher education credentials are no longer optional; they are required for career advancement and leadership in organizations large and small. ***Bridgepoint Education was founded to provide an affordable alternative to high-priced universities.*** Today, Bridgepoint Education is an innovative leader in higher education, providing students affordable, high quality educational opportunities onsite and online. As an independent, for-profit higher education company, Bridgepoint Education is committed to helping students improve their personal and career effectiveness by achieving their degree-completion goals. [Emphasis added.]

* * *

Ashford University is a regionally accredited university with an 86 year history of providing quality higher education in the United States. Founded in 1918 as Mount St. Clare College, Ashford's vision is to provide high quality, accessible and affordable degree programs that meet the diverse educational needs of individuals pursuing informed personal goals and success in their professions and communities.

49. Defendants' "Ashford.edu" website also omitted the true cost of attending Ashford, and instead misrepresented Ashford's supposed affordability as the first and most prominent attribute of the school. As reflected in snapshots taken on July 7, 2006 of Ashford's website (www.ashford.edu), the very first page of the website featured affordability and quality as the key features of its programs:

Private education made affordable. Founded in 1918, Ashford has helped thousands of students move ahead in life through higher education..... [y]ou'll "benefit from [its] high-quality degree program at one of the lowest costs available. You could be next. ***Online or on campus, you'll benefit from a high-quality degree program at one of the lowest costs available. . . anywhere.*** [Emphasis added.]

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50. Similarly, Ashford’s website also promised:

Your tailor-made education will be:

Affordable - You'll benefit from one of the lowest program costs in Iowa

Personal - Get the academic attention you deserve with small class sizes

Convenient - Build your class schedule around your busy life and finish your degree.

51. Ashford’s website also highlighted “affordability” as a feature of its programs in the “Frequently Asked Questions” section of its website:

How much does the online degree program cost?

The affordable cost per credit hour is less than most traditional private universities and colleges. Ask an Enrollment Advisor for details.

(3) Bridgepoint Misrepresents The Quality And Reputation Of Its Academic Programs, Its Job Placement Rate, And Its Students’ Post-Graduate Employability

52. Defendants also make uniform written and scripted oral misrepresentations about the quality, reputation, and marketability of the education earned through the academic programs.

53. Ashford’s and The Rockies’ websites both state the following in the “Frequently Asked Questions” section of their respective sites:

How does my degree compare to degrees from other schools?

Your degree from Ashford University/University of the Rockies is equally valuable, accepted, and honorable as any equivalent degree you could earn from another accredited school or university, whether on a traditional campus or online. The only difference between a degree from Ashford University/University of the Rockies and a degree from another school is the money and time you’ll save through Ashford University/University of the Rockies.

1 54. This statement is false and misleading for at least two reasons. First,
2 it misleadingly suggests to prospective students that degrees from one of
3 Bridgepoint's academic institutions are somehow of "equal value" as all other
4 accredited schools or universities. Second, this statement misleadingly suggests
5 that degrees from Ashford or The Rockies will be recognized as valid by potential
6 employers or other academic institutions that recognize degrees from other
7 accredited schools and universities. This is not so. Many universities will not
8 accept any transfer credits from any online universities, nor will they recognize an
9 undergraduate degree from an online university as satisfying the academic
10 prerequisites for admission to a graduate or professional degree program.
11 Additionally, many employers specifically do not recognize degrees from online
12 institutions as proof that a prospective employee qualifies for a certain position,
13 whereas the same employer will recognize an identically titled degree from a
14 traditional campus as proof of qualification.

15 55. Bridgepoint's enrollment advisors make uniform scripted oral
16 misrepresentations about the quality and reputation of its schools, describing them
17 as great schools with amazing professors who offer individualized attention to
18 students. These advisors explain to prospective students, following scripts from
19 Bridgepoint, that a degree from Ashford or The Rockies will prepare them and
20 qualify them for a number of professional occupations, and claim that the degree
21 will provide them with a competitive advantage over graduates from other
22 schools. These statements are false and misleading, because the quality of
23 instruction at the online universities is uniformly substandard, the instructors are
24 far less qualified than professors from supposedly comparable universities, and
25 degrees from these schools actually place graduates at a competitive
26 disadvantage, considering that many employers refuse to even recognize the
27 validity of the degrees.

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1 56. Like other Class members, Ms. Guzman was misled to believe that
2 she could easily find employment in her field of study in which she would earn an
3 annual salary of tens of thousands of dollars.

4 **(4) Bridgepoint Employs Misleading Tactics Regarding**
5 **Federal Tuition Assistance**

6 57. Defendants have an incentive to induce prospective students to apply
7 for the maximum dollar amount of federal loans possible, because Bridgepoint
8 can accept up to 90% of its funding from the federal government's loan programs,
9 because the loans are disbursed directly to the school, and because the loans are
10 completely guaranteed by the federal government. Defendants are motivated
11 solely by profit to create and implement uniformly misrepresentative advertising
12 and enrollment practices, and policies to induce prospective and enrolled students
13 to apply for federal student loans that they do not need, may not be able to repay,
14 and for which they would not have applied but for Defendants' concealment and
15 misrepresentations.

16 58. For example, Bridgepoint employees improperly pressure
17 prospective students to enroll before completing their financial aid applications,
18 pursuant to uniform written scripts and training Defendants provided to
19 enrollment advisors. Once enrolled, Bridgepoint completes and submits the
20 financial aid applications on the students' behalf, requesting the maximum
21 allowable amount even if the amount exceeds the students' needs. During this
22 process, enrollment advisors also fail to tell prospective students that the loans are
23 disbursed directly to the school and not the individual, thus creating an
24 opportunity for the Defendants to demand payment immediately upon enrollment
25 rather than allowing students to defer payment until after graduation.

26 59. Bridgepoint also expects enrollment advisors to mislead prospective
27 students regarding how much of their degree program will be covered by federal
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1 financial assistance. In at least one instance, an enrollment manager sought to
2 enroll a student who expressed reluctance because of the length of time it would
3 take to graduate. This manager suggested that the student enroll and take twice
4 the course load to graduate in half the time, but the manager did not disclose that
5 only half of these classes could be paid for through federal financial aid and that
6 the student would have to pay the rest out of pocket, even though the manager
7 knew the student could not afford to do so. The manager successfully induced the
8 prospective student to enroll as a result of this misrepresentation.

9 60. Like other Class members, Ms. Guzman was misled to believe that
10 (a) federal student loans would cover all the costs and tuition for her enrollment at
11 Bridgepoint; and (b) she must apply for the maximum amount of federal student
12 loans, and must enroll as soon as possible.

13 **B. Defendants Target Veterans**

14 61. Bridgepoint specifically targets veterans and active duty military
15 personnel for enrollment, employing the same misrepresentative marketing
16 practices described above, in a deplorable attempt to maintain Title IV standing
17 while it is end-running the 90/10 rule. Bridgepoint has been successful in this
18 perverse endeavor so far, and receives billions of dollars from the federal
19 government in federal tuition assistance. In fact, Bridgepoint focuses divisions of
20 enrollment advisors on the purpose of recruiting active military personnel and
21 military veterans. These divisions often are composed of veterans who go
22 directly to military bases to recruit service members.

23 62. Bridgepoint's motivation is transparent. In order to maintain its Title
24 IV standing, Bridgepoint must derive no less than 10% of its revenues from
25 sources other than Title IV funds and certain other federal programs. However,
26 the money Bridgepoint and other for-profit universities receive from veterans via
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1 the Post-9/11 GI Bill does not count towards the 90% limit these schools can
2 receive in federal funding. Thus, Bridgepoint can collect unlimited money from
3 the federal government via the Post-9/11 GI Bill and still maintain its Title IV
4 standing for purposes of receiving federal student aid.

5 63. As Iowa Senator Tom Harkin explained on December 9, 2010, this
6 end-run by for-profit universities to receive unlimited federal money has
7 “unintentionally subjected misleading marketing campaigns, educational
8 programs far more expensive than comparable public or non-profit programs, and
9 a lack of needed services.”

10 64. Bloomberg News recently reported that twenty for-profit colleges
11 “reaped \$521 million in U.S. taxpayer funds in 2010, seven times more than in
12 2006, by recruiting armed-services members and veterans through misleading
13 marketing,” noting that “Bridgepoint Education, Inc., based in San Diego,
14 ranked second [in receiving tuition assistance from the Defense Department] with
15 \$41.2 million.” Bloomberg News, “For-Profit Colleges Scam Military for \$521
16 Million, Report Says,” December 9, 2010.

17 65. The Bloomberg News article explained the motivation behind
18 Bridgepoint’s increasing the focus of their misleading marketing campaigns on
19 the military:

20 Getting the money from military personnel helped the
21 companies circumvent a cap on the aid they can receive
22 from the Education Department, their main source of
23 income, according to the report from Iowa Democrat
24 Tom Harkin, chairman of the Senate Health, Education,
Labor and Pensions committee. Congress should protect
veterans and taxpayers from documented abuses by
those colleges, the report’s authors said.

25 The Post 9/11 GI Bill, which Congress passed in 2008,
26 raised educational benefits for almost all military
27 veterans, and in some cases allowed them to pass
28 money for school to spouses and children, according to
the report. The colleges made it a priority to recruit

1 military members to exploit the surge in benefits, the
authors said.

2 “New Tool”

3 A 1992 law allows for-profit colleges to get as much as
4 90 percent of their revenue from federal financial aid.
5 The companies seek military students and veterans
because their education benefits are counted as a non-
government source, according to the Harkin report.

6 66. Defendants’ profiteering is at the expense of its military and veteran
7 students. Active military and military veterans who Defendants misled into
8 enrolling have dropped out and defaulted on loans at a much higher rate than
9 veterans at non-profit colleges:

10 Dropout Rates

11 Statistics suggest that the for-profit colleges attended by
12 military members have high dropout rates and poor
13 educational results, according to the report. At 4 of the
14 5 for-profit colleges receiving the most in Post-9/11 GI
Bill funding, loan repayment rates were below 37
percent, according to the report.

15 At the same 4 schools, 24 percent of the students
16 defaulted on their loans, according to the report. The
17 national rate of student default on government loans
was 7 percent in the academic year ended 2008, the
18 most recent period for which data are available,
according to the Education Department.

19 67. In addition to subjecting military students to the same
20 misrepresentations and material omissions as civilian students, Bridgepoint
21 engages in a number of misleading practices aimed directly at veterans who are
22 considering enrolling. For example, Ashford’s enrollment website includes a
23 page entitled “Military Benefits.” On this page, Ashford claims to “offer[] one of
24 the lowest tuition costs available” without specifying anywhere on its enrollment
25 site the actual cost of attendance. However, as shown above, Ashford’s tuition
26 rates are among the highest in the country at \$372 per credit hour. The VA,
27 which administers the Post-9/11 GI Bill, publishes an annual table on its website
28

1 containing the state-by-state maximum dollar amount of tuition and fees that the
2 Post-9/11 GI Bill and other veteran education assistance programs will cover. As
3 the site explains, these maximums are set “in accordance with the VA’s statutory
4 requirement to determine the highest in-state, undergraduate, public tuition.” In
5 other words, the VA’s table lists the costs to attend the most expensive public
6 colleges in each state of the country. In the last updated table, published August
7 30, 2010, 28 states’ most expensive public colleges charged less than \$372 per
8 credit hour. Ashford, which claims to offer veterans “one of the lowest tuition
9 costs available,” charges more tuition per credit hour than each of the public
10 colleges and universities in 56% of the states in the entire nation.

11 68. The variance between the VA’s published maximum rates and
12 Ashford’s rates has a particularly important impact on veterans. The Post-9/11 GI
13 Bill will only pay for tuition costs up to the VA’s published maximum charge
14 in a given state. Ashford’s “lowest tuition costs” are financially-paralyzing for
15 veterans in 28 states where the VA’s generous benefits are not enough to cover
16 the unreasonably high costs of attending Ashford.

17 69. The result is that Defendants encourage veterans, who otherwise
18 should never have been forced to take out loans to finance their postsecondary
19 education, to apply for loans or to pay the difference out of pocket, such that
20 military personnel and veterans often end up with far more debt than they can pay
21 back or than was necessary. The Wall Street Journal observed that student loan
22 default rates among veterans at for-profit institutions are much higher than for
23 veterans at comparable public or non-profit schools. If Defendants had not
24 misled those who served our country into attending such expensive and low-
25 quality institutions, these students likely would have never attended Ashford or
26 The Rockies, never taken out a loan, and would have graduated from a more
27 reputable college without debt.

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1 **C. Bridgepoint Implements An Illegal Incentive Compensation**
2 **Scheme And Pressures Its Enrollment Advisors To Employ**
3 **Illegal Recruiting Tactics**

4 70. Title IV education programs prohibit Defendants from providing
5 incentive payments to employees for securing student enrollment. However,
6 Bridgepoint provides incentive payments to its enrollment advisors for recruiting
7 and securing student enrollment, and fosters a competitive environment such that
8 an enrollment advisor's success or failure is determined by the number of
9 prospective students the advisor actually enrolls. The result of these perverse
10 incentives is that enrollment advisors give false and misleading information to get
11 students to enroll, and also agree to enroll prospective students even when it is
12 obvious that the prospective student did not qualify or would not benefit from the
13 program.

14 71. Bridgepoint's hundreds of enrollment advisors work in large call
15 centers and are divided into teams. The highest performing teams - determined
16 solely by the number of students enrolled - win prizes and often receive
17 substantial raises. Underperforming team members do not receive bonuses or pay
18 raises, and often are fired for failure to enroll more students. This type of
19 hypercompetitive atmosphere fosters a culture in which misrepresentations are
20 encouraged in order to drive up enrollment numbers, and violates federal law.

21 72. Bridgepoint enrollment advisors are required to track the number of
22 contacts they make with referrals, prospective students, and enrolled students, as
23 well as the number of students they enroll in six month increments. Bridgepoint
24 requires its enrollment advisors to maintain communication with students they
25 enroll, but only to ensure the students remain enrolled long enough for
26 Bridgepoint to keep the money from their federal student loans. Bridgepoint
27 requires its enrollment advisors to track recruitment data on charts and
28 individualized New Student Checklists, and awards enrollment advisor points

1 based on the number of contacts made and on the number of students enrolled.
2 Enrollment advisors with the most points earn the most money; those with the
3 fewest points, or who do not meet quotas, are disciplined and/or terminated.
4 Defendants also track enrollment advisors' recruitment data with detailed periodic
5 reports.

6 73. Enrollment advisors that do not enroll enough students received
7 several verbal and written warnings, and learn the refrain "applications save your
8 seat, and retention gets you paid." Defendants repeatedly warn enrollment
9 advisors in writing that they will be terminated if they do not meet the quotas and
10 goals mandated by Bridgepoint. These actions are improper and unlawful, as
11 they require an enrollment advisor to submit a number of applications regardless
12 of his/her prospective students' desire to enroll or not.

13 74. Under the constant pressure to increase the number of enrollment,
14 Bridgepoint enrollment advisors employ boiler-room tactics, and disseminate
15 false and misleading statements regarding the quality of education, federal student
16 aid, the costs of enrollment, and post-enrollment employment prospects.

17 75. Ms. Guzman is a victim of Bridgepoint's illegal recruiting tactics,
18 concealment, and misrepresentations.

19 **D. The Government Accountability Office Exposes Industry-Wide**
20 **For-Profit College Mifeasance**

21 76. In 2009, the federal government instructed the U.S. Government
22 Accountability Office ("GAO") to investigate the practices of for-profit colleges
23 and universities like Bridgepoint for the following reasons:

24 **a. Exploding Enrollment:** Enrollment in these
25 colleges has grown far faster in the last decade than at
26 traditional higher-education institutions. Enrollment in
27 for-profit colleges has grown from about 365,000
28 students in 2004 to approximately 1.8 million in 2009;

b. Growth of Publicly-Traded For-Profit

Colleges: The fourteen largest for-profit corporations (including Bridgepoint), worth \$26 billion as of July 2010, enrolled some 1.4 million students in their wholly owned subsidiary for-profit colleges;

c. Disproportionate Federal Financial

Assistance: In 2009, students at for-profit colleges received more than \$4 billion in Pell Grants (a federal government student tuition grant) and more than \$20 billion in federal loans provided by the Department of Education. This represents roughly 25% of all Federal Pell Grants and federal loans given to college students throughout the country, despite the fact that for-profit college students represent only approximately 9% of all college students; and

d. Disproportionate Student Loan Default Rates:

Students at for-profit colleges also represent a vastly disproportionate percentage of students who default on their federally administered student loans. When a student defaults on a federal loan, the government and the American taxpayer – not the academic institution – must pick up the tab. In 2009, despite representing only 9% of college students throughout the country, students at for-profit colleges and universities were responsible for 44% of all student loan defaults in the country.

77. On August 3, 2010, the GAO issued a report concluding that for-profit educational institutions, like Bridgepoint, engaged in a pattern of behavior where they systematically recruited students through deceptive marketing, harassing recruitment tactics, and prohibited employee incentive programs, all in an attempt to increase student enrollment and drive up company profits. The GAO report confirmed the systematic nature of the deceptive and unlawful practices described above that are employed by for-profit institutions like Bridgepoint, concluding that they misrepresented to prospective and enrolled students, among other things, the true cost of attending the school, their ability to receive and obligation to repay federal tuition assistance, and their post-graduation employability and salary potential. The report further confirmed that many of these schools also paid bonuses to enrollment advisors based directly on

1 the numbers of students the advisors enrolled or retained with the school in direct
2 violation of federal law. The GAO also found that every for-profit institution
3 investigated made deceptive and misleading statements regarding federal
4 financial aid, in a direct effort to secure a student's application for the maximum
5 allowable loan amount under federal guidelines.

6 78. The GAO report further concluded that many of these for-profit
7 institutions specifically targeted veterans and active military personnel by
8 offering misleading military benefits plans. For example, many schools recruited
9 potential students who received tuition assistance under the Post 9/11-GI Bill by
10 claiming to offer military discounts on tuition, when in reality they were charging
11 tuition rates far in excess of what the Post 9/11-GI Bill and other veterans' tuition
12 assistance programs cover.

13 **V. CLASS ACTION ALLEGATIONS**

14 79. Plaintiff brings this action both on behalf of herself and as a class
15 action under F.R.C.P. 23(a) and 23(b) on behalf of the following Class:

16 All persons in the United States who enrolled in and/or
17 attended classes offered by Bridgepoint Education, Inc.
18 through Ashford University during the period from
19 approximately March 1, 2005 through the present (the
20 "Class Period"). Excluded from the class are
21 defendants, defendants' immediate families,
22 subsidiaries, affiliates, successors-in-interest,
23 representatives, trustees, executors, administrators,
24 heirs, assigns or transferees, any person acting on
25 behalf of defendants, all governmental entities, and co-
26 conspirators.

27 80. Plaintiff does not know the exact number of Class members because
28 such information is in the exclusive control of Defendants. Upon information and
belief, Plaintiff believes that there are tens of thousands of Class members,
geographically dispersed throughout the United States, such that joinder of all
Class members is impracticable.

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81. Plaintiff's claims are typical of the claims of the Class in that:

- Plaintiff was enrolled in an online degree program offered by Defendants during the Class Period;
- Plaintiff was induced to enroll in the online degree program by identical affirmative written misrepresentations published by Bridgepoint, uniform scripted affirmative oral misrepresentations made by Bridgepoint enrollment advisors, and through Defendants' material omissions;
- Plaintiff enrolled in online classes offered by Defendants during the Class Period;
- Plaintiff was damaged by the wrongful conduct of Defendants; and
- The relief sought is common to the Class.

82. Questions of law or fact arise from Defendants' unfair and misleading conduct that is common to the Class. Questions of law or fact common to the Class include and are not limited to:

- whether Defendants misrepresented material facts about their academic institutions to the Class;
- whether Defendants misrepresented material facts about federal student loan requirements to the Class;
- whether Class members were recruited by Defendants to attend one of Bridgepoint's academic institutions;
- whether Class members enrolled in and/or attended online classes offered by Defendants;
- whether Defendants improperly provided prohibited incentives to their enrollment advisors;

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- whether Defendants improperly targeted veterans and active duty military personnel through misleading marketing practices;
- whether Defendants engaged in unfair and/or unlawful business practices during the Class Period;
- whether Defendants engaged in unfair and/or unlawful marketing practices, including false advertising, during the Class Period;
- whether Defendants had a duty to disclose material facts to Class members;
- whether Defendants failed to disclose material facts to Class members;
- whether Defendants breached the implied covenant of good faith and fair dealing implied in student enrollment contracts; and
- whether class-wide damages, declaratory and/or injunctive relief is appropriate and, if so, the proper measure of the damages, declaratory and/or injunctive relief.

83. These questions of law or fact are common to the Class, and predominate over any other questions affecting only individual class members.

84. Plaintiff will fairly and adequately represent the interests of the Class in that:

- Plaintiff is typical of former students of online degree programs offered by Defendants;
- Plaintiff was induced to enroll in an online degree program offered by Defendants through misrepresentations and/or omissions in marketing and/or unfair business practices; and
- Plaintiff has no conflicts with any other member of the Class.

1 85. Plaintiff has retained competent counsel who are experienced in
2 class action litigation.

3 86. A class action is superior to the alternatives, if any, for the fair and
4 efficient adjudication of this controversy.

5 87. Prosecution of separate actions by individual class members would
6 create the risk of inconsistent or varying adjudications, establishing incompatible
7 standards of conduct for Defendants.

8 88. Injunctive relief is appropriate as to the Class as a whole because
9 Defendants have acted or refused to act on grounds generally applicable to the
10 Class.

11 89. Plaintiff reserves the right to expand, modify, or alter the class
12 definition in response to information learned during discovery.

13 **VI. EQUITABLE TOLLING ALLEGATIONS**

14 90. At all relevant times when Defendants induced Plaintiff and
15 members of the Class to enroll at Ashford or The Rockies through misleading
16 misrepresentations and under false pretenses, Defendants concealed relevant facts
17 that would have allowed Plaintiff to discover the false and misleading
18 misrepresentations. As a result of these misrepresentations, equitable tolling of
19 the statute of limitations applies as to the claims asserted by Plaintiff and the
20 Class. Any applicable statute of limitations that might otherwise bar certain of
21 the claims at issue should be tolled because Defendants actively misled Plaintiff
22 and the Class with respect to the true cost of attending Ashford, the quality of
23 Ashford's programs, and students' post-graduation job prospects, employability
24 and earnings potential, as well as federal student loan repayment options and
25 obligations, and Defendants' students' loan repayment rate.

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1 91. Plaintiff exercised due diligence to discover Defendants’
2 wrongdoing. However, such wrongdoing was not discoverable prior to the date
3 of the filing of this action since Defendants concealed their wrongdoing through
4 misrepresentation. Defendants have never publicly disclosed their wrongdoing in
5 making the uniform, Class-wide written and oral misrepresentations and material
6 omissions. Plaintiff exercised due diligence by promptly filing this Complaint
7 after discovering the facts giving rise to these claims.

8 **VII. CAUSES OF ACTION**

9 **First Claim For Relief** 10 **Violation Of Business & Professions Code § 17200**

11 92. Plaintiff realleges and incorporates by reference each and every
12 allegation above as if fully set forth in this claim.

13 93. The Unfair Trade Practices Act defines unfair competition to include
14 any “unfair” or “unlawful” business act or practice. CAL. BUS. & PROF. CODE §
15 17200. Unfair competition also includes “unfair, deceptive, untrue or misleading
16 advertising.” *Id.* The Act also provides for injunctive relief and restitution for
17 violations. *Id.* § 17203.

18 94. Plaintiff brings this cause of action on behalf of herself, members of
19 the Class, and members of the general public pursuant to California Business &
20 Professions Code §§ 17200 *et seq.* Under Business & Professions Code § 17200
21 *et seq.*, Plaintiff is entitled to enjoin Defendants’ wrongful practices and to obtain
22 restitution for the monies paid to Defendants by reason of Defendants’ unlawful
23 and/or unfair acts and practices.

24 95. Defendants injured members of the Class and the general public as a
25 direct and proximate result of the acts and practices alleged above. This Court is
26 empowered to, and should, order restitution to all persons from whom Defendants
27 unfairly and/or unlawfully took money.

1 96. Defendants' unlawful, unfair, and fraudulent business acts and
2 practices, as described above, present a continuing threat to members of the Class
3 and of the general public, in that Defendants are continuing, and will continue,
4 unless enjoined, to commit violations of Business & Professions Code § 17200.
5 This Court is empowered to, and should, grant preliminary and permanent
6 injunctive relief against such acts and practices.

7 97. Defendants' conduct was and is "unlawful" because Defendants
8 violated Business and Professions Code § 17200 *et seq.* because they breached
9 their contracts with Plaintiff and the Class, breached the implied covenant of good
10 faith and fair dealing, violated the Consumer Legal Remedies Act, failed to
11 disclose material facts to Plaintiff and the Class during the enrollment process,
12 violated § 17500, negligently misrepresented facts to Plaintiff and the Class, and
13 violated Title IV. As alleged above, Defendants concealed material facts about
14 their business practices and about Ashford University from Plaintiff and the Class
15 in order to induce Plaintiff and the Class to enroll at Ashford. Defendants'
16 concealment was knowingly committed and performed with such frequency as to
17 constitute a general business practice.

18 98. Defendants further violated Business & Professions Code § 17200 *et*
19 *seq.*, by their violations of many provisions of the CPPEA. The CPPEA prohibits
20 private postsecondary institutions from the following conduct:

- 21
- 22 • Promising or guaranteeing employment, or otherwise overstating the
23 availability of jobs upon graduation (§ 94897(b));
 - 24 • Advertising concerning job availability, degree of skill, or length of
25 time required to learn a trade or skill unless the information is
26 accurate and not misleading (§ 94897(c));
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- 1 • Paying any consideration to a person to induce that person to sign an
2 enrollment agreement for an educational program (§ 94897(h));
- 3 • Compensating an employee involved in recruitment, enrollment,
4 admissions, student attendance, or sales of educational materials to
5 students on the basis of a commission, commission draw, bonus,
6 quota, or other similar method related to the recruitment,
7 enrollment, admissions, student attendance, or sales of educational
8 materials to students (§ 94897(n)); or
- 9 • Requiring a prospective student to provide personal contact
10 information in order to obtain, from the institution's Internet Web
11 site, educational program information that is required to be contained
12 in the school catalog or any information required pursuant to the
13 consumer information requirements of Title IV, and any
14 amendments thereto (§ 94897(o)).

15 99. Defendants violated each of these provisions by virtue of their
16 unfair, unlawful, and conduct, described in detail above.

17 100. Defendants' conduct also is "unfair" due to the conduct alleged
18 herein.

19 101. Defendants' conduct also violates Business & Professions Code §
20 17200 because Defendants' conduct, as alleged herein, is "fraudulent."

21 102. Defendants' unlawful and unfair business acts and practices, as
22 described above, present a continuing threat to members of the Class and of the
23 general public, in that Defendants will continue, unless enjoined, to commit
24 violations of Business & Professions Code § 17200. This Court has the authority
25 to, and should, grant preliminary and permanent injunctive relief against these
26 acts and practices.

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Second Claim For Relief
Violation Of Business & Professions Code § 17500 *et seq.*

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2 103. Plaintiff realleges and incorporates by reference each and every
3 allegation above as if fully set forth in this claim.

4 104. California’s False Advertising Act makes it unlawful to “make or
5 disseminate or cause to be made or disseminated before the public [a statement]
6 which is untrue or misleading, and which is known, or which by the exercise of
7 reasonable care should be known, to be untrue or misleading” with the intent to
8 “induce the public to enter into any obligation relating thereto.” Such statements
9 include statements made through “any advertising device,” including “over the
10 Internet.” BUS. & PROF. CODE § 17500.

11 105. This cause of action is brought on behalf of Plaintiff and the Class
12 under Business & Professions Code § 17500 *et seq.* Plaintiff is entitled to enjoin
13 Defendants’ wrongful practices, and to obtain restitution for the monies paid to
14 Defendants by reason of Defendants’ unlawful and unfair conduct under the False
15 Advertising Act.

16 106. Defendants violated the False Advertising Act by making,
17 disseminating, and/or causing to be made or disseminated, false and misleading
18 statements and material omissions on their websites and other promotional
19 materials about the true cost of attending Ashford, the quality of Ashford’s
20 programs, and students’ post-graduation job prospects, employability and
21 earnings potential. These false and misleading statements and omissions were
22 made with the intent to induce the general public, including Plaintiff and the
23 Class, to enroll in Defendants’ online degree and certificate programs.

24 107. Plaintiff and the Class did in fact rely on these false and misleading
25 statements and omissions, and were misled by Defendants’ concealment in
26 deciding to begin and continue their enrollment in Defendants’ online certificate
27

1 and degree programs. As a direct and proximate result of the acts and practices
2 alleged above, members of the Class and the general public who enrolled in
3 and/or attended classes at Ashford have been injured. This Court has the
4 authority to, and should, order restitution to all persons from whom Defendants
5 unfairly and/or unlawfully took money.

6 108. Defendants' unlawful and false and misleading advertising, as
7 described above, presents a continuing threat to members of the Class and of the
8 general public, in that Defendants are continuing, and will continue, unless
9 enjoined, to violate Business & Professions Code § 17500 *et seq.* This Court has
10 the authority to, and should, grant preliminary and permanent injunctive relief
11 against such conduct.

12 **Third Claim For Relief**
13 **Violation Of The Consumers Legal Remedies Act**

14 109. Plaintiff realleges and incorporates by reference each and every
15 allegation above as if fully set forth in this claim.

16 110. This cause of action is brought on behalf of Plaintiff and the Class
17 under California Civil Code § 1750 *et seq.* Under the Consumers Legal
18 Remedies Act, Plaintiff is entitled to enjoin Defendants' wrongful practices by
19 reason of Defendants' unlawful and unfair acts and practices.

20 111. The Consumers Legal Remedies Act prohibits unfair competition
21 and unfair acts or practices that are undertaken by anyone in a transaction that is
22 intended to result, or which results, in the sale of goods and services.

23 112. Defendants violated the Consumers Legal Remedies Act by
24 misrepresenting to, and concealing from, Plaintiff and the Class: (a) the true cost
25 of attendance at Ashford; (b) the quality of Ashford's programs; (c) students'
26 post-graduation employability, job placement prospects; and (d) prospective
27 students' federal financial assistance options.

28

1 113. Defendants' unlawful and unfair business acts and practices, and
2 unfair and misleading advertising, as described above, present a continuing threat
3 to Plaintiff, members of the Class and members of the general public, in that
4 Defendants continue to mislead prospective students into enrolling in programs
5 offered by Bridgepoint, in violation of the Consumers Legal Remedies Act's
6 prohibition against, among other things:

7 * * *

8 (2) Misrepresenting the source, sponsorship, approval,
9 or certification of goods or services.

10 * * *

11 (5) Representing that goods or services have
12 sponsorship, approval, characteristics, ingredients, uses,
13 benefits, or quantities which they do not have or that a
14 person has a sponsorship, approval, status, affiliation, or
15 connection which he or she does not have.

16 * * *

17 (7) Representing that goods or services are of a
18 particular standard, quality, or grade, or that goods are
19 of a particular style or model, if they are of another.

20 * * *

21 (9) Advertising goods or services with intent not to sell
22 them as advertised.

23 * * *

24 Cal. Civ. Code § 1770(a). This Court has the authority to, and should, grant
25 preliminary and permanent injunctive relief against such conduct.

26 114. As a result of Defendants' violations of the Consumer Legal
27 Remedies Act, Plaintiff and each member of the Class have suffered damages.
28 Plaintiff seeks an injunction against Defendants' illegal and unfair business
practices.

**Fourth Claim For Relief
Violation Of Civil Code § 1710(3)**

1
2 115. Plaintiff realleges and incorporates by reference each and every
3 allegation above as if fully set forth in this claim.

4 116. During the Class Period, Defendants knew, among other things, the
5 following material facts:

- 6
- 7 • the true costs of enrollment at Bridgepoint schools, including
 - 8 tuitions, fees, and other expenses;
 - 9 • the refund policy at Bridgepoint schools;
 - 10 • the requirements and procedures for withdrawing from Bridgepoint
 - 11 schools;
 - 12 • the accreditation of Bridgepoint schools;
 - 13 • the completion and graduation rates at Bridgepoint schools;
 - 14 • the unusually high Cohort Default Rates for Bridgepoint Students;
 - 15 and
 - 16 • the prospects for Bridgepoint graduates to secure employment in
 - 17 their fields of studies.

18 117. During the Class Period, Defendants concealed such material facts
19 from Plaintiff and the Class before they enrolled at Bridgepoint schools, although
20 they were required to disclose such material facts under Title IV, the CPPEA,
21 other laws and regulations, and the rules and regulations of accreditation
22 organizations.

23 118. By concealing such material facts, Defendants intended to induce
24 Plaintiff and the Class to enroll in Bridgepoint schools.

25 119. Plaintiff and the Class were unaware of these concealed facts, and
26 had no means of ascertaining such concealed facts before making a decision to
27 attend and/or continuing their enrollment at Bridgepoint schools.

28

1 120. As a result of Defendants' concealment of these material facts,
2 Plaintiff and the Class have been injured.

3 **Fifth Claim For Relief**
4 **Negligent Misrepresentation**

5 121. Plaintiff realleges and incorporates by reference each and every
6 allegation above as if fully set forth in this claim.

7 122. Defendants made systematic, identical written misrepresentations
8 regarding the cost of attending Ashford, the value of the degree programs offered
9 at Ashford, the quality of Ashford as compared to other institutions, and students'
10 post-graduation employment prospects. Defendants had no reasonable grounds
11 for believing these representations to be true when they made them. Regardless,
12 Defendants made these representations in order to induce Plaintiff and the Class
13 to act in reliance on these representations by enrolling at Ashford, or with the
14 expectation that they would so act. Plaintiff and each member of the Class relied
15 on these negligent representations before enrolling, and in deciding to continue
16 their enrollment.

17 123. Plaintiff and the members of the Class were ignorant of the true facts
18 at the time Defendants made the misrepresentations. Plaintiff and the members of
19 the Class would not have enrolled in Ashford if they had known the true facts.

20 124. Plaintiff and members of the Class have been damaged as a
21 proximate result of Defendants' negligent conduct, in an amount in excess of this
22 Court's jurisdiction, the exact amount to be proven at trial.

23 **VIII. PRAYER FOR RELIEF**

24 WHEREFORE, Plaintiff, on behalf of herself and the Class Members she
25 seeks to represent in this action, requests the following relief:

26
27
28

1 a. A declaration that this action is a proper class action under Federal
2 Rule of Civil Procedure 23 on behalf of the Class as defined herein, and an order
3 directing that reasonable notice of this action be given to each member of the
4 Class;

5 b. A declaration that the Defendants' conduct alleged herein constitutes
6 a breach of contract, breach of the implied covenant of good faith and fair
7 dealing, a violation of Business & Professions Code § 17200, a violation of Title
8 IV of the Higher Education Act of 1965, a violation of the CPPEA, a violation of
9 the Consumer Legal Remedies Act, and negligent misrepresentation;

10 c. An injunction enjoining Defendants, preliminarily and permanently,
11 from continuing the unlawful conduct alleged herein;

12 d. For restitution to Plaintiff and each member of the Class, as his or
13 her interest may appear, of all sums unlawfully collected by Defendants from the
14 Plaintiff and other members of the Class since March 1, 2005 through the present;

15 e. For disgorgement of all profits obtained by Defendants as a result of
16 its unfair business practices;

17 f. For an award for Plaintiff and the Class for the costs of this suit
18 (including expert fees), and reasonable attorneys' fees, as provided by law; and

19 g. For an award for such other and further relief as the nature of this
20 case may require, or as this Court deems just, equitable, and proper.

21 **DEMAND FOR JURY TRIAL**

22 Under Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiff
23 demands a trial by jury on all triable issues.
24
25
26
27
28

1 Dated: August 9, 2012

2 CHAPIN FITZGERALD
3 & BOTTINI LLP
4 Edward D. Chapin
5 Francis A. Bottini, Jr.

6 s/ Francis A. Bottini, Jr.

7 _____
8 Francis A. Bottini, Jr.

9 550 West C Street, Suite 2000
10 San Diego, California 92101
11 Telephone: (619) 241-4810
12 Facsimile: (619) 955-5318

13 *Attorneys for Plaintiff*

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