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[EXEMPT FROM FILING FEES PURSUANT TO GOVERNMENT CODE SECTION 6103]

ENDORSED
FILED
ALAMEDA COUNTY
NOV 29 2017
CLERK OF THE SUPERIOR COURT
By: ERICA BAKER, Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF ALAMEDA

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

ASHFORD UNIVERSITY, LLC, a California limited liability company; BRIDGEPOINT EDUCATION, INC., a Delaware corporation; and DOES 1 through 50, INCLUSIVE

Defendants

Case No. RG17883963

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

Verified answer required pursuant to Code of Civil Procedure section 446

The People of the State of California ("the People"), by and through Xavier Becerra, Attorney General, allege as follows:

1. The People bring this action to hold Ashford University, LLC ("Ashford University") and its parent company Bridgepoint Education, Inc. ("Bridgepoint," and, collectively "Ashford" or "Defendants") accountable for violating California law.

2. Twelve years ago, Ashford purchased Franciscan University of the Prairies, a small, Catholic, non-profit university in Clinton, Iowa with an enrollment of about 300 students. With the school came its valuable accreditation, which unlocked access to federal financial aid funds. Ashford quickly leveraged those funds to transform tiny Franciscan into an online for-profit educational empire. By 2012, Ashford University enrolled over 80,000 online students, powering Bridgepoint to profits of over $120 million that year. To accomplish this feat, Ashford employed an army of sales representatives who worked in boiler-room conditions. Under intense pressure to meet unrealistic enrollment quotas, these employees frequently enticed prospective students to enroll using false promises and faulty information. For example, Ashford made myriad misrepresentations regarding prospective students' ability to get financial aid; the costs of attendance; the likelihood that academic credits would transfer into and out of the school; and the ability of Ashford programs to prepare its students for careers in certain professions. Ashford also misled investors and the public by inflating the percentage of working alumni who reported that their Ashford degree prepared them for their current occupation.

3. Ashford's misrepresentations were not the actions of rogue employees but the consequence of the extreme pressure that Ashford exerted on its "Enrollment Advisors," also known as "University Advisors" or "Admissions Counselors" (hereinafter, "Admissions Counselors"). Admissions Counselors were actually salespeople subject to daily, weekly, monthly and quarterly numerical targets measuring, among other things, how many calls they made, how many referrals to prospective students they had secured from current students, how many applications they brought in, and how many students actually started attending. Ashford constantly disciplined and terminated Admissions Counselors for failure to meet their enrollment expectations. Managers goaded their reports to increase their forecast figures and then berated

them for falling short, forced Admissions Counselors to stand at their desk when they missed enrollment targets or until they could get a prospective student on the line, prodded them to make bets with one another about their numbers, and publicly displayed Admissions Counselors' numbers. One Admissions manager even saved the key cards of terminated Admissions staff on a keyring, which she rattled in front of reports to remind them of their obligations to hit their metrics or else.

4. A supervisor in the Admissions department recalled, "I had worked in the sales industry for many years. But Ashford had the most aggressive sales floor I have ever seen. . . . [Admissions Counselors] were pushed hard to make close to one thousand cold calls each week. Teams had different ways of celebrating whenever a new student was enrolled. Some teams rang cowbells. Other had plastic hand clappers. In short, the sales floor had a true boiler-room atmosphere, which reminds me in many ways of the boiler rooms portrayed in the movie *The Wolf of Wall Street.*"

5. Ashford was aware that its cutthroat sales culture resulted in a troubling frequency of misconduct. Ashford's own internal reports reveal that the company identified misrepresentations at a rate of hundreds per month, or thousands per year, based on audits of less than five percent of each Admission's Counselor's calls. Those audit results suggest that Admissions Counselors likely engaged in tens of thousands of misrepresentations in a given year. Ashford failed to address this systemic problem and was lax in disciplining offenders. For example, one Admissions Counselor was flagged for 25 violations over an eight-month period, including repeated misrepresentations regarding financial aid and costs of attendance and the transferability of credits, and never received more than a written warning or "discussion memo" in that time period. And even when Ashford identified a clear misrepresentation, such as "guarantee[ing a] student's credits will transfer in to their program," it often treated the offense as a "coachable" moment rather than a formal violation.

6. Prizing profits over accurate advisement, Ashford also failed to implement any policy to ensure that its staff followed up with students and prospective students to correct whatever misrepresentations it happened to catch its Admissions Counselors making.

7. Ashford's misrepresentations harmed students, who, trusting their Admissions Counselors, enrolled at Ashford and incurred enormous expense, only to discover later that they owed far more than they had been told, that their degree would take months or years longer to complete than they had been assured, or that their degree would not advance their career dreams.

8. Because of Ashford's misrepresentations, its students, many of them low-income, were often saddled with tuition expenses and other debts they could not afford and would never have incurred had they known the truth. Its students not only owe billions in federal loans, but Ashford claims that they also owe hundreds of millions of dollars directly to the school. To collect that money, Ashford has engaged in aggressive and illegal practices like threatening and imposing unlawful debt collection fees.

9. The People respectfully request that his Court use its equitable and legal authority to permanently end Ashford's unlawful, unfair, and fraudulent practices, to prevent those practices from recurring, and to restore Ashford's ill-gotten gains to its victims.

PLAINTIFF

10. Plaintiff is the People of the State of California. The People bring this action by and through Xavier Becerra, Attorney General. The Attorney General is authorized by Business and Professions Code sections 17204 and 17206 to bring actions to enforce the Unfair Competition Law ("UCL"); by Business and Professions Code sections 17535 and 17536 to bring actions to enforce the Fair Advertising Law ("FAL").

DEFENDANTS

11. Defendant Bridgepoint is, and at all times mentioned herein was, a corporation organized and existing under the laws of the State of Delaware. Bridgepoint's principal place of business is in San Diego, California in San Diego County. At all times relevant herein, Bridgepoint has transacted and continues to transact business throughout California, including in Alameda County.

12. Defendant Ashford University is a limited liability company organized and existing under the laws of the state of California. Ashford University's principal place of business is in San Diego, California in San Diego County. At all times relevant herein, Ashford University has

transacted and continues to transact business throughout California, including in Alameda County. Ashford University is a wholly-owned subsidiary of Bridgepoint.

13. The true names and capacities, whether individual, corporate, associate or otherwise, of defendants sued herein as Does 1 through 50, inclusive, presently are unknown to the People, who therefore sue these defendants by their fictitious names. The People will seek leave to amend this Complaint to allege the true names of Does 1 through 50 once they have been ascertained. Does 1 through 50 participated in some or all of the acts alleged herein.

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

15. Bridgepoint, Ashford University, and DOE Defendants 1 to 50 are referred to collectively in this complaint as "Ashford" and/or "Defendants." Whenever reference is made in this Complaint to any act of "Ashford" and/or "Defendants," that allegation shall mean that each Defendant acted individually and jointly with the other Defendants named in that cause of action.

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

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

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

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

JURISDICTION AND VENUE

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

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

22. The violations of law alleged in this Complaint occurred in the County of Alameda and elsewhere throughout California.

23. Venue is proper in this Court pursuant to Code of Civil Procedure section 393, subdivision (a) because violations of law that occurred in the County of Alameda are a "part of the cause" upon which the People seek the recovery of penalties imposed by statute.

TOLLING

24. Pursuant to valid agreements between the People and Defendants, the parties have tolled all time limits and time-related defenses, either in law or in equity, including but not limited to statute of limitations, statute of repose, and the doctrine of laches, relating to claims that the People might bring against Defendants pertaining to their business operations and practices. The initial tolling agreement became effective on February 6, 2013 and tolled all such claims not then expired until February 6, 2014. The tolling agreement was later extended, pursuant to a continuous series of separately-executed amendments, to February 6, 2015, February 6, 2016, February 6, 2017, April 6, 2017, July 6, 2017, September 6, 2017, November 6, 2017, and finally, to December 6, 2017.

DEFENDANTS' REPRESENTATIONS AND BUSINESS PRACTICES

25. Bridgepoint is a for-profit company founded in 2004 and based in San Diego, California.

26. In March 2005, Bridgepoint acquired Franciscan University of the Prairies in Clinton, Iowa: a non-profit, Catholic school that enrolled about 300 students. Bridgepoint then terminated

the school's affiliation with the Church, rechristened it Ashford University, and transformed it into a for-profit institution.

27. Ashford inherited Franciscan University of the Prairies' accreditation from the Higher Learning Commission of the North Central Association of Colleges and Schools ("HLC"). HLC is a regional accrediting agency that accredits higher education institutions in 19 states, which include Iowa and cover a geographic span stretching from Arizona to Ohio.

28. Because HLC is an accrediting agency recognized by the United States Department of Education, acquiring Franciscan's HLC accreditation enabled Ashford to access federal financial aid programs under Title IV of the Higher Education Act. The Title IV financial aid program includes loans and grants, such as Direct Subsidized and Unsubsidized Loans, Direct Graduate PLUS Loans, Direct PLUS Loans, Federal Pell Grants, Federal Supplemental Educational Opportunity Grants, and the Federal Perkins Loan.

29. After obtaining access to federal Title IV funds, Ashford aggressively pursued rapid enrollment growth in Ashford University's online programs. At the time that Bridgepoint purchased it in 2005, Franciscan University of the Prairies had about 332 students, only about 20 of whom were enrolled in the school's recently-launched online program. By the end of 2011, just six years later, Ashford University enrolled 83,774 online students, and ranked as the second largest degree-granting college or university in the country. During that same timeframe, Bridgepoint's annual revenue skyrocketed over one hundred-fold, from $7.9 million in 2005 to over $968 million in 2012.

30. The vast majority of Ashford's earnings have come from federally-subsidized Title IV loans and grants. According to Bridgepoint's public filings, between 2009 and 2016, Ashford University derived between 80.9 percent and 86.8 percent of its revenues from Title IV funds.

31. After its experience with Ashford, HLC became warier of attempts by for-profit entities to acquire the accreditation of non-profit schools. HLC's then-President, Sylvia Manning, testified at a 2011 hearing of the United States Senate's Committee on Health, Education, Labor and Pensions: "Now what was wrong in our process and what we have changed is that . . . when [Franciscan University of the Prairies] was acquired by Bridgepoint, suddenly, Bridgepoint was

accredited, and it grew this enormous superstructure of this enormous online institution. And because we had pretty much not seen that kind of thing before, we didn't have the tools that we now have either to predict that or control that." Because of its experience with Ashford, HLC implemented changes to its accreditation process, and, according to Manning, "[w]hat happened in 2005 [i.e. the acquisition of Franciscan University of the Prairies] and then culminated in growth by 2009 simply could not happen today."

32. Ashford University eventually obtained accreditation from the Western Association Accrediting Commission for Senior Colleges and Universities (WASC), a regional accrediting agency for schools based in California and other western states. In its initial review of the school's application in 2012, WASC noted that Ashford University failed to meet WASC's standards in half a dozen areas, including student retention and completion, support for student success, and assuring academic rigor. WASC found, for example, that between about 2007 and 2012, roughly 240,000 new students enrolled, yet 128,000 dropped out in the same period; that spending on recruitment was "well above" spending for instructional costs and services, that Ashford University's academic structure was "inadequate;" that coursework was not always adequately rigorous; and that "faculty responses to required student posts were often limited to a few words of encouragement and lacking in substantive exchange between student and teacher."

33. Ashford ultimately closed the Iowa ground campus it had acquired from Franciscan University of Prairies. Ashford University now enrolls new students in online programs. Its current student body numbers about 43,000.

Ashford University's Costs, Student Population, and Outcomes

34. Though Ashford touts its affordability when recruiting prospective students, Ashford University's online programs in fact cost far more than many alternatives, including many community colleges and public universities. Online Bachelors degrees at Ashford are currently expected to cost about $60,390, including tuition and fees, and books and supplies. By contrast, as examples, the cost of in-state tuition and fees, and books and supplies, for a four-year degree, based on present rates, is under $36,000 at San Diego State University, and under $33,000 at California State University-East Bay.

35. About 68 percent of Ashford students received federal aid in the form of Pell Grants as of 2016, and many students were the first in their family to attend college. As Ashford University's accreditor noted in 2015, the university's students in the aggregate "exhibit five of the seven student risk factors" the United States Department of Education has identified as increasing the chances a student will ultimately drop out: working full-time while enrolled, being a single parent, having dependents, being financially independent, and having delayed college enrollment.

36. Most Ashford University students do not graduate. For example, of Bachelor's Degree students who started attending Ashford University between July 1, 2009 and June 30, 2010, 73 percent did not graduate within six years. More recent figures continue the trend: of Bachelor's Degree students who started attending Ashford University between July 1, 2014 and June 30, 2015, only 26 percent are either actively pursuing their degree or have graduated.

37. The perception that a degree can lead to a better job and wages is one of the main reasons why students enroll at Ashford University, yet its alumni frequently do not work in the fields for which they trained at Ashford. According to alumni surveys Ashford conducted in 2009 and 2010, over half of respondents reported being either unemployed or not employed in a field related to their degree. Yet for a time during the same period, Ashford brazenly stated on its website, "How does my degree from Ashford compare to degrees from other schools? Your degree from Ashford University 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 and a degree from another school is the money and time you'll save through Ashford University."

Ashford's High-Pressure Sales Culture

38. To grow and sustain enrollment, Ashford built a sales department—disguised as an admissions office—that exerted extreme pressure on employees to meet enrollment targets and verbally and psychologically abused those who fell short.

39. Until approximately 2011, Ashford compensated Admissions Counselors based on how many students they enrolled. Those who succeeded in meeting the highest enrollment quotas

earned up to six figures. Due to changes in the United States Department of Education's regulations, Ashford ceased this practice but ramped up pressure on Admissions Counselors, threatening them with criticism, write-ups, demotion, and termination for poor enrollment numbers.

40. One Admissions Counselor described her department in an email to Bridgepoint's Chief Executive Officer, Andrew Clark, as a place where employees were "made to feel disposable and 'only as good as your last NUMBER enrollment,'" and driven to "just get [students] in to fulfill [the] high pressured need to enroll so many #s of students per week and month."

41. Other Admissions Counselors and their supervisors describe Ashford's sales department as "toxic," a "money grab," a "numbers game," "grimy," "brutal," a place where "people were just getting emotionally abused," "ruthless," and one in which people were constantly "fighting for their jobs." As a result of the "churn and burn" operation, employees often left the company within months, either because they were fired for failing to enroll enough students, or because they resigned due to the pressure and humiliation that permeated the department. It was also common for Admissions Counselors to cry, suffer mental breakdowns, or experience stress-related injuries.

42. During Ashford's highest-growth years, the school typically expected each Admissions Counselor to make at least 100 calls per day to sales leads. Admissions Counselors were also expected to enroll at least four to six students in their first month at Ashford, and at least eight students per month after that.

43. One Admissions manager required her staff to stand at their cubicles as punishment for failing to meet enrollment targets. Yet Ashford promoted her to higher level management positions in the Admissions department.

44. Another Admissions manager, known by the nickname "Tough Love," had a keyring on which she accumulated the key cards of Admissions employees that Ashford fired. She would rattle the keyring in front of those she supervised to remind them of their obligations to hit enrollment metrics or else be fired. One of "Tough Love's" reports recalls that when she asked to

take time off from work to see a sick relative, "Tough Love" began "laying into [her]," telling her, "I don't think you should go," and causing her to break down into tears.

45. To meet enrollment targets, Ashford also utilized peer pressure. For years, each Admissions team prominently displayed a white board near employee cubicles with the names of each Admissions Counselor and his or her performance metrics, such as the numbers of prospective student appointments, applications, and enrollments they had made over a period of time. Ashford used the white boards as another way to embarrass employees with low numbers.

46. Ashford managers also relied on various forms of competition to keep Admissions Counselors focused on their numbers. For example, one ran an "Olympic Games" week in which she awarded points to her team members based on how many referrals and appointments they secured from students and prospective students. She also held "referral raffles" in which an employee's chances of winning depended on how many referrals he obtained. She also ran a "Guess Who" game in which she displayed her team's metrics and asked them to guess who had achieved which numbers. Other Admissions managers goaded Admissions Counselors on their teams to make bets with one another about their enrollment figures.

47. To foster the sales culture, Ashford had a practice of holding group meetings at the beginning of each week in which mid-level Admissions managers, known as "Directors of Admissions," had to forecast their teams' enrollments for the week for their bosses, who were titled "Divisional Vice Presidents." During these meetings, the Divisional Vice Presidents often pressured their Directors of Admissions to increase their goals, cheering and giving high-fives when the Directors of Admissions gave in and agreed to meet inflated targets. The Divisional Vice Presidents then mocked Directors of Admissions who fell short of the unrealistic goals, questioning their competence and telling them to spend the weekend thinking about whether they were "cut out for the job." According to one former Director of Admissions, because of Ashford's pressure tactics, "you stop thinking of these students as people, you start putting numbers on people," and "[y]our entire day was consumed with a number so that you wouldn't get into trouble."

False or Misleading Statements Concerning Financial Aid and Costs of Attendance

48. In its efforts to lure in prospective students, Ashford systematically made false or misleading statements about students' ability to obtain federal financial aid and the school's costs of attendance. For example, Admissions Counselors commonly told consumers that federal financial aid would cover all of their costs of attending Ashford University, or that they would receive certain kinds or amounts of federal financial aid, when the Counselors either had no basis, or had an insufficient basis, for making those promises. At the same time, Ashford misrepresented to consumers that it could not determine final financial aid awards until after enrollment, and then it failed to issue the final awards until it was too late for students to withdraw without liability. This led many to incur unexpected debts for tuition and fees they owed due to a shortfall in their final award. In another repeated tactic, Admissions Counselors enticed consumers by telling them that they could use federal financial aid for non-educational expenses, even though federal law prohibits this conduct. Admissions Counselors also made numerous other misrepresentations concerning various aspects of financial aid eligibility, a complex topic on which they were unprepared to provide guidance, as well as the costs of attending Ashford.

Federal Financial Aid

49. To apply for federal financial aid, a student must complete a "Free Application for Federal Student Aid" (FAFSA) and submit it to the United States Department of Education. The Department of Education uses information on a student's FAFSA, including information about the income and assets of a student and perhaps his family members, to assess the student's ability to pay for his educational costs in a given school year. In addition to income and asset information, however, a host of federal rules affect whether a student will receive financial aid and how much he will receive. For example, there are limits to the amount of federal financial aid that a student may receive in a given school year that depends on the student's seniority in school, and there are also limits to the total amount of federal financial aid that a student may receive in his or her lifetime.

50. Based on the data in a student's completed FAFSA and the various federal rules, Ashford determines how much federal financial aid to offer a student. Ashford notifies its students of the official amounts of federal loans, federal grants, and other financial aid that they are offered by sending them "financial aid award letters." Unlike other schools, Ashford does not send financial aid award letters until after a student enrolls, giving Admissions Counselors ample opportunity to make false forecasts about financial aid in their sales pitches to consumers.

Misrepresentations Regarding Likelihood of Receiving, and Extent of, Financial Aid

51. In one common form of misrepresentation, Ashford told prospective students who had not yet filled out a FAFSA or received a financial aid award letter that they would not have to pay any "out-of-pocket costs," i.e., that they would receive enough financial aid to cover all costs of attendance, or all costs except books. For example, as documented in one of Ashford's "incident reports," which recorded some of the improper statements made by Admissions Counselors, one Admissions Counselor falsely told her prospective student, "You won't be enrolled here at Ashford unless your Financial Aid package covers everything. Does that make sense? We don't enroll students if they have a shortfall, meaning extra money that they have to come up with. Does that make sense? We won't enroll you unless you get a Financial Aid package that can guarantee you that you're going to get at least loans or Pell Grant. Does that make sense to you? So you won't be given a bill at the end of the year."

52. Similarly, Admissions Counselors frequently made unwarranted assurances to consumers that they would receive specific forms of financial aid, including Pell Grants or a particular amount of aid, before the student had filled out a FAFSA or received his or her financial aid award letter.

53. For example, one Admissions Counselor told a prospective student, "Currently right now, you're a single mother and you haven't been working, so you would be, based on that, on that criteria, full Pell eligible." The associated incident report shows that Ashford was aware that this Admissions Counselor had made similar improper promises in the past. He also repeatedly promised students, incorrectly, that financial aid would cover their entire costs of attending

Ashford University. This employee was a "Lead Admissions Counselor" responsible for training others in the department.

54. For many consumers, these kinds of misrepresentations made Ashford University seem more affordable than it actually was. For example, many who were promised Pell Grants by their Admissions Counselors later learned that they would receive no grant money, or a grant much smaller than what their Admissions Counselors had indicated. Students ended up owing Ashford unanticipated out-of-pocket balances, or had to take out more loans than they had expected.

Misrepresentations Regarding Timing of Financial Aid

55. Ashford also told students and prospective students that final determinations about financial aid could not be made until after the student enrolled, and it required students to enroll without first receiving a final financial aid award letter. Ashford then waited until students were well into their coursework to send the financial aid award letters. In reality, it was possible for Ashford to make final financial aid determinations prior to enrollment, just as many other colleges and universities do. Waiting to process financial aid until after enrollment allowed Ashford to prevent prospective students' financial concerns from getting in the way of Admissions Counselors' quests to close their sales.

56. Even when students completed all of their financial aid paperwork before they enrolled, Ashford frequently did not send such students a financial aid award letter until two to three months after they started classes. Many Ashford University students discovered, upon finally receiving their financial aid award letters months after enrolling, and contrary to what Admissions Counselors had represented, that they were not eligible for enough federal financial aid to cover their entire costs of attending, and that they were liable to Ashford for these shortfalls. By that point, a student's options were to withdraw and remain liable for the surprise shortfalls, or to stay enrolled in Ashford University. As a former Ashford vice president of financial aid admits, it was often the case that "you don't know what you are going to owe until you're a quarter of the way through" your classes for the year.

Misrepresentations Regarding Use of Financial Aid Funds

57. Admissions Counselors also courted consumers by telling them that if they received financial aid in an amount greater than Ashford's costs and fees, they could spend the excess money on non-educational expenses, like a car or a vacation. Such tactics violate federal law. For example, one incident report shows that an Admissions Counselor told a prospective student: "[Y]ou know if all goes well, you might be look[ing] at . . . getting some money back. Right? I spent my Pell money, my excess money, on things I didn't need, but it was OK. I went ahead and got myself a car. You know, I'll be honest with you. I'm not going to lie. I kind of blew my money. I didn't put it back towards my student loans, but I didn't care at the time. I was like, 'You know what, I deserve to treat myself.' You know, it's up to you. It's kind of there for you and the government's offering to pay for it."

58. Another Admissions Counselor told a prospective student: "Once you get that check . . . . [i]t's totally yours. When I was in school, that's what I did, back when I was in [a] 4-year school, I would get my stipend check and I would set that aside for my summer vacation . . . I was taking vacations every year and just using my loan money." Another Admissions Counselor emailed his student, "the pell [sic] will leave you a lot of money left over for you to do what you want. You are golden!"

59. According to another incident report, an Admissions Counselor "advised his student . . . that it was acceptable to use . . . Title IV funds for clearly non educational expenses." The Admissions Counselor told his student, "the rest of your money, the $4,200-4,300, that's your money. You can do whatever you want to do with it. Like when I went to school, I fixed my car, I paid rent in advance. I know California rent is kind of expensive, but if you want, you can use the money to pay off the loans you have now. . . . you can use that money to finish paying off your loans from the previous loans, or if you have something to do with it, go ahead and do with it."

60. Still another Admissions Counselor, according to Ashford's internal findings, referred to the prospect of receiving excess Title IV funds "as the primary enticement for enrollment." She told a prospective student, "if you were eligible for the Pell Grant, then what happens is you .

. . are eligible [to] receive funding more than what we would use, so there would be excess funds available to you that could get sent to you. So by going to school, you could actually get some money in return. You know what I mean? That would help you out, right now especially." Just a few months earlier, that same Admissions Counselor made a similar misrepresentation to another prospective student, stating, "Did you know that if you are Pell Grant eligible and you take out your loans, you don't have to get anything out of pocket here and you would get money in your pocket? . . . Do you think this is something that you would rather try? I mean you could potential [sic] put up to $2,000 in your pocket."

Other Misrepresentations Regarding Financial Aid and Costs of Attending

61. Ashford also made various other kinds of misrepresentations relating to financial aid and costs of attending. For example, one incident report shows that an Admissions Counselor "advised . . . that Ashford University has the lowest tuition among all online universities" and "stat[ed] that Ashford is the most affordable online school," assertions that Ashford recognized were "not accurate."

62. Admissions Counselors also encouraged consumers to enroll even when they knew the prospective students had "overlapping loan period[s]" that impaired their ability to secure federal financial aid for use at Ashford University. In these circumstances, prospective students had recently used federal financial aid to attend a different school from which they had withdrawn, which decreased the amount of federal aid they could otherwise obtain for their first academic year at Ashford University. For a prospective student in this situation, federal aid would be insufficient to cover all the student's costs of attending Ashford University for that academic year. Admissions Counselors knew that students with overlapping loan periods would be saddled with debt to Ashford. As Ashford's former vice president of financial aid put it, "The student is going to have a gap and we're knowingly enrolling a student with a gap and encouraging that." Even when financial aid employees at Ashford informed the students of such shortfalls, Admissions Counselors would "play[] it down like its not a big deal," "de-disclosing it" by saying, "let's just get you in a couple courses." That former vice president of financial aid

believed this practice resulted in students incurring debt they would be unable to repay to Ashford, and was "ridiculous," "a big issue," and "an ethical issue."

Misrepresentations Concerning Transferability of Credits

63. Ashford systematically misrepresented prospective students' ability to transfer credits from other schools into Ashford University as well as from Ashford University to other schools.

Transfer of Credits into Ashford University

64. Ashford falsely told consumers that their prior credits would transfer into Ashford University. These representations are important to Ashford's target market, since many of Ashford University's bachelor's degree students have prior college experience. The number of credits they can transfer into Ashford University affects the number of credits they must complete in order to graduate, the amount of federal financial aid for which they are eligible in a given year, and thus both the time and expense required to earn a degree.

65. For example, Ashford University has advertised that it accepts "up to 90"—or, during certain periods, "up to 99"—transfer credits into its bachelor's degree programs, without any qualifying information. Other advertisements maintain that Ashford accepts an exceptionally high number of transfer credits compared to other institutions. Still others make statements such as, "You can transfer 90 community college credits to Ashford . . . which means that *all your past hard work will not be wasted*" (emphasis added), as shown below. Yet Ashford's articulation agreements—listings of coursework that Ashford accepts from other schools—reveal that such advertisements were misleading. For example, articulation agreements with several California schools clearly list a maximum number of transfer credits that is well below the 90 or 99 that Ashford advertises.

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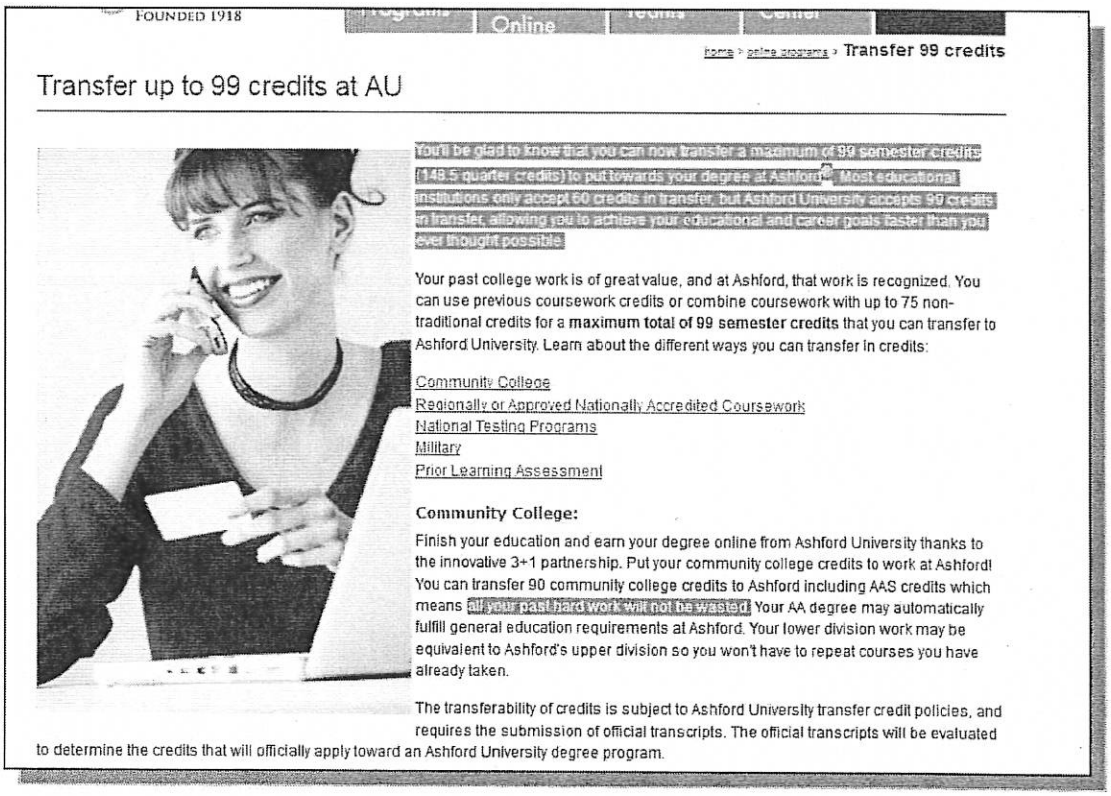

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home > online programs > Transfer 99 credits

Transfer up to 99 credits at AU

You'll be glad to know that you can now transfer a maximum of 99 semester credits (148.5 quarter credits) to put towards your degree at Ashford. Most educational institutions only accept 60 credits in transfer, but Ashford University accepts 99 credits in transfer, allowing you to achieve your educational and career goals faster than you ever thought possible.

Your past college work is of great value, and at Ashford, that work is recognized. You can use previous coursework credits or combine coursework with up to 75 non-traditional credits for a **maximum total of 99 semester credits** that you can transfer to Ashford University. Learn about the different ways you can transfer in credits:

Community College
Regionally or Approved Nationally Accredited Coursework
National Testing Programs
Military
Prior Learning Assessment

Community College:

Finish your education and earn your degree online from Ashford University thanks to the innovative 3+1 partnership. Put your community college credits to work at Ashford! You can transfer 90 community college credits to Ashford including AAS credits which means all your past hard work will not be wasted. Your AA degree may automatically fulfill general education requirements at Ashford. Your lower division work may be equivalent to Ashford's upper division so you won't have to repeat courses you have already taken.

The transferability of credits is subject to Ashford University transfer credit policies, and requires the submission of official transcripts. The official transcripts will be evaluated to determine the credits that will officially apply toward an Ashford University degree program.

66. Consistent with Ashford's written marketing materials, its Admissions Counselors also routinely implied that all or most of a prospective student's accumulated credits would transfer. For example, counselors would tell students that their credits would "more than likely transfer," or even outright promise that a specific range of credits or most credits will transfer, often adding statements like Ashford University "accept[s] the most credits of any online university." Such assurances were often wrong, and Admissions Counselors often knew that they would very likely be wrong. As one former Admissions Counselor at Ashford explains, Admissions Counselors did not receive any training regarding how the university evaluated transfer credits, but Ashford still expected them to make assurances to prospective students about transfer credits. This Admissions Counselor estimates that eighty to ninety percent of Ashford's students received fewer transfer credits upon Ashford's official determination than what students were told at the time of enrollment.

67. In reality, Ashford's own policies gave only its Registrar's Office the authority to determine what credits transfer into Ashford. Moreover, the decision about whether particular

prior credits will apply to a student's degree at Ashford is affected by a number of factors that Admissions Counselors would be unable to assess on the phone with a prospective student. According to one employee in Ashford's Registrar's Office, it was frustrating that the Admissions department would "make false promises to the students and we are stuck cleaning it up and apologizing for the lies."

68. Nevertheless, Ashford assured consumers that their credits would transfer well before it had the information required to make that determination. One Ashford Admissions Counselor told a prospective student whose prior credits had not yet been evaluated that "you have an Associate's degree, okay, from . . . an accredited school, so we're looking at no less than sixty credits, okay? . . . . [J]ust know that . . . no less than sixty because you have an Associate's degree from a community college."

69. According to an incident report, an Admissions Counselor "incorrectly advised his student . . . that her transfer credits will be accepted, and therefore only has 30 credits left to earn. The student's credits have not yet been evaluated by Ashford." This Admissions Counselor told his prospective student, "honestly, um . . . I'm looking at your file . . . you're looking at less than a year. Actually, about a year, because you're looking at 30 credits to get your degree. By taking 10 classes here at Ashford, that's 30 credits right there. You're only ten classes away . . . That's it."

70. Another Admissions Counselor told a prospective student, "I know that you have at least 96 credits that will transfer into [the B.A. in Organizational Management] program for sure."

71. In a related tactic, Admissions Counselors created graphs for prospective students showing the costs of attending Ashford University. These graphs assumed that all of a prospective student's previous credits would transfer. As a result, they often drastically understated the student's total costs.

72. Ashford marketed itself as a school that accepted a high number of transfer credits and sought to appeal to consumers who had many credits from prior schools. In practice, not only did Ashford accept fewer credits than promised, but it also delayed making that decision until after enrollment, ensuring that its prior misrepresentations were not revealed until much later.

73. Ashford Admissions Counselors frequently told consumers that they could not obtain a final credit transfer determination until after they enrolled at the school. Ashford's website similarly suggests that final transfer credit evaluations cannot take place before a prospective student enrolls. In reality, Ashford can accurately assess the number of credits that will transfer before enrollment, so long as prospective students provide accurate unofficial transcripts. Admissions Counselors, however, were trained to avoid disclosing this fact to prospective students whenever possible—closing the sale took precedence over ensuring accurate expectations.

74. Many students discovered weeks or months into their education that many fewer credits transferred than they expected. Ashford's official determinations on what transfer credits to accept routinely chopped a student's prior credits in half, or worse, contrary to what Admissions Counselors portrayed to students.

75. One student, R.B., was repeatedly assured by his Admissions Counselor that, due to his previous coursework from other schools, he would likely have to take only ten classes, or, in the worst case scenario, certainly no more than 12 classes — i.e., 36 credits — to complete a degree at Ashford. Ashford then failed to send R.B. a final transfer credit determination until about seven weeks after he enrolled. Only then did he learn that he would need to take 17 classes to graduate from Ashford, at significant additional cost. When R.B. tried to complain, his Admissions Counselor, who had been readily available before his enrollment, would not respond to his calls, nor would other Admissions employees that R.B. attempted to contact.

76. Another student, K.G., was told by her Ashford Admissions Counselor that Ashford University had the most liberal policy of accepting credits of any school, and that she could guarantee K.G. that she could not get a better deal on credits anywhere else. K.G.'s Admissions Counselor told her numerous times that Ashford would accept most of her over 100 credits from the University of Minnesota, so that she could graduate from Ashford University within a year. Moreover, the Admissions Counselor pressured her into enrolling by claiming that she could not get a financial aid determination until she was enrolled, and telling K.G. that she should trust her word on the transfer credits. Despite making repeated requests to have a final transfer credit

determination as soon as possible, K.G. did not receive her final determination until four weeks after enrolling. Only then did she learn that Ashford University had accepted only 40 of her transfer credits.

77. Another student, M.D., was asked by his Ashford Admissions Counselor to send in his unofficial transcripts from prior schools so that the Admissions Counselor could inform him how many of those credits would transfer into Ashford University. Based on those unofficial transcripts, M.D.'s Ashford Admissions Counselor told him that Ashford University would accept approximately 80 credits. Despite M.D.'s repeated requests to Ashford to complete an official determination for his transfer credits, Ashford informed him over three months after he enrolled that his transcripts were still "pending review" because the registrar's office was "running behind as the workflow is very heavy right now." Ashford informed him that its "ultimate deadline" for completing an official credit determination was not until the end of a student's fourth course. When Ashford finally did complete M.D.'s official transfer credit determination, it accepted only 60 of his previously earned credits. After M.D. appealed this determination, Ashford accepted an additional three credits, leaving M.D. still far short of the approximately 80 that his Admissions Counselor had promised.

78. Ashford also made misrepresentations regarding the transfer of credits from ongoing and future coursework. Ashford University student and Army Reserve veteran P.M. was deceived by false promises that credits he earned at a community college while attending Ashford University would transfer to Ashford. Under the Post-9/11 G.I. Bill, a veteran typically receives a higher monthly housing allowance when he attends a ground campus college or university than when he attends an online program. But P.M.'s Ashford Admissions Counselor told him that he could take advantage of the higher monthly housing allowance rate under his G.I. Bill benefits by attending courses at a local community college and Ashford University simultaneously, and that Ashford would accept the credits from the community college. As P.M. approached graduation at Ashford, he was alarmed to discover that Ashford had capped the amount of credits he could transfer from his community college and refused to accept some of the courses he had already completed at the college. P.M. was harmed in at least two ways in addition to the harm of being

lied to in the first place. First, because Ashford broke its promise to accept all of the community college credits, P.M. had to spend additional time in school at Ashford University to make up for the lost credits under the lower housing allowance. As a result, he also fell behind on his rent, had to take on another job to keep up with his bills, and his credit score suffered. Second, because G.I. Bill benefits are not unlimited, he wasted some of his veterans' benefits by spending them on coursework that he was unable to put toward a degree.

79. Ashford's exaggerations about the number of transfer credits that it accepts meant that students like R.B., K.G., M.D., and P.M. must take significantly more courses at Ashford than they expected to earn their degree.

80. This practice was lucrative for Ashford, but harmed students, who owed more for their education than they had expected at enrollment, and who may not have enrolled had they known the truth. As a former Admissions Counselor explained it, they knew that if students enrolled based on exaggerated numbers of transfer credits, they could lock the students in at least through the first course, and then when Ashford made its decision denying some of those transfer credits at a later time, the problem was the academic advisor's and not the Admissions Counselor's.

Transfer of Credits out of Ashford University

81. Ashford also systematically misrepresented the extent to which Ashford University credits can transfer to other universities. Ashford's Admissions Counselors routinely enticed prospective students with the promise that Ashford University offers them the flexibility to study online at a pace convenient to them, earning credits that they can later apply to other, less flexible, schools that the student was considering. These representations appeal to prospective Ashford University students because they may view enrollment at Ashford as a convenient way to further their educational goals until their schedule can accommodate a program with on-campus or other in-person requirements.

82. For years, Ashford falsely stated on its webpage that "Credits earned at one regionally accredited university or college" — such as Ashford University— "can readily be transferred to another regionally accredited university or college," as shown below. As Ashford admitted in an internal document, "When evaluating student's previous credits/degree for transferability, accreditation . . . [is] only [one] of many criteria needed to accept classes into a program."

> Is Ashford University an accredited school? What is the difference between regional and national accreditation?
> Yes, Ashford University is regionally accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools (www.ncahlc.org). Whereas national accreditation is limited only to vocational or trade schools, regional accreditation denotes a traditional university that prepares students for advanced degrees. Regional accreditation is important to anyone seeking a degree, because it serves as the recognized standard used to identify quality in American higher education. Credits earned at one regionally accredited university or college can readily be transferred to another regionally accredited university or college.

83. Similarly, Ashford's sales team also told consumers that because Ashford University is regionally accredited, its credits were certain or likely to transfer to other schools. Sometimes Admissions Counselors assured students that credits generally will transfer to any other school with regional accreditation. In other instances, Admissions Counselors have stated that Ashford University credits are accepted at specific schools, such as University of Southern California, UCLA, UC Berkeley, UC San Diego, and Harvard. One Admissions Counselor told a prospective student, "We are a regionally accredited university. We have the same accreditation as all the local community colleges in your area, as well as Fresno and San Diego State. So any credits you earn can be transferred to them, or even vice versa." Another stated, "I went to UC Irvine… all of the classes that I took for my general eds there, they're the same classes that we have here. So you can be confident that . . . if you want to transfer your degree elsewhere, or if you want to go and get your Master's after you pursue your bachelor's, that your credits are going to transfer with you." Yet in one internal document, Ashford stated that these representations are "inaccurate because it is up to the Registrar's department of each individual institution to determine the applicability of transfer credits."

84. In fact, students who have attempted to transfer their Ashford University credits to other schools have often found that the other schools will not accept many, or any, of their Ashford credits. Many students invested a significant amount of time to take courses at Ashford University and incurred substantial expense or used up some of their Title IV or military

educational benefits based at least in part on Ashford's representations that its credits would transfer. They then discovered that they must repeat classes, taking additional time and incurring additional expense at the school to which they transfer, because that school does not recognize Ashford credit.

85. One student, P.J., an Army veteran, was told by his Ashford Admissions Counselor that Ashford would accept most of the over 140 credits he had earned at other institutions, that he could expect to graduate within about 18 months, and that he would be able to transfer most of his classes at Ashford to a community college. Instead, P.J. learned while he was taking his second course at Ashford that Ashford had recognized only about 20 to 30 credits based on his military experience, and it had accepted none of his credits from other schools. P.J. later tried to transfer his Ashford University credits to two other schools, only to learn that neither of them would accept any of those credits.

Misrepresentations Regarding Employment Prospects

86. Ashford also made misrepresentations to consumers about careers that Ashford University degrees would allow them to access. Ashford University's students and prospective students typically seek to enhance their employment prospects by attending college. When Ashford first communicates with a prospective student, he or she often already has a specific career field in mind. Because it knows that prospective students are often interested in particular career fields, Ashford seeks information about their professional goals and represents that courses of study will help prepare students to achieve those goals, even when they will not. Ashford representatives were instructed to find a way to fit a prospective student's aspirations into the school's programs, even if that program was not a good fit, and Ashford disciplined them if they failed to do so. Admissions Counselors also often falsely told prospective students that a degree would qualify them for employment, falsely informed them that they could transfer Ashford University credits into a credentialing program, or otherwise misrepresented that an Ashford University degree would help them advance along a certain career path.

87. One Admissions Counselor, for example, falsely told a prospective student interested in a culinary career that "a lot of culinary schools require like [sic] an associate's or bachelor's degree first."

88. Another Admissions Counselor told a prospective student that he could become a biochemist with Ashford University's Complementary & Alternative Health Degree. This degree does not require a single course in biology or chemistry, but, rather, involves the study of "the history and delivery of major non-allopathic health systems including but not limited to the following: Chinese medicine, Ayurveda, naturopathic medicine, biofeedback, herbal medicines, chiropractic, acupuncture, acupressure, reiki, reflexology, energy systems, and transpersonal health such as meditation, hypnosis, and prayer."

89. When prospective students were under the mistaken impression that a degree would lead to qualification for particular employment, Ashford's Admissions Counselors would attempt to avoid discouraging the notion, but rather to build on it and thus further mislead the student.

90. It was particularly common for Ashford Admissions Counselors to misrepresent that the school's programs were suitable for careers in the fields of social work, teaching, nursing, and medical billing and coding.

Careers in Social Work

91. In California, professionals must hold a clinical social work license if they wish to direct "special knowledge of social resources, human capabilities, and the part that unconscious motivation plays in determining behavior" to "helping people to achieve more adequate, satisfying, and productive social adjustments." Bus. & Prof. Code §§ 4996(b), 4996.9. The prerequisites of the license in clinical social work include obtaining a master's degree in social work accredited by the Council on Social Work Education ("CSWE"), performing two years of supervised work in the field, and passing a credentialing examination. Bus. & Prof. Code § 4996.2. Unlicensed practice of clinical social work is unlawful. Bus. & Prof. Code § 4996(b). For non-clinical social work positions, a bachelor's degree in social work is the most common minimum educational requirement for entry-level positions. In addition, several states prohibit or

significantly restrict use of the title "Social Worker" by those not holding at least a CSWE-accredited bachelor's degree or other bachelor's degree in social work.

92. Ashford University has never offered a degree program in social work, nor has the CSWE ever accredited any Ashford University program. Nevertheless, the school has long advertised that its programs prepare students for social work careers, disregarding licensing requirements and typical employment criteria. For example, until at least September 2015, Ashford listed "Social Worker" as a career outcome of its Bachelor's Degrees in Education Studies, Child Development, Early Childhood Education, and Applied Behavioral Science without disclosing the implications of state licensing or typical entry-level employment prerequisites.

93. Even after it ceased making that misrepresentation on its own website, Ashford's Google advertisements continued to tout that Ashford University has a social work degree and that its Child Development degree is suitable for prospective students interested in social work:

94. Ashford also misrepresented the ability of its degrees to lead to careers in social work during recruiting calls with prospective students. For instance, Admissions Counselors often told callers interested in becoming social workers that they should enroll in the school's sociology,

psychology, cognitive studies, or early childhood development programs. Admissions Counselors were not trained on the need for clinical licensure or the fact that those social work positions not requiring a license typically require a bachelor's degree in social work, and consequently failed to disclose these facts to prospective students. Admissions Counselors instead focused on closing the sale by attempting to steer students into degrees offered by Ashford University.

Careers in Nursing and Medical Billing

95. Ashford makes similar untrue and misleading claims regarding qualification for careers in nursing. Admissions staff have told prospective students interested in nursing that Ashford University programs would help them become nurses when they would not, or attempted to steer them in the direction of coursework that they said would transfer to nursing programs, when the courses would not.

96. For example, one incident report noted that an Admissions Counselor improperly told a prospective "student that Ashford's general education curriculum satisfies the general education requirements and prerequisites to continue onto a nursing program." Another Admissions Counselor improperly "advised her student . . . that the curriculum for [Ashford University's] Health Care Studies would work for her student's interest in being a Nurse." When the student asked, "Do you all offer like [sic] Nursing curriculum?," the Admissions Counselor responded, "You can't do it online but we offer the curriculum, which is in Health Care, which is the Health Care Studies."

97. Another Admissions Counselor suggested that a prospective student interested in earning a phlebotomy certificate consider nursing instead, and then claimed misleadingly that general education credits from Ashford University would later apply to a nursing program. An internal document about the incident admits that "the number of classes that can actually transfer in to another school's Nursing program is strictly dependent on that school's transfer policy. The truth of the matter is that most Nursing programs will only accept 4-7 of [Ashford]'s Gen Ed courses for transfer credit. This fact often results in students spending more time/money at [Ashford] without any benefit to their larger academic goals."

98. Similarly, Admissions Counselors told consumers interested in a career in medical billing and coding that its health informatics degree will help them achieve that career, despite the fact that the school's own internal reports indicate that "medical coding and billing is not an outcome of any of Ashford's programs."

Careers in Teaching

99. Ashford has also misrepresented to consumers that Ashford University's online degrees would enable them to be teachers. Nearly 90 percent of elementary and secondary school teaching positions are in public schools, and in all 50 states, a teaching certification from the state is required to teach in public schools in that state, absent exceptional circumstances. While the requirements for obtaining a teaching certification vary from state to state, most states require the completion of a state-approved teacher-preparation program. Furthermore, even though private elementary and secondary school teachers typically are not required by law to hold a certification, many private school teaching positions require a certification as a matter of school policy.

100. At all relevant times, none of Ashford University's online degrees have ever been a state-approved teaching program. Yet Ashford failed to properly disclose this fact to prospective students and also made misleading statements designed to make students believe that an Ashford University degree would be sufficient to work as a teacher. For example, in one advertisement, Ashford claimed that students who enrolled in its Bachelor of Arts in Organizational Management coupled with a "concentration in Elementary Education" "will possess many of the skills required to be successful as a professional educator," with no mention of the fact that the program did not result in teacher certification.

101. Ashford stated in another advertisement that a "popular degree program at Ashford University is Education. As another generation of teachers prepare for retirement, Ashford is eager to prepare new educators through their degree concentration. At Ashford, education majors learn planning of classroom activities, educational psychology, school health and safety, as well as classroom management. A career as a teacher is one of the most rewarding careers out there, and that must be why it is such a popular degree at Ashford!" This ad, too, fails to mention that no Ashford University degree was a state-approved teacher preparation program.

102. Ashford's Admissions Counselors were taught to skirt and avoid the fact that Ashford University offered no state approved teacher preparation programs when speaking to prospective students who were interested in becoming teachers. At best, they would only inform prospective students that a further credentialing program would be required in addition to the Ashford University degree if the prospective student specifically asked. One former Ashford Admissions Counselor calls the representations that Ashford made about its teaching program "bogus."

103. Ashford also made misleading statements and material omissions in its advertisements about consumers' ability to become teachers through the "Educational Partnership" that Ashford University had between 2009 to 2012 with Rio Salado College, a community college in Tempe, Arizona. In one online advertisement for the program, for example, Ashford stated that through this partnership, a student could earn an online Bachelor of Arts degree at Ashford, and then complete an online teacher preparation program at Rio Salado, resulting in a "BA and teacher certification in as few as 2 and a half years." That advertisement, however, fails to disclose the material fact that the teacher certification available through the Rio Salado teacher preparation program was specific to Arizona.

104. Mystery shoppers that Ashford hired to test its Admissions Counselors' responses to questions about the Rio Salado partnership confirm that the school frequently misrepresented the program. Out of 50 calls in which a shopper posing as a prospective student asked whether the Rio Salado certification would be valid in his or her state, identifying states other than Arizona, 24 of the calls contained misrepresentations about the ability of the certification to transfer to that state. For example, when one shopper asked about using the Arizona certification in Connecticut, the Admissions Counselor "told the caller not to worry about that" and that "it would be best to find out her state requirements for licensing closer to graduation because the regulations change often." When another shopper asked about using the Arizona certification in Pennsylvania, the Admissions Counselor told the caller that Rio Salado would "provide an Arizona license and their staff would assist in converting the certification for the caller's state," and that "Arizona's certificates are accepted in most states or there would be minimal requirements for the change over." When another shopper asked about using the Arizona certification in Wisconsin, the

Admissions Counselor responded "that Rio Salado was a partner school" and the "caller would be able to obtain a teaching certification for the state of Arizona and would then be able to transfer it to the callers [sic] state." Another Admissions Counselor told a shopper posing as a Rhode Island resident that she could transfer the Arizona teaching certificate to her state, "similar to having your driver's license transferred when you moved to another state."

105. Students enrolled under the mistaken belief, based on these false and misleading claims, that Ashford University's programs would allow them to teach. These students incurred expenses and wasted valuable time taking courses at Ashford, only to find out later that Ashford University's programs could not lead to a teaching credential and that they would need to pursue a credential elsewhere.

Job & Salary Outcomes

106. Ashford's Admissions Counselors were trained to make representations about nationwide job and salary prospects, using data from sources like O*NET Resource Center and the Bureau of Labor Statistics, without disclosing that actual prospects of Ashford enrollees are often poor compared to aggregate nationwide statistics.

107. According to the United States Department of Education's most recent statistics, just 16 percent of enrolled first-time, full-time undergraduate students at Ashford University graduate within 150% of the anticipated completion time, less than half the national average. Ashford's own statistics include those who are not first-time students, but the statistics are little better: for bachelor's degree seekers, the most recent six-year graduation rate by Ashford's methodology is 27%, and the three-year graduation rate for associate's degree seekers is 10%. For the students who do graduate, employment prospects are uncertain. In an internal alumni survey conducted in 2010, just 36 percent of alumni agreed that "I am earning a higher compensation as a direct result of my Ashford degree," and 38 percent agreed that "The degree I received from Ashford has directly contributed to me getting a better job or promotion." Students who graduated in the year of the survey reported that their incomes had increased only $4,546 since enrollment at Ashford University; the equivalent figure in 2011 was $4,660, and $3,768 in 2012. Meanwhile, the typical Ashford University student borrower graduates with $34,375 in federal debt, and a monthly loan

payment of $355, or $4,260 per year. Just 23% of Ashford University's student borrowers have managed to pay even one dollar toward the principal balance of their federal loans within three years of exiting the school.

108. In another internal survey of Ashford University alumni, 223 (18.7 percent) of 1,191 respondents indicated they were unemployed. Of the 968 employed respondents, 417 (43.1 percent) reported that their current occupation was not in an area related to their Ashford University degree.

Misrepresentations about Ashford's Iowa Campus

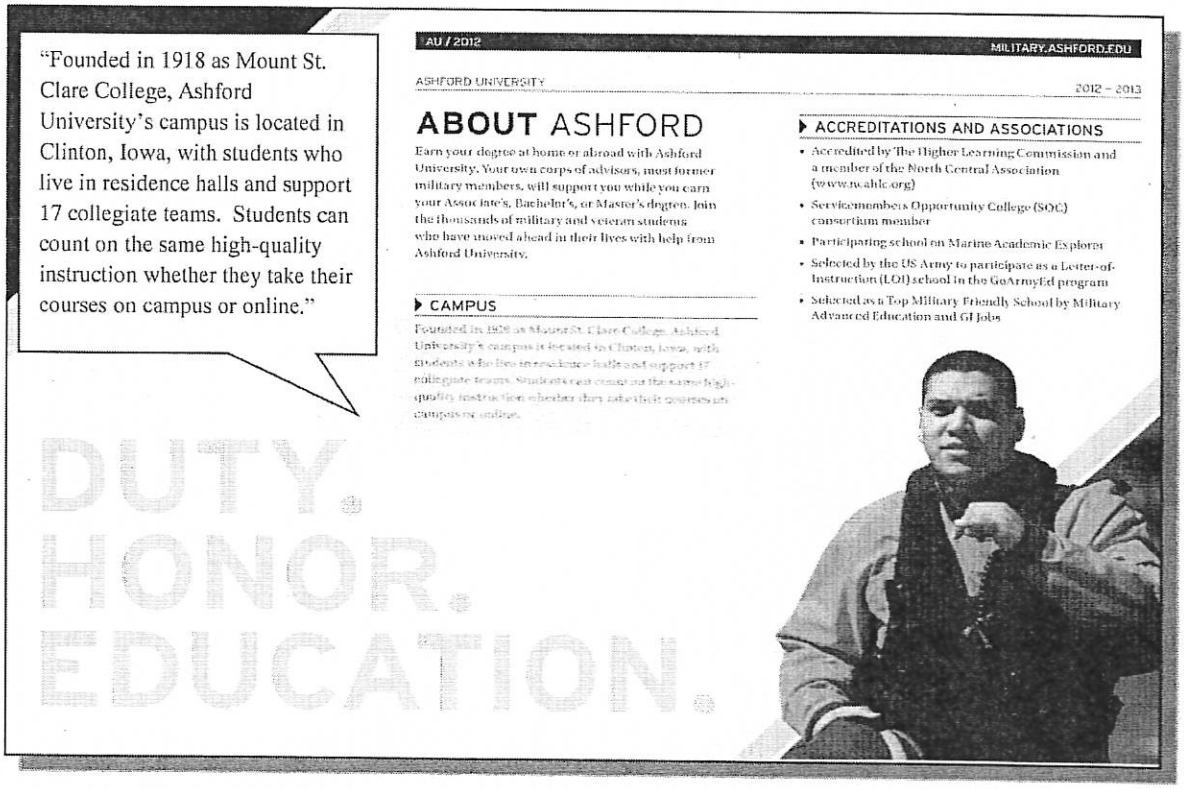
109. During the time that Ashford maintained its ground campus in Clinton, Iowa, much of Ashford's marketing to prospective online students—on its website, in print, and during telephone sales conversations—emphasized that Ashford University was a traditional four-year, "brick and mortar" college with a storied history. The result was a coordinated effort to graft the pedigree of a tiny Catholic university, Franciscan University of the Prairies, onto the brand-new online behemoth that purchased it. Ashford's representations concerning the former Franciscan University of the Prairies campus were false and misleading to prospective students, because in reality the online university enrolled 99% of all students and was a wholly separate institution with no history to speak of, separate faculty and staff, and minimal real-world connections to the Clinton campus.

110. Admissions Counselors themselves believed that emphasizing the ground campus to prospective online students was "a façade," "total b---s---," and that "99 percent of the school had nothing to do with the historical, accredited school." Indeed, one former Divisional Vice President admits that discussing Ashford's ground campus was "not pertinent" and "not germane" to prospective online students. Nevertheless, according to former Admissions Counselors, they would "play up the brick and mortar campus all the time," using it to distinguish Ashford University from other for-profit schools, and this sales approach "worked on people."

111. By conflating its predominantly online operations with its relatively miniscule campus offerings, Ashford aimed to give prospective online students the false impression that they would receive just as rich an education as campus students did. Indeed, an FAQ page on

Ashford's website stated, "Is the online education degree any different than the one that is earned on-campus at Ashford University? No. You will receive the same degree and your diploma is the same as an on-campus student['s]."

112. In other marketing materials, Ashford proclaimed that: "Founded in 1918 as Mount St. Clare College, Ashford University's campus is located in Clinton, Iowa, with students who live in residence halls and support 17 collegiate teams. *Students can count on the same high-quality instruction whether they take their courses on campus or online*" (emphases added), as shown below. Yet around the same time Ashford was disseminating such advertisements, WASC rejected Ashford University's initial application for accreditation, citing numerous ways in which the academic rigor and quality of the university's online programs fell short of those at the ground campus.



113. Sales personnel were taught to emphasize Ashford's dormitories and sports teams and tell consumers they could attend commencement exercises at the Iowa campus. Admissions Counselors and marketing materials stated that Ashford University has existed since 1918 and has been accredited since 1950.

114. Furthermore, training materials instructed Admissions Counselors *not* to tell consumers that "Ashford University is an online university" and instead directed them to state that "Ashford University is a traditional university with online degree programs." In practice, Admissions Counselors often went even further and told prospective students that Ashford University is "*not an online school*," but a "real," "brick and mortar" college with an online offshoot, and they often contrasted Ashford University with competitor institutions by pointing out that the competitors lacked traditional physical campuses and long histories.

115. The representations were systematic — they were developed and refined by Ashford through consumer testing. Indeed, the school conducted market surveys to test these representations, asking respondents which of the following three statements was the most important to them: "Even though it's online, I feel that I'm 'living' a part of the traditional college experience," "Ashford University was established in 1918," and "Ashford has a traditional campus with sports teams."

116. In reality, there were few connections or similarities between Ashford University's ground campus programs and those online. Indeed, findings by Ashford University's accreditor highlighted dramatic disparities between the two. In 2012, WASC found that "while relationships between the Clinton [Iowa] and San Diego operations are cordial, the integration of the traditional and non-traditional instructional systems . . . is not yet fully developed. In many crucial ways the two quite different models operate largely independent of one another." In the autumn of 2011, the Iowa campus employed 56 full-time faculty for its 973 students, whereas the online division employed just seven full-time faculty for 73,623 students. There was "variability in expectations for student attainment and rigor between online and on-ground delivery," and the "qualifications and workload activities for on-ground vs. online faculty members appear to be inconsistent." While ground campus courses stated their "program learning outcomes" in their syllabi, online course syllabi did not do so. The ground campus relied on a "robust advising system" in which each faculty member had about 30 advisees and had to approve their advisees' course enrollments. Online students, by contrast, had no such faculty advisor, and online faculty complained that they were subject to rubrics that "do not allow for instructor deviation or

innovation using individual talents or judgement in the class," and "reduce[] the role of faculty to technician and heavily restrain[] the ability of faculty to react to individual student/class needs."

Misrepresentations in Securities Filings About Job Preparation

117. In its securities filings and other investor communications, Bridgepoint materially misrepresented the results of surveys assessing how well Ashford University's programs prepared its graduates for jobs.

118. In the company's 2009 Form 10-K filed with the Securities and Exchange Commission, Bridgepoint misrepresented the results of a survey of Ashford alumni. The company reported that "99% of working alumni participating in the survey felt their education prepared them for their current occupation." These statements dramatically inflated the true results of the survey. As the below excerpts from the survey demonstrate, of the 968 respondents who reported they were employed at least part-time, only a little more than half were working in a field related to their degree. And it is only that subset of alumni *working in a field related to their degree* that Ashford asked to respond to the question of how well Ashford prepared them for their occupations, with 99 percent of *that subset* reporting their education did prepare them for their current employment (though about half of them indicated only "moderately" or "slightly" so). But that 99 percent figure represents only approximately 57 percent of *all* "working alumni" that were surveyed (551 out of 968), many of whom worked in fields unrelated to their degrees. In other words, while Bridgepoint claimed that almost all of its working alumni believed that Ashford University prepared them for their current occupations, in fact, only approximately 57 percent of such working alumni (i.e., those working in fields related to their degrees) reported that their education at least *slightly* prepared them for their current occupations.

119. In addition, in a 2009 Annual Report published to investors, Bridgepoint dropped the "working" qualifier from the above claims and stated in two places that "*99% of alumni* state that Ashford University prepared them for their current job" and that "In Ashford University's most recent alumni survey, *99% of alumni* felt their Ashford University program prepared them for their current job" (emphasis added). In reality, accounting for the fact that some respondents

were unemployed and others worked in fields unrelated to their degrees, only 46 percent of *all* alumni surveyed—nowhere close to the 99 percent claimed by Ashford—reported that their education at Ashford prepared them for their current occupations.

4: Which of the following best describes your current employment status?

(Respondents could only choose a **single** response)

Response	Frequency	Count
Employed full-time (35 or more hours per week)	**72.3%**	**861**
Employed part-time	9.0%	107
Not employed	18.7%	223
	Mean	1.464
	Standard Deviation	0.790
	Valid Responses	**1191**
	Total Responses	**1191**

* * *

10: Is your current occupation in an area that is related to your Ashford degree?

(Respondents could only choose a **single** response)

Response	Frequency	Count
Yes	**56.9%**	**551**
No	43.1%	417
	Mean	1.431
	Standard Deviation	0.495
	Valid Responses	**968**
	Total Responses	**968**

* * *

10a: How well do you feel your Ashford program prepared you for your current occupation?

(Respondents could only choose a **single** response)

Response	Frequency	Count
Very well prepared	**50.5%**	**278**
Moderately well prepared	39.6%	218
Slightly prepared	9.4%	52
Unprepared	0.5%	3
	Mean	3.399
	Standard Deviation	0.680
	Valid Responses	**551**
	Total Responses	**551**

120. Bridgepoint again misrepresented an alumni survey in the company's 2010 Form 10-K filed the following year, in which Bridgepoint stated, "in an alumni survey which we conducted, 99% of working alumni participating in the survey felt their education prepared them for their current occupation[.]" This claim was false for the same reason the claim in

Bridgepoint's 2009 10-K was false: before calculating the percentage it reported to investors, BPI excluded a significant percentage of working alumni who reported that their work was unrelated to their degree.

121. Bridgepoint's false statements about the surveys are material to investors, students and prospective students, and the public. A reasonable investor would consider statistics related to job preparation important in reaching an investment decision with respect to an educational institution, particularly here where Admissions Counselors often touted Ashford's online programs as a way for students to improve their career prospects.

Ashford's Unfair, Unlawful, and Fraudulent Billing and Collection Practices

122. Ashford not only surprised many students with out-of-pocket liabilities, but also employed unlawful methods of collecting those liabilities, including by threatening, assessing, and collecting unlawful collection fees.

Excessive Collection Fees

123. From at least 2009 through 2013, Ashford threatened, assessed, and collected unlawful debt collection fees from students who owed debt balances to Ashford.

124. During that period, Ashford sent students with delinquent accounts "final notice" emails threatening to refer their accounts to a collections agency imminently. The emails informed students that unless payment was immediately forthcoming, the account would be assigned to a collection agency, and students would "incur collection agency fees up to 33 1/3 percent of [their] balance." Many students whose accounts were referred to debt collectors found their balances augmented with the threatened fee, and a significant number of those students paid their entire balance, including a collections fee equal to up to one-third of their balance.

125. By imposing a collections fee that was a pre-determined fraction of a student's account, often one-third, Ashford passed the contingency fee charged by its third-party debt collectors onto its students. The fixed percentage collections fee structure was calculated to reimburse the collectors for their efforts to collect on *all* the accounts that Ashford assigned to it, including the large majority of accounts where collections efforts were unsuccessful. It was unlawful for Ashford to impose such collections fees on any student because the fees bore no

relationship to the efforts required to collect that particular student's debt, or to Ashford's likely losses due to that particular student's default. Ashford made no attempt to determine the extent of those costs or losses on an individualized basis.

126. Ashford University's enrollment agreements also purported to bind their students to paying the unlawful collection fees, stating: "If the University deems it necessary to engage the services of a collection agency or attorney to collect, or to settle any dispute in connection with, an unpaid balance on a student account, the student will be liable for all collection agency and/or attorney fees, reasonable expenses and costs incurred." By representing to students that their enrollment in Ashford University made them liable for unlawful collections fees in the event their accounts ended up in collections, Ashford further violated California law.

Excessive Fees for Bounced Checks

127. Until at least May 2015, Ashford further saddled its students with unlawful liabilities by imposing excessive bounced check fees. Its enrollment agreements required students to pay an "Insufficient Funds Fee" of $30 if they paid Ashford with a check from a bank account with insufficient funds. California law capped such charges at $25.

128. By charging students more than $25 for passing checks on insufficient funds, and representing to students that their enrollment in Ashford University made them liable for unlawful bounced check fees, Ashford violated California law.

Other Illegal Collections Tactics

129. Ashford also employed other illegal tactics to coerce students to pay their balances to the school. For example, in 2014, M.W. had withdrawn from Ashford University without completing a degree, and because Ashford did not timely withdraw her, it attributed several thousand dollars of outstanding debt to her account. A couple of years later, an Ashford Admissions Counselor approached M.W. and encouraged her to re-enroll, telling her that "The balance you had before with Ashford has been placed with an outside collection agency and the hold that was preventing you from coming back to school can now be lifted. You still owe the money but to the collection agency. This way you can get back into school *without paying for it up front* and you can finish your degree" (emphasis added). In reliance on the Admissions

Counselor's promises M.W. re-enrolled at Ashford, after re-iterating that she "cannot afford to pay cash" for her studies. After M.W. started class, and contrary to the representations that her Admissions Counselor had made prior to enrollment, Ashford demanded that she pay out-of-pocket for her graduation fee and for transfer credits she received based on Ashford's evaluation of her prior life experiences. Furthermore, Ashford also demanded that she use her current financial aid award to pay down her balance from 2014, in violation of federal financial aid rules. Because M.W. could not afford to pay out-of-pocket for her transfer credits and graduation fee, Ashford refused to release her diploma and official transcripts to her.

FIRST CAUSE OF ACTION AGAINST DEFENDANTS

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500 (FALSE OR MISLEADING STATEMENTS)

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

131. From a date unknown to the People and continuing to the present, Defendants have engaged in and continue to engage in, aided and abetted and continue to aid and abet, and conspired to and continue to conspire to engage in acts or practices that constitute violations of Business and Professions Code section 17500 et seq., by making or causing to be made untrue or misleading statements with the intent to induce members of the public to purchase Defendants' services, as described in Paragraphs 1-129. Defendants' untrue or misleading representations include, but are not limited to, the following:

a) Defendants' statements regarding consumers' ability to obtain federal financial aid, including but not limited to Pell Grants;

b) Defendants' statements regarding the costs of attending Ashford University, including but not limited to the extent to which costs can be covered by financial aid;

c) Defendants' statements regarding the likelihood that credits can be transferred from other schools into Ashford University, and the likelihood that credits from Ashford University can be transferred to other schools;

d) Defendants' statements regarding the ability of Ashford University programs to prepare students for careers, including in social work, teaching, nursing, and medical billing and coding;

e) Defendants' statements regarding its students' employment and salary prospects;

f) Defendants' statements regarding the relationship between Ashford's former ground campus in Clinton, Iowa and its online programs; and

g) Defendants' statements regarding the results of alumni surveys in its filings with the Securities and Exchange Commission and other investor communications.

132. At the time the representations set forth in Paragraphs 1-129 were made, Defendants knew or by the exercise of reasonable care should have known that the representations were untrue or misleading.

SECOND CAUSE OF ACTION AGAINST DEFENDANTS

VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200 (UNLAWFUL, UNFAIR AND FRAUDULENT BUSINESS PRACTICES)

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

134. From a date unknown to the People and continuing to the present, Defendants have engaged, and continue to engage in, aided and abetted and continue to aid and abet, and conspired and continue to conspire to, engage in unlawful, unfair, or fraudulent acts or practices, which constitute unfair competition within the meaning of Section 17200 of the Business and Professions Code, as described in Paragraphs 1-129. Defendants' acts or practices include, but are not limited to, the following:

a) Defendants have violated Business and Professions Code section 17500 et seq., as alleged above in the First Cause of Action.

b) Defendants engaged in fraudulent acts or practices, including but not limited to making the statements alleged in Paragraph 131 of the first cause of action above.

c) Defendants have violated the Consumer Legal Remedies Act, Civil Code section 1770 et seq., by, without limitation, misrepresenting students' ability to transfer credits into and out of Ashford University, misrepresenting the relationship between Ashford's ground campus and online programs, misrepresenting the results of alumni surveys in Bridgepoint's securities filings, threatening to charge collection fees of up to 33 1/3 percent from students, and threatening to charge fees of $30 for each check drawn on insufficient funds;

d) Defendants have violated Civil Code section 1671, and the Rosenthal Act, Civil code section 1788 et seq., by actually charging collections fees of up to 33 1/3 percent from students;

e) Defendants have violated Civil Code section 1719 by actually charging fees of $30 for each check drawn on insufficient funds; and

f) Defendants have violated Business and Professions Code section 17500 et seq., and Corporations Code section 25400, subdivision (d), and section 25401, by falsely representing the results of alumni surveys in its filings with the Securities and Exchange Commission and other investor communications.

PRAYER FOR RELIEF

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

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

2. That Defendants, their successors, agents, representatives, employees, assigns and all persons who act in concert with Defendants be permanently enjoined from engaging in unfair competition as defined in Business and Professions Code section 17200, including, but not

limited to, the acts and practices alleged in this Complaint, under the authority of Business and Professions Code section 17203;

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

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

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

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

7. That the Court assess an additional civil penalty of $2,500 against each Defendant for each violation of Business and Professions Code section 17200, in an amount according to proof, under the authority of Business and Professions Code section 17206.1 for each violation against one or more senior citizens or disabled persons as described therein;

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

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

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

Dated: November 29, 2017

Respectfully Submitted,

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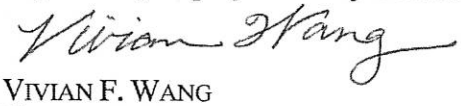

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