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May 27, 2014

Secretary Arne Duncan
U.S. Department of Education
c/o Ashley Higgins
1990 K Street, NW, Room 8037
Washington, DC 20006-8502

Re: Program Integrity - Gainful Employment, Docket ID ED-2014-OPE-0039

Dear Secretary Duncan:

I participate in the work of the coalition of more than 50 organizations, from the AFL-CIO to Consumers Union, the NAACP to National Council of La Raza, Paralyzed Veterans of America to Young Invincibles, who have today submitted a comment urging you to strengthen the gainful employment rule with specific changes, and I join that comment. I also strongly endorse the comments submitted by coalition participants, including The Institute for College Access and Success, the Center for Responsible Lending, the National Consumer Law Center, New America Foundation, the Mississippi Center for Justice, a comment by ten veterans groups, and a joint comment from Consumer Federation of California, Consumers Union, and negotiated rulemaking participant Margaret Reiter.

I write separately to stress a few points, all of which are driven by the principle embodied by the gainful employment provision that Congress enacted in 1965: Federal aid should go only to those career education programs that actually help students to train for and build careers. Your Department must stop delivering billions of dollars of our taxpayer money to programs that consistently leave a large percentage of students worse off than when they started.

I want to emphasize at the outset that I am not opposed to the idea of for-profit companies providing higher education. There are some good programs today in for-profit education, and some outstanding teachers and students even at poorly-performing predatory schools. With appropriate rules in place, for-profit schools could provide innovative competition for the more traditional higher education sectors, to the benefit of students, taxpayers, and our economy. But there need to be real rules governing the provision of federal aid, sensible rules that give career training schools incentive to compete and make money by helping students, rather than the current rules, which create a race to the bottom in which profits are maximized instead by abusing students.

Such a shift is exactly what a strong gainful employment rule, implementing the statutory mandate, can help accomplish. And that is exactly what the predatory for-profit colleges are fighting so tenaciously to oppose, because they seem to believe they are permanently entitled to a torrent of federal billions without regard to the quality, or lack thereof, of their performance, or the integrity, or lack thereof, of their operations. The Administration should take this opportunity to disabuse predatory career colleges of that notion, and act decisively to protect students and taxpayers.

What's wrong with these predatory schools? It's pretty simple.

- Their prices are too high.
- They admit too many students incapable of succeeding in the programs, and they know it.
- Their program quality is too low, their reputations are too weak, and their placement efforts are woefully inadequate — and as a result far too many of their students can't get the jobs and salaries they expected.

How, then, do predatory for-profit colleges sell to students programs that are such a bad deal? I believe the record on that is clear, as discussed below: through deceptive and coercive marketing and recruiting.

The gainful employment rule should send the predatory for-profit college companies a message that they must end these bad practices, improve their educational quality, fundamentally reform, and do so promptly, or else lose federal aid.

Across America, predatory for-profit colleges injure people

I have worked on public policy issues for more than twenty years. From 2004 until 2012, I was senior vice president at the Center for American Progress and the founding director of Campus Progress, now called Generation Progress, an organization that advocates with and for young Americans on policy issues, including higher education matters. In that position, I became actively involved in the debate on for-profit colleges and gainful employment. I left CAP and Campus Progress in January 2012 to start my own legal and advocacy practice. In this capacity, among other tasks, I have worked with non-profit organizations, government officials, and others on for-profit colleges issues. I also have published numerous articles, combining original reporting and advocacy, on these matters.[1]

[1] Many of my articles on these issues are collected at: http://www.huffingtonpost.com/davidhalperin/ . My work on higher education issues is supported by The Ford Foundation, by the non-profit groups the Center for Public Interest Law and The Institute for College Access and Success, and by an individual donor who has no financial interest in these matters.

In the course of this work, I have been in direct contact with many current and former students, faculty, staff, and executives of for-profit colleges. (Most of them reach out to me with their stories and information, rather than me finding them.) I also, with several colleagues, have reviewed about 1000 student and employee complaints submitted to our coalition organizations.

The students tell of enrolling at for-profit colleges as a result of coercive boiler room tactics, and based on false promises about the quality of programs, the value of degrees, the transferability of credits. They tell of weak academic programs, enormous student loan debts, and resulting personal financial disaster.

Mike DiGiacomo, an Army veteran whose story I told in an e-book I published earlier this year, *Stealing America's Future,*[2] was deceived and abused and was left more than $85,000 in debt by two of the largest for-profit college companies, Education Management Corporation (EDMC) and Career Education Corporation. Mike is speaking out on behalf of his fellow students, and, at the urging of our coalition, he launched a CREDO petition calling for a strong gainful employment rule.[3] In less than a month he garnered over 100,000 signers.

Mike DiGiacomo is bright, articulate, and determined. He's good at explaining what happened to him, and, like some other former students, he's committed to warning others about the perils of for-profit colleges, and demanding that government hold these institutions accountable. But what he can't do is escape his own personal financial hell. And neither can hundreds of thousands of other students across America, many of whom just don't know what hit them. They often blame themselves for what predatory for-profit colleges did to them. They're frequently ashamed. They often do not realize that these schools are often sophisticated, scripted scams, rigged to coerce and mislead students into enrolling, deposit their financial aid checks, and blame the student when the credits and degrees prove to be worthless.

The current and former staff, who mostly remain anonymous for fear of losing their jobs or because the schools have forced them to sign non-disclosure agreements, tell of cynical recruiting abuses, systematic lying to prospective students, admission of students whom recruiters know will not succeed in the program, phony job placement operations, regular false reporting to authorities – and demotions and firings of employees whose consciences compel them to stand up for students and honest practices. The people who reach out to me really care about students, and their pain over what they have experienced is palpable.

A recruiter for an EDMC school wrote about sleepless nights remembering how he "manipulated [a] man's religious beliefs, hopes, and fears" to get him to enroll in a

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[2] http://www.amazon.com/dp/B00JAJGIIK.

[3] https://www.credomobilize.com/petitions/hold-predatory-career-colleges-accountable-for-abusing-students-and-ripping-off-taxpayers

graphic design program he knew the man could never manage or afford to complete. An employee at a campus owned by Corinthian Colleges wrote to me last week about a mentally disabled student, reading on a second or third grade level, whom she knew would never be a police officer, which was what he was supposed to be training to become in the school's criminal justice program. She believes that this student could not possibly have understood the papers he signed enrolling him at Corinthian and taking on student loans. "He breaks my heart," she wrote, "and I feel completely helpless."

I have discussed some of these student and staff accounts in my posted articles and in my e-book, but there are many more in my files, and, I am confident, thousands of similar cases around the country. These personal accounts have deepened my understanding of these issues, and they have strengthened my sense that our country must act urgently to curb abuses in this sector in order to protect students and taxpayers.

The latest arguments advanced by the for-profit college industry are paper-thin

The for-profit college industry's true currency in this debate is not facts or reasoned argument but actual currency – cash money. The industry has been receiving as much as $33 billion a year from taxpayers in Department of Education aid plus military and veterans educational aid. Despite declining enrollments and plunging share prices amid mounting public awareness of industry abuses, the industry still has a great deal of money to spend on lobbyists, public relations experts, and economists, and on campaign contributions for Members of Congress. The industry's wealth buys a wide range of these paid friends and endorsers.[4] Right now, they are using those means and connections to seek to derail the gainful employment rule.

For many of the members of Congress who are actively opposing the gainful employment rule, the most loyal and active donor and fundraiser they have is a for-profit college owner. Multiple congressional staffers have admitted this to me in explaining why their bosses have voted to stand with these wealthy owners instead of with the veterans, single parents, and others who have suffered at the hands of predatory colleges. These for-profit college owners are highly motivated to assist members in fundraising, because their business is almost entirely dependent on congressional, i.e., taxpayer, support.

The industry continues to pursue an aggressive strategy to attack the Administration's efforts to hold it accountable. A February 2014 strategy document from the for-profit colleges trade association, APSCU, suggests that even before the Department of Education completed the negotiated rulemaking sessions leading to

[4] See David Halperin, "The Perfect Lobby: How One Industry Captured Washington, DC," *The Nation*, April 3, 2014, http://www.thenation.com/article/179161/perfect-lobby-how-one-industry-captured-washington-dc#

the proposed rule, APSCU was contemplating not only lobbying to weaken the regulation but also filing another lawsuit to strike down the rule a second time.[5]

But the for-profit colleges, directly and through their paid friends and consultants, do feel compelled to put forth arguments in support of their positions. Unfortunately for them, these arguments do not bear even minimal scrutiny.

APSCU delivered at its meeting with White House officials earlier this year a document warning that the gainful employment rule will "deny access to nearly 2 million students."[6]

The Department has a lower estimate for the number of students whose programs may be placed in jeopardy by the rule. But the real question is, access to what? If a gainful employment rule ultimately prevents some students from enrolling in programs that will leave them worse off than when they started, that is a good thing. That is what the gainful employment provision that Congress enacted in 1965 intends, and that's what the regulation implementing that law should do. In far too many cases, predatory for-profit college programs hurt students, and they divert taxpayer money from higher quality education programs.

The weak programs include many of the programs run by some of the biggest companies in the industry, with a huge share of the student market: the University of Phoenix, Education Management Corporation, DeVry, Kaplan, ITT Tech, Corinthian Colleges, Career Education Corporation, and Bridgepoint Education.

All of these companies and others in the industry are now under investigation by federal and / or state law enforcement agencies for their treatment of students or their reporting to regulators. A bipartisan group of more than two dozen state attorneys general are now probing for-profit college companies, as are the U.S. Justice Department, Federal Trade Commission, Securities and Exchange Commission, Consumer Financial Protection Bureau, and your own Department of Education. Below I have appended a memorandum that I have compiled and posted online[7] with references to many of the current and recent government investigations of major players in the for-profit college industry.

Many of these matters are still pending, or they have been settled without the company in question admitting guilt. But the facts alleged are overwhelming, and they are consistent with Senator Tom Harkin's (D-IA) comprehensive investigation of the industry[8], with numerous media reports, and

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[5] See David Halperin, "Exposed: For-Profit Colleges' Blueprint for Blocking Obama Regulations," Huffington Post, May 5, 2014, http://www.huffingtonpost.com/davidhalperin/exposed-for-profit-colleg_b_5256688.html

[6] http://www.whitehouse.gov/sites/default/files/omb/assets/oira_1840/1840_02102014b-1.pdf

[7] http://www.republicreport.org/2014/law-enforcement-for-profit-colleges/

[8] http://www.harkin.senate.gov/help/forprofitcolleges.cfm

with the accounts from insiders that my colleagues and I hear on an almost-daily basis. These career education programs are in dire need of improvement, to say the least, and it is entirely appropriate that the gainful employment rule put some of them at risk of losing taxpayer support.

A similar "sky is falling" argument was advanced by the CEO of Corinthian Colleges, in the company's latest earnings call[9], when he cited a report[10] by the company Edvisors that concludes that 42 percent of programs at for-profit colleges will "lose eligibility" for Title IV aid, when weighted by enrollment, if the current draft gainful employment rule is implemented. Edvisors is a lead generation company; it describes itself as "a leader in student marketing," specializing in "consumer product marketing and lead generation,"[11] so it might have incentives to bolster the arguments of the for-profit colleges.

But the more important point is that the Edvisors report is fundamentally flawed on the merits.

The analysis purports to find the number of students and programs that "will lose eligibility" based on just one year's measure of data. But, in fact, under the proposed rule, programs would not lose eligibility based on their gainful employment measures in any one year; it would require two to four years of bad performance to lose eligibility.

The Edvisors analysis further assumes that career education companies have been and will be paralyzed and unable to adapt to the rule by improving the quality of their programs beyond their low-performing efforts in recent years. In fact, because the rule requires a school to flunk its test over several years before losing eligibility for aid, it would ease in its reforms, giving companies time to adjust their behavior, and students time to adjust their plans. Indeed, the looming gainful employment rule already seems to have prompted many career colleges to undertake reforms – such as freezing or lowering prices, or offering students trial periods.[12] Meanwhile, there is time for higher quality career education programs to emerge from other, more capable providers and to better serve students.

In fact, given what we now know about the abuses of many for-profit colleges, what is concerning is *not* that the current proposed rule might potentially put at risk 42 percent of current for-profit college programs. **What is concerning is that,**

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[9] http://investors.cci.edu/events.cfm

[10] Mark Kantrowitz, "U.S. Department of Education Proposes Stricter Gainful Employment Rule," April 28, 2014, http://www.edvisors.com/student-aid-policy/stricter-gainful-employment/#sthash.mv5yYtcV.dpuf

[11] http://www.edvisors.com/downloads/edvisors-data-overview.pdf

[12] See David Halperin, "Gainful Employment Rule for For-Profit Colleges: Eminently Fixable, Eminently Necessary," *Huffington Post*, April 15, 2013, http://www.huffingtonpost.com/davidhalperin/gainful-employment-rule-f_b_3084580.html

accepting the Edvisors analysis as true, 58 percent of for-profit college programs would walk away, scot-free, with no major concerns about the gainful employment rule, no need to seriously reform. That is one of many indicators that the current proposed rule is in fact too weak and needs to be strengthened along the lines that our coalition has suggested.

What is concerning is that, based on the data that the Department released with the proposed rule, there are 114 programs – all at for-profit colleges -- where students receiving federal aid are more likely to default on their loans than to graduate.[13] This figure actually understates the problem, because it relies on defaults from one cohort year compared with two years' worth of completers, and because many for-profit colleges manipulate their default rates to understate the debt problems their former students face.[14] What is concerning is that 20 percent of these programs with more defaulters than graduates actually pass the current proposed gainful employment rule, and that even the 68 percent of programs that fail outright would still be eligible for federal aid unless they failed the next year.

Another report trumpeting a "sky is falling" scenario is a new one prepared for APSCU by their long-time paid economist, Professor Jonathan Guryan of Northwestern University, and Matthew Thompson, Ph.D., of the consulting firm Charles River Associates.[15] This paper repeatedly worries that matters outside of the industry's control, such as a declining economy, may unfairly penalize for-profit colleges. But in weighing the balance of harms, it is entirely appropriate for the Administration to emphasize the harms to students and taxpayers from weak career education programs over the harms to companies that they may lose aid for their programs. It is entirely appropriate for the Administration to heavily weigh the severe harm every academic year when perhaps 300,000 students enroll in for-profit colleges, many in programs that will leave them jobless and with insurmountable debt.

Eligibility to receive federal aid should be considered a privilege that career colleges must continually earn, rather than a permanent entitlement that they may presumptively possess forever. Thus it also is entirely reasonable for the gainful employment rule, as the current proposal does, to require programs to pass multiple independent tests in order to retain eligibility, rather than, as the 2011 final rule did, make each test an independent way to escape accountability. Using "and," not "or" thresholds is the appropriate approach to a problem of this documented magnitude, especially given all we have learned since 2011, from the

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[13] Debbie Cochrane, The Institute for College Access and Success, "Where More Default Than Graduate: Career Education Program Parasites," May 15, 2004, http://views.ticas.org/?p=1301

[14] The Institute for College Access and Success, "New Data Confirm Troubling Student Loan Default Problems,"http://www.ticas.org/files/pub/CDR_2013_NR.pdf

[15] Jonathan Guryan and Matthew Thompson, "Report on the Proposed Gainful Employment Regulation," May 23, 2014.

Harkin report, law enforcement investigations, and media reports, about industry abuses and cynical behavior.

APSCU and its member schools also have claimed that their failure to help many of their students is not because their schools lack quality but because of the socio-economic status of the students they admit. But APSCU's own study (when it was still called the Career College Association) concluded that even after accounting for differences in student demographics, students who attended for-profit colleges are at least twice as likely to default on student loans as students at public and non-profit colleges.[16] An Education Trust study concluded that at colleges where generally all applicants are admitted, the graduation rate at 4-year for-profit colleges (11 percent) was about three times lower than the rates at public and non-profit 4-year colleges (31 percent and 36 percent, respectively).[17] A June 2012 paper from the National Bureau of Economic Research, authored by Professor Kevin Lang and Russell Weinstein, both of Boston University's Department of Economics, found that "even after controlling for an extensive set of background variables, students at for-profit institutions do not benefit more and often benefit less from their education than apparently similar students at not-for-profit and public institutions."[18]

Another point in the industry's filibuster is the claim that the same gainful employment rule should apply to all higher education programs, not just career education programs and those at for-profit schools, and that unless the Administration wants to issue a uniform rule covering every sector, it should issue no rule at all.

In the first place, purveyors of this argument often obscure the fact that the gainful employment rule would in fact apply to all career education programs, not just those at for-profit colleges. It's just that only for-profit college programs are at serious risk of flunking, owing to the toxic mix of high prices and low quality that these programs often present. The industry's complaint is like a bank robber complaining that the bank robbery statute applies only to bank robbers.

Beyond that point, there are excellent reasons for the gainful employment rule to apply only to the subset of programs to which it is directed. One fundamental reason is the law: Congress, in the 1965 statute, mandated that the executive branch impose a gainful employment requirement on the career sector. The Administration has no such mandate or authority with respect to other higher education programs.

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[16] http://www.republicreport.org/wp-content/uploads/2013/11/CCA-study-on-default-rates-controlling-for-demographics.pdf

[17] Education Trust, "Subprime Opportunity," November 2010, http://www.edtrust.org/sites/edtrust.org/files/publications/files/Subprime_report_1.pdf

[18] Lang & Weinstein, "Evaluating Student Outcomes at For-Profit Colleges," June 2012, http://www.nber.org/papers/w18201

Further, while there is a ton of evidence that many former for-profit college students are deep in debt and highly dissatisfied with their experiences at their schools, there is nothing comparable to that recorded degree of dissatisfaction at most other higher education programs, even those that produce high levels of debt. We have seen advocates for for-profit colleges point to the high debt levels of students at more selective institutions. While their sympathy for the impoverished graduates of Harvard Medical School[19] is kind indeed, those students, for the most part, are not asking for the Department of Education's help; most of them will be just fine. And those institutions, in general, are not under investigation for lying to students or deceiving regulators.

Although there certainly are higher education programs outside the career education sector that are producing too much debt and too many bad outcomes, it is clear that by far the biggest problem is in the career sector, and, within that sector, at for-profit institutions. If the Department of Education was a fire department, it couldn't say it would refuse to fight a four-alarm blaze in a packed skyscraper because there were some other nearby buildings with burning toasters.

In its desperation, the for-profit college industry also has sought to redefine the concept of gainful employment beyond any reasonable understanding, implying, as the Guryan-Thompson APSCU paper does, that years of dire financial straits are acceptable for the economically vulnerable populations – single parents, veterans, immigrants, and others -- that predominate in many career education programs [20], or that, in the words of Steve Gunderson, CEO of APSCU, "Debt--related metrics are not appropriate determination of academic quality"[21] -- an assertion that might trouble the students across the country who have enrolled in career training programs precisely so they can earn a good living, support their families, and avoid excessive debt. And this, also from Gunderson: "If you are a student who goes into a career that is personally rewarding but probably not financially rewarding and you are low income, and you work either in rural America or in the intercity, you are now being told you can't do that anymore, even though that's what you wanted to do."[22]

What Gunderson appears to be saying is that a serious gainful employment rule would deny Americans the right to attend a program that is extremely expensive --

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[19] http://washingtoninformer.beta.lionheartdms.com/news/2014/apr/02/gainful-employment-rule-throws-black-students-loss/; http://www.huffingtonpost.com/lanny-davis/does-gainful-employment-p_b_736269.html

[20] Guryan and Thompson at 17.

[21] See David Halperin, "Exposed: For-Profit Colleges' Blueprint for Blocking Obama Regulations," *Huffington Post*, May 5, 2014, http://www.huffingtonpost.com/davidhalperin/exposed-for-profit-colleg_b_5256688.html

[22] Steve Gunderson, "Exploring the Merits of the Gainful Employment Rule," *The evolllution*, http://www.evolllution.com/opinions/audio-exploring-merits-gainful-employment-rule/

so expensive that it would be difficult to pay back your student loans even if you actually managed to obtain the job you were seeking when you enrolled. In other words, the rule might eventually shut down programs that left students $100,000 in debt and, at best, positioned them for a $30,000 job as an assistant chef or medical assistant, with not enough earnings to pay down their loans.

Well, yes: The whole point of the statute and the proposed rule is to protect students and taxpayers by giving career colleges incentives to lower their prices, raise their quality and improve their job placement efforts. The big for-profit colleges get about 86 percent of their revenue from federal aid. It's a government program, not a free-market program. And it is absolutely appropriate to condition that federal aid on the schools delivering quality programs, at fair prices, that lead to jobs with earnings that allow former students to support themselves.

This Administration knows better than to fall for such thin arguments from the for-profit college industry. People's lives are being ruined by the cynical business model of predatory actors in the for-profit college industry, and the Administration must take deliberate and strong measures to protect our students and our federal investment.

It's time for the Executive Branch to act decisively

President Obama himself has made clear that he fully understands what has been happening in the for-profit college industry, and what is at stake now.

Speaking at Fort Stewart, Georgia, in April 2012, the President described vividly the coercive and deceptive recruiting tactics that for-profit colleges use. These schools, he told the soldiers, "don't care about you; they care about the cash." One of their recruiters, the President said, "had the nerve to visit a barracks at Camp Lejeune and enroll Marines with brain injuries -- just for the money. These Marines had injuries so severe some of them couldn't recall what courses the recruiter had signed them up for. That's appalling. That's disgraceful. It should never happen in America." He said such schools were "trying to swindle and hoodwink" service members, and he promised to put an end to it.[23] Speaking off the cuff at Binghamton University in New York in August 2013, the President returned to these themes, warning that some for-profit colleges were failing to provide the training and certification that students thought they would get when they enrolled. In the end, he said, the students "can't find a job. They default.... Their credit is ruined, and the for-profit institution is making out like a bandit."[24]

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[23] http:// www.whitehouse.gov/ the-press-office/ 2012/ 04/ 27/ remarks-president-and-first-lady-fort-stewart-georgia

[24] http:// www.whitehouse.gov/ the-press-office/ 2013/ 08/ 23/ remarks-president-town-hall-binghamton-university

Mr. Secretary, unlike the heartbroken staff member at the Corinthian campus who wrote to me last week about the disabled student, you and the President are decidedly not helpless to address this problem. You have the power to do something right now that could make a huge difference in efficiently channeling taxpayer resources, lifting people out of poverty and hardship and into solid middle-class lives, stemming a dangerous tide of student loan debt, and strengthening our economy and competitiveness. You can take a huge step toward advancing all of those goals with a strong gainful employment rule.

The for-profit college industry's wealth prompts friends of the Administration, from Wall Street to Capitol Hill, to bombard you with calls, pressuring you to "moderate" your approach. But it's time to stop listening to these paid merchants of false arguments, and time to act based on the facts and the national interest. It's time, long past time – after decades of industry abuses -- for a President to stand up for students and put federal student aid on more solid ground.

The Administration should not issue a gainful employment rule that effectively condones conduct that has already been labeled fraud by federal investigators and state prosecutors, and by the President himself.

The President, early on, pledged to take on special interests and make Washington work for people. He also has launched initiatives to ensure that more Americans can successfully train, at prices they can afford, for real careers that support their families. And he has specifically promised to protect veterans and other students from predatory practices by career colleges. All of these Obama goals would be undermined severely, hundreds of billions more will be wasted, and the lives of countless more students will be ruined, unless his Administration issues a strong gainful employment rule.

The President has made the case. The facts bear him out. Only a strong gainful employment can fix the problem, protect our federal aid system, and give students a real chance to succeed. You need a tougher rule, with improvements as suggested by our coalition. The current draft rule won't quite get the job done, and a weaker rule would be an absolute travesty, a betrayal of your Administration's stated goals. Please make the right choice.

ATTACHMENT

Pending and recent federal and state government investigations and actions regarding for-profit colleges

Compiled by David Halperin, Attorney, Washington DC UPDATED 05-23-14

This is a list of pending and recent significant federal and state law enforcement investigations of, and actions against, for-profit colleges. It does not include lawsuits prosecuted only by private parties -- students, staff, etc.

Please send corrections, additions, updates, and comments to tips@RepublicReport.org

This document is posted and is regularly updated at
http://www.republicreport.org/2014/law-enforcement-for-profit-colleges/

Corinthian Colleges

- **State attorneys general investigation of Corinthian**

Corinthian SEC 8-K, 01-27-14:

"On January 24, 2014, Corinthian Colleges, Inc. (the "Company") was notified by the Iowa Attorney General's office that it is leading an investigation by thirteen states (Arkansas, Arizona, Connecticut, Idaho, Iowa, Kentucky, Missouri, Nebraska, North Carolina, Oregon, Tennessee, Washington and Pennsylvania) into the Company's business practices. The Company has received Civil Investigative Demands ("CIDs") from most of those states that are substantially similar. The Iowa Attorney General's office indicated that it will be the primary point of contact with the Company on behalf of all of the states involved in the investigation. The CIDs seek documents and answers to interrogatories related to the students recruited from the various states; organizational information; tuition, loan and scholarship information; lead generation activities; enrollment qualifications for students; complaints; accreditation; completion and placement statistics; graduate certification and licensing results; and student lending activities, among other matters. The Company is aware that several other companies in the for-profit education sector have received similar CIDs. The Company intends to cooperate with the inquiry."

https://www.sec.gov/Archives/edgar/data/1066134/000129993314000113/htm_49175.htm

Corinthian press release in conjunction with 3rd quarter earnings call, May 6, 2014:

"As reported in an 8-K on January 24, 2014,the Company was notified by the Iowa Attorney General's office that it is leading an investigation by 13 Attorneys General into the Company's business practices. In April, the Iowa AG notified the company that three additional states - Colorado, Hawaii and New Mexico, had joined the multi-state investigation, bringing the total to 16 states. The Company continues to cooperate with the investigation."

http://investors.cci.edu/releasedetail.cfm?ReleaseID=845503

- **Civil complaint against Corinthian filed by California attorney general, 10-10-13**:

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

https://oag.ca.gov/system/files/attachments/press_releases/Complaint%2C%20filed%20stamped_0.pdf

Corinthian answer to complaint, 11-12-13:

"The Government's false allegations and the aspersions cast on the School's relationship with its students are offensive and demeaning—to the School and its employees; to its students who are striving for a career and a better life; and to the employers who hire its thousands of qualified graduates."

http://s3.documentcloud.org/documents/889232/corinthian-reply.pdf

- **Civil complaint against Corinthian filed by Massachusetts attorney general, 04-03-14**:

"We allege that this for-profit school aggressively recruited and misled students by falsely promising high quality, successful training programs, and instead left them with exorbitant student loan debt and without proper training or a well-paying career."

http://www.mass.gov/ago/news-and-updates/press-releases/2014/2014-04-03-corinthian-complaint.html

- **Consumer Financial Protection Bureau civil investigative demand on Corinthian**

Corinthian SEC 8-K, 01-06-14:

"As previously reported, in April 2012, Corinthian Colleges, Inc. …. was served with a Civil Investigative Demand ("CID") from the U.S. Consumer Financial Protection Bureau (the 'CFPB'). The CID, which was subsequently withdrawn by the CFPB and replaced with a substantially similar CID, contains extensive interrogatories and document production demands with the stated purpose to "determine whether a for-profit post-secondary company, student loan origination and servicing providers, or other unnamed persons have engaged or are engaging in unlawful acts or practices relating to the advertising, marketing, or origination of private student loans.". Although the Company objected to both CIDs by filing a petition with the CFPB, the Company has voluntarily provided documents and other information to the CFPB and has cooperated with the CFPB in its investigation.

In December 2013, the Company received a letter from the CFPB notifying the Company that, in accordance with the CFPB's discretionary Notice and Opportunity to Respond and Advise ("NORA") process, the CFPB's Office of Enforcement is considering recommending that the CFPB take legal action against the Company (the "NORA Letter"). The NORA Letter states that the staff of the CFPB's Office of Enforcement (the "Staff") expects to allege that the Company violated the Consumer Financial Protection Act of 2010, 12 U.S.C. §5536. The NORA Letter also states that if such action is brought the CFPB may seek injunctive and monetary relief against the Company. The NORA Letter confirms that the Company has the opportunity to make a NORA submission, which is a written statement setting forth any reasons of law or policy why the Company believes the CFPB should not take legal action against it.

The Company understands that a NORA notice from the Staff is intended to ensure that potential subjects of enforcement actions have the opportunity to present their positions to the CFPB before an enforcement action is recommended or commenced. The Company intends to make a NORA submission to the CFPB, and continues to believe that its acts and practices relating to student loans — financing that is essential to preserving our students' access to post-secondary education — are lawful.

The Company cannot provide any assurance that the CFPB will not ultimately take legal action against it or that the outcome of any such action, if brought, will not have a material adverse effect on the Company's financial condition and results of operations."

https://www.sec.gov/Archives/edgar/data/1066134/000110465914000595/a14-1250_18k.htm

- **Justice Department False Claims Act investigations of Corinthian**

Corinthian SEC 10-K, 09-03-13:

"On April 11, 2011 the Company's Everest Institute in Jonesboro, Georgia was sent a subpoena from the Atlanta office of ED's Office of Inspector General (the "OIG") requesting documents related to the Jonesboro campus's employment and placement rates reported to its accrediting agency, as well as correspondence with the accrediting agency. The Company has become aware that this matter is being supervised by an Assistant United States Attorney for the Northern District of Georgia who focuses primarily on civil False Claims Act matters, including qui tams. The Company does not know whether a qui tam action has been filed under seal or whether the United States Attorney's Office has made a determination about whether to file a False Claims Act lawsuit in this matter.

Additionally, the Company has also received inquiries from the Department of Justice and the Assistant U.S. Attorney involved in reviewing the previously-disclosed Lee qui tam matter regarding the Company's attendance procedures. The Company infers, but has been unable to confirm, that these inquiries may relate to one or more additional qui tams filed under seal that may be pending the government's investigation and intervention decision. Separately, on April 24, 2012, a complaint captioned United States of America ex rel. Carolina Marion v. Heald College Inc. and Corinthian Colleges Inc. was filed under seal in the U.S. District Court for the Northern District of California. Since the complaint was filed under seal, the Company has not been able to obtain a copy of the complaint but infers that this too is a qui tam action brought under the False Claims Act. The Company has also received an inquiry from the Assistant U.S. Attorney apparently involved in reviewing the Marion matter regarding attendance procedures at the Heald Salinas campus."

https://www.sec.gov/Archives/edgar/data/1066134/000104746913008803/a2216385z10-k.htm

- **Securities and Exchange Commission subpoena to Corinthian**

Corinthian SEC 8-K, 06-10-13:

"On June 6, 2013, Corinthian Colleges, Inc. (the "Company") received a subpoena from the Securities and Exchange Commission ("SEC"). In a letter accompanying the subpoena, the SEC stated that it is conducting an investigation of the Company. The SEC's subpoena requests the production of documents and communications that, among other things, relate to student information in the areas of recruitment, attendance, completion, placement, defaults on federal loans and on alternative loans, as well as compliance with U.S. Department of Education financial requirements, standards and ratios (including the effect

of certain borrowings under the Company's credit facility on the Company's composite score, and 90/10 compliance), and other corporate, operational, financial and accounting matters. The Company intends to cooperate with the SEC in its investigation."

http://www.sec.gov/Archives/edgar/data/1066134/000110465913048089/a13-14724_18k.htm

- **Department of Education letter to Corinthian, 01-23-14:**

"The Department has denied approvals for certain new locations and new programs because CCI has admitted to falsifying placement rates and/or grade and attendance records at various institutions and because of ongoing state and federal investigations into serious allegations with respect to CCI's improper administration of Title IV programs..... [T]he issues just referenced suggest systematic deficiencies in the operations of CCI.... Because of these concerns, the Department will not approve CCI's Title IV growth through the addition of any new locations opr programs going forward until the Department ascertains whether CCI and its institutions possess the requisite administrative capability to ensure compliance with all Title IV program requirements."

https://www.documentcloud.org/documents/1014987-corinthian-colleges-inc.html

Corinthian response, SEC 8-K, 02-05-14:

"The Company disputes ED's characterization that the Company admitted wrongdoing, but plans to cooperate with ED in its review. The Company believes ED is referencing isolated instances over a four-year period when the Company detected erroneous information, took corrective action and reported its findings to regulatory authorities."

http://investors.cci.edu/secfiling.cfm?filingID=1104659-14-6539&CIK=1066134

Education Management Corporation (EDMC)

- **State attorneys general investigation of EDMC**

EDMC SEC 8-K, 01-24-14:

"Education Management Corporation (the "Company") announced today that it has received inquiries from twelve states regarding the Company's business practices. The Attorney General of the Commonwealth of Pennsylvania has informed the Company that it will serve as the point of contact for the inquiries related to the Company. The inquiries focus on the Company's practices relating to the recruitment of students, graduate placement statistics,

graduate certification and licensing results, and student lending activities, among other matters. The Company believes that several other companies in the for-profit education industry have received similar inquiries. The Company intends to cooperate with the states involved."

http://edgar.sec.gov/Archives/edgar/data/880059/000088005914000002/a124148-k.htm

- **Colorado attorney general lawsuit and settlement with EDMC**

Statement by Colorado attorney general's office, 12-05-13:

"The Attorney General's investigation based on student complaints found that beginning in 2007, Argosy deceptively marketed its EdD-CP program. Students were led to believe that Argosy was seeking to have the program accredited by the American Psychological Association (APA), which in fact was not the case. Upon graduating, students were moreover told they would be eligible to become licensed psychologists. In reality, the EdD-CP program's curriculum and requirements were deficient and students were unlikely to obtain Colorado licensure."

http://www.coloradoattorneygeneral.gov/press/news/2013/12/05/attorney_general_suthers_announces_consumer_protection_settlement_argosy_unive

- **Massachusetts attorney general investigation of EDMC**

EDMC SEC 8-K, 01-29-13:

"On January 24, 2013, The New England Institute of Art received a civil investigative demand from the Commonwealth of Massachusetts Attorney General requesting information for the period from January 1, 2010 to the present pursuant to an investigation regarding practices by the school in connection with marketing and advertising job placement and student outcome, the recruitment of students and the financing of education."

http://www.sec.gov/Archives/edgar/data/880059/000088005913000005/form8-k.htm

- **State attorneys general investigations of EDMC**

EDMC SEC 10-K, 08-30-11:

"In December 2010, the Company received a subpoena from the Office of Consumer Protection of the Attorney General of the Commonwealth of Kentucky requesting documents and detailed information for the time period of January 1, 2008 through December 31, 2010.

The Company has three Brown Mackie College locations in Kentucky. The Kentucky Attorney General has announced an investigation of the business practices of for-profit post-secondary schools and that subpoenas had been issued to six proprietary colleges that do business in Kentucky in connection with the investigation. The Company intends to continue to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In October 2010, Argosy University received a subpoena from the Florida Attorney General's office seeking a wide range of documents related to the Company's institutions, including the nine institutions located in Florida, from January 2, 2006 to the present. The Florida Attorney General has announced that it is investigating potential misrepresentations in recruitment, financial aid and other areas. The Company is cooperating with the investigation, but has also filed a suit to quash or limit the subpoena and to protect information sought that constitutes proprietary or trade secret information. The Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In August 2011, the Company received a subpoena from the Attorney General of the State of New York requesting documents and detailed information for the time period of January 1, 2000 through the present. The Art Institute of New York City is the Company's only school located in New York. The subpoena is primarily related to the Company's compensation of admissions representatives and recruiting activities. The relators in the Washington qui tam case filed the complaint under the State of New York's False Claims Act though the state has not announced an intention to intervene in the matter. The Company intends to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In June 2007, The New England Institute of Art ("NEIA") received a civil investigative demand letter from the Massachusetts State Attorney General requesting information in connection with the Attorney General's review of alleged submissions of false claims by NEIA to the Commonwealth of Massachusetts and alleged unfair and deceptive student lending and marketing practices engaged in by the school. In February 2008, the Attorney General informed NEIA that it does not plan to further pursue its investigation of deceptive marketing practices. In June and August of 2011, the Company provided the Attorney General with additional information related to the false claims investigation. NEIA intends to fully cooperate with the Attorney General in connection with its continuing investigation."

http://www.sec.gov/Archives/edgar/data/880059/000119312511236734/d10k.htm

- **Justice Department False Claims Act lawsuit against EDMC**

Justice Department statement, 10-08-11:

"The United States has intervened and filed a complaint in a whistleblower suit pending under the False Claims Act against Education Management Corp. (EDMC) and several affiliated entities, the Justice Department announced today. In its complaint, the government alleges that EDMC falsely certified compliance with provisions of federal law that prohibit a university from paying incentive-based compensation to its admissions recruiters that is tied to the number of students they recruit. Congress enacted the incentive compensation prohibition to curtail the practice of paying bonuses and commissions to recruiters, which resulted in the enrollment of unqualified students, high student loan default rates and the waste of program funds."

United States ex rel. Washington et al. v. Education Management Corp. et al., Civil No. 07-461 (W.D. Pa.)

http://www.justice.gov/opa/pr/2011/August/11-civ-1026.html; http://www.nacacnet.org/issues-action/LegislativeNews/Documents/USAvEDMC.pdf

EDMC's Motion to Dismiss granted in part and denied in part 05-11-12

http://www.leagle.com/decision/In%20FDCO%2020120514973

EDMC response, SEC 10-Q, 11-01-13

"The Company believes the case to be without merit and intends to vigorously defend itself."

https://www.sec.gov/Archives/edgar/data/880059/000088005913000067/edmc-20130930x10xq.htm

ITT Educational Services

- **State attorneys general investigation of ITT**

ITT SEC 8-K, 01-27-14:

"ITT Educational Services, Inc. (the "Company") announced that it has received subpoenas and/or civil investigative demands (collectively, the "CIDs") from the Attorneys General of Arkansas, Arizona, Connecticut, Idaho, Iowa, Kentucky, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania and Washington under the authority of each state's consumer protection statutes. The Attorney General of the Commonwealth of Kentucky has informed the Company that it will serve as the point of contact for the multistate group to respond to questions relating to the CIDs. The CIDs contain broad requests for information and the

production of documents related to the Company's students and the Company's practices, including marketing and advertising, recruitment, financial aid, academic advising, career services, admissions, programs, licensure exam pass rates, accreditation, student retention, graduation rates and job placement rates, as well as many other aspects of the Company's business. The Company believes that several other companies in the proprietary postsecondary education sector have received similar CIDs. The Company intends to cooperate with the Attorneys General of the states involved."

https://www.sec.gov/Archives/edgar/data/922475/000092247514000004/form8_k.htm

- **Civil complaint filed by New Mexico Attorney General against ITT, 02-26-14:**

"This action seeks to redress on behalf of the public in New Mexico unlawful business practices by Defendant ITT Educational Services, Inc.
d/b/a ITT Technical Institute. Defendant, in the course of operating a for-profit education business made misrepresentations, violated New Mexico law, and engaged in unfair, deceptive, and unconscionable acts and practices in violation of New Mexico's Unfair Practices Act ("UPA") in connection with the advertising, marketing, and selling of educational services to New Mexico consumers."

http://www.insidehighered.com/sites/default/server_files/files/New%20Mexico%20ITT%20complaint.pdf

- **SEC subpoena to ITT**

ITT SEC 10-K 02-22-13:

"On February 8, 2013, we received a subpoena from the SEC. In a letter accompanying the subpoena, the SEC states that it is conducting an investigation of us. The SEC's subpoena requests the production of documents and communications that, among other things, relate to our actions and accounting associated with: (a) agreements that we entered into with an unaffiliated entity on February 20, 2009 (the "2009 Entity") to create a program that made private education loans available to our students to help pay the students' cost of education that student financial aid from federal, state and other sources did not cover (the "2009 Loan Program"), including, without limitation, a risk sharing agreement that we entered into with the 2009 Entity pursuant to which we guarantee the repayment of the principal amount (including capitalized origination fees) and accrued interest payable on any private education loans that are charged off above a certain percentage of the private education loans made under the 2009 Loan Program, based on the annual dollar volume (the "2009 RSA"); and (b) agreements that we entered into with unrelated parties on January 20, 2010 to create a

program, called the PEAKS Private Student Loan Program, that made private education loans available to our students to help pay the students' cost of education that student financial aid from federal, state and other sources did not cover (the "PEAKS Program"), pursuant to which:

• an unaffiliated lender originated private education loans to our eligible students and, subsequently, sold those loans to an unaffiliated trust that purchased, owns and collects private education loans (the "PEAKS Trust");

• the PEAKS Trust issued senior debt in the aggregate principal amount of $300.0 million (the "PEAKS Senior Debt") to investors; and

• we guarantee payment of the principal, interest and, prior to February 2013, certain call premiums owed on the PEAKS Senior Debt, the administrative fees and expenses of the PEAKS Trust and the required ratio of assets of the PEAKS Trust to outstanding PEAKS Senior Debt (the "PEAKS Guarantee").

We are cooperating with the SEC in its investigation. There can be no assurance, however, that the ultimate outcome of the SEC investigation will not have a material adverse effect on our financial condition or results of operations."

https://www.sec.gov/Archives/edgar/data/922475/000119312513071683/d444611d10k.htm

- **CFPB lawsuit against ITT, filed 02-26-14:**

"ITT subjected consumers to undue influence or coerced them into taking out ITT Private Loans through a variety of unfair acts and practices designed to interfere with the consumers' ability to make informed, uncoerced choices."

http://www.republicreport.org/wp-content/uploads/2014/02/cfpb_complaint_ITT.pdf

Career Education Corporation (CEC)

- **State attorneys general investigation of CEC**

Career Education Corporation SEC 8-K, 01-27-14:

"On January 24, 2014, Career Education Corporation (the "Company") received inquiries from twelve state Attorneys General regarding the Company's business practices. The Attorney General of Connecticut has informed the Company that it will serve as the point of contact for the inquiries related to the Company. The inquiries focus on the Company's

practices relating to the recruitment of students, graduate placement statistics, graduate certification and licensing results and student lending activities, among other matters. The Company believes that several other companies in the private sector education industry have received similar inquiries. The Company intends to cooperate with the states involved."

https://www.sec.gov/Archives/edgar/data/922475/000092247514000004/form8_k.htm

- **New York attorney general settlement with CEC**

Statement by New York attorney general's office, 08-19-13:

"Attorney General Eric T. Schneiderman today announced a $10.25 million settlement with Career Education Corporation ("CEC"), a for-profit education company. The settlement resolves an investigation that revealed that in disclosures made to students, accreditors, and New York State, CEC significantly inflated its graduates' job placement rates. CEC will pay $9.25 million in restitution to students, a $1 million penalty, and has agreed to substantial changes in how the company calculates and verifies placement rates."

http://www.ag.ny.gov/press-release/ag-schneiderman-announces-groundbreaking-1025-million-dollar-settlement-profit

Career Education Corporation SEC 8-K, 08-19-13:

"As previously reported, the Company received from the Attorney General of the State of New York ('NYAG') a Subpoena Duces Tecum dated May 17, 2011 (the 'Subpoena'), relating to the NYAG's investigation of whether the Company and certain of its schools have complied with certain New York state consumer protection, securities, finance and other laws. The documents and information sought by the NYAG in connection with its investigation cover the time period from May 17, 2005 to the present. Pursuant to the Subpoena, the NYAG requested from the Company, and certain of its schools, documents and detailed information on a broad spectrum of business practices, including such areas as marketing and advertising, student recruitment and admissions, education financing, training and compensation of admissions and financial aid personnel, programmatic accreditation, student employment outcomes, placement rates of graduates and other disclosures made to students.

On August 19, 2013, the Company entered into an Assurance of Discontinuance (the 'NYAG Settlement') with the NYAG. Under the terms of the NYAG Settlement, without admitting or denying the NYAG's findings, the Company has agreed to pay $9.25 million into a restitution fund to be distributed to eligible consumers; an additional $1.0 million for fees, costs, and penalties; and up to an additional $250,000 for the costs to administer the restitution claims

process. As part of the NYAG Settlement, the Company has also agreed to, among other things: calculate and disclose placement rates according to agreed upon procedures and retain an independent consultant or audit firm to independently verify and report on such placement rates; provide specified levels of placement assistance to students; provide certain additional training to admissions personnel regarding placement rates; teach out certain programs going forward that do not achieve specified minimum placement rates; provide additional disclosure concerning institutional and programmatic accreditation; and provide additional disclosure concerning transferability of credits to other colleges or universities."

http://www.sec.gov/Archives/edgar/data/1046568/000119312513340378/d588444d8k.htm

- **State attorneys general investigations of CEC**

Career Education Corporation SEC 10-K, 02-28-13:

"[W]e have received subpoenas from the Attorneys General of Florida and New York, civil investigative demands from the Illinois and Massachusetts Attorneys General and an investigative demand from the Oregon Attorney General relating to potential non-compliance with applicable state laws and regulations by certain of our schools."

http://www.sec.gov/Archives/edgar/data/1046568/000119312513083541/d455233d10k.htm

- **Florida attorney general investigation of CEC**

Career Education Corporation SEC 8-K, 11-08-10:

"Career Education Corporation (the "Registrant") announced that the Florida campuses of Sanford Brown Institute received a notice on November 5, 2010 from the State of Florida Office of the Attorney General that it has commenced an investigation into possible unfair and deceptive trade practices at these schools. The notice includes a subpoena to produce documents and detailed information for the time period from January 1, 2007 to the present about a broad spectrum of business practices at such schools. The Florida Attorney General's website indicates that the Attorney General is conducting similar investigations of several other post-secondary education companies operating schools located in Florida."

http://www.sec.gov/Archives/edgar/data/1046568/000119312510252438/d8k.htm

- **SEC investigation of CEC**

Career Education Corporation SEC 10-K, 02-28-13:

"[T]he Chicago Regional Office of the Securities and Exchange Commission is conducting an inquiry pertaining to our previously reported internal investigation of student placement determination practices and related matters."

http://www.sec.gov/Archives/edgar/data/1046568/000119312513083541/d455233d10k.htm

DeVry University

- **Illinois and Massachusetts attorneys general investigations of DeVry:**

DeVry SEC 8-K, 04-15-13:

"DeVry Inc. ("DeVry") received earlier this month a subpoena from the Office of the Attorney General of the State of Illinois and more recently a Civil Investigative Demand issued by the Office of the Attorney General of the Commonwealth of Massachusetts. The Illinois subpoena concerns potential state law implications in the event violations of federal law took place. It was issued pursuant to the Illinois False Claims Act in connection with an investigation concerning whether the compensation practices of DeVry and certain of its affiliates are in compliance with the Incentive Compensation Ban of the Higher Education Act and requires DeVry to provide documents relating to these matters for periods on or after January 1, 2002. The Massachusetts demand was issued in connection with an investigation into whether DeVry caused false claims and/or false statements to be submitted to the Commonwealth of Massachusetts relating to student loans, guarantees, and grants provided to DeVry's Massachusetts students and requires DeVry to answer interrogatories and to provide documents relating to periods on or after January 1, 2007.

Although more information about these inquiries is not known at this time, DeVry is approaching them with a view toward transparency and an interest in demonstrating the compliant nature of its practices in cooperation with the authorities."

https://www.sec.gov/Archives/edgar/data/730464/000115752313001773/a50610060.htm

- **Federal Trade Commission investigation of DeVry**

DeVry SEC 8-K 01-28-14:

"DeVry Education Group Inc. ("DeVry Group") received on January 28, 2014 a compulsory request from the Federal Trade Commission (the "FTC") to provide documents and information relating to the advertising, marketing, or sale of secondary or postsecondary educational products or services or educational accreditation products or services by DeVry

Group during the past five years. The stated purpose of the request is to determine whether unnamed persons and/or entities have violated or are violating Section 5 of the Federal Trade Commission Act and, if so, to determine whether further FTC action would be in the public interest.

DeVry Group intends to provide the FTC with its full cooperation with a view toward demonstrating the compliant nature of its practices. The timing or outcome of this matter, or its possible impact on DeVry Group's business, financial condition or results of operations, cannot be predicted at this time."

https://www.sec.gov/Archives/edgar/data/730464/000115752314000382/a50797415.htm

Apollo Group / University of Phoenix

- **Florida attorney general investigation of Apollo**

Apollo Group SEC 8-K, 10-22-10:

"Today, Apollo Group, Inc. announced that its subsidiary, The University of Phoenix, Inc. ("University of Phoenix"), has received notice that the State of Florida Office of the Attorney General in Fort Lauderdale, Florida has commenced an investigation into possible unfair and deceptive trade practices associated with certain alleged practices of University of Phoenix. The notice includes a subpoena to produce documents and detailed information for the time period of January 1, 2006 to the present about a broad spectrum of University of Phoenix's business. The Company is evaluating the notice and subpoena."

https://www.sec.gov/Archives/edgar/data/929887/000095012310095156/p18257e8vk.htm

- **Delaware attorney general investigation of Apollo**

Apollo Group SEC 8-K, 08-04-11:

"Today, Apollo Group, Inc. announced that on August 3, 2011, its subsidiary, The University of Phoenix, Inc., received a subpoena from the Attorney General of the State of Delaware to produce detailed information regarding University of Phoenix students residing in Delaware. The time period covered by the subpoena is January 1, 2006 to the present. Apollo Group is evaluating the subpoena."

https://www.sec.gov/Archives/edgar/data/929887/000095012311072900/p18993e8vk.htm

[Investigation has been closed.]

- **Massachusetts attorney general investigation of Apollo**

Apollo Group SEC 8-K, 05-13-11:

"Today, Apollo Group, Inc. announced that its subsidiary, The University of Phoenix, Inc., has received a Civil Investigative Demand from the Office of the Attorney General of Massachusetts. The Demand relates to an investigation under Massachusetts General Laws, Chapter 93A, Section 6, of possible unfair or deceptive methods, acts, or practices by for-profit educational institutions in connection with the recruitment of students and the financing of education. The Demand requires the University to produce documents and detailed information and to give testimony regarding a broad spectrum of the University's business for the time period of January 1, 2002 to the present. Apollo Group believes that Massachusetts is one of a coalition of several states considering investigatory or other inquires into recruiting practices and the financing of education at proprietary educational institutions. Apollo Group is evaluating the Demand."

https://www.sec.gov/Archives/edgar/data/929887/000095012311050367/p18877e8vk.htm

- **SEC enforcement inquiry to Apollo**

Apollo Group SEC 8-K, 04-19-12:

"Apollo Group has been contacted by the Division of Enforcement of the SEC requesting documents and information relating to certain stock sales by company insiders and the filing of our Form 8-K on February 28, 2012 in which we announced that new degreed enrollment growth at University of Phoenix was less than previously expected. We have robust policies and procedures regarding insider trading and we intend to fully and voluntarily cooperate with the SEC. We cannot predict the eventual scope or outcome of this preliminary investigation."

https://www.sec.gov/Archives/edgar/data/929887/000119312512169783/d337407d8k.htm

- **Department of Education Inspector General subpoena to Apollo:**

Apollo Group SEC 10-Q, 04-01-14:

"On March 21, 2014, University of Phoenix received a subpoena from the Mid-Atlantic Region of the OIG. The subpoena seeks the production by the University of documents and detailed information regarding a broad spectrum of the activities conducted in the University's Centralized Service Center for the Northeast Region located in Columbia, Maryland, for the time period of January 1, 2007 to the present, including information

relating to marketing, recruitment, enrollment, financial aid processing, fraud prevention, student retention, personnel training, attendance, academic grading and other matters. We intend to cooperate with these requests but cannot at this time predict the eventual scope, duration or outcome of this matter."

http://www.sec.gov/Archives/edgar/data/929887/000092988714000036/apol-feb282014x10q.htm

- **Department of Education fine and related False Claims Act lawsuit against Apollo**

Arizona Republic, 09-14-04:

"A government review of the University of Phoenix, the country's largest for-profit university, paints a picture of a school so hungry to enroll new students that it has threatened and intimidated its recruitment staff in meetings and e-mail, pressured them to enroll unqualified students and covered up its practices to deceive regulators.

In a 45-page report obtained by The Arizona Republic, the U.S. Department of Education describes corporate culture overly focused on boosting enrollment. The review, based on site visits and interviews with more than 60 employees and former employees, led to the largest settlement of its kind last week. The Phoenix-based university agreed to pay $9.8 million without admitting any wrongdoing."

http://www.azcentral.com/families/education/articles/0914apollo14.html

Justice Department statement, 12-15-09:

" The Justice Department announced today that the University of Phoenix has agreed to pay the United States $67.5 million to resolve allegations that its student recruitment policies violated the False Claims Act….

Whistleblowers Mary Hendow and Julie Behn, two former University of Phoenix employees, alleged that the university accepted federal student financial aid while in violation of statutory and regulatory provisions prohibiting post-secondary schools from paying admissions counselors certain forms of incentive-based compensation tied to the number of students recruited. Though the United States did not intervene in this action, the Government provided support and assistance to the whistleblowers at many stages of the case, including filing friend-of-the-court briefs when the case was on appeal to the Ninth Circuit."

http://www.justice.gov/opa/pr/2009/December/09-civ-1345.html

Kaplan Education

- **Delaware attorney general investigation of Kaplan**

Washington Post Company SEC 10-K, 02-29-12:

"On July 20, 2011, Kaplan Higher Education Corporation received a subpoena from the Office of the Attorney General of the State of Delaware. The demand primarily sought information pertaining to Kaplan University's online and KHE Campuses' students who are residents of Delaware. KHE has cooperated with the Delaware Attorney General and provided the information requested in the subpoena. KHE also may receive further requests for information from the Delaware Attorney General."

http://www.sec.gov/Archives/edgar/data/104889/000010488912000006/d10k.htm

- **Florida attorney general investigation of Kaplan**

Washington Post Company SEC 10-K, 02-29-12:

"On October 21, 2010, Kaplan Higher Education Corporation received a subpoena from the office of the Florida Attorney General. The subpoena sought information pertaining to the online and on-campus schools operated by KHE in and outside of Florida. KHE has cooperated with the Florida Attorney General and provided the information requested in the subpoena. KHE also may receive further requests for information from the Florida Attorney General. The Company cannot predict the outcome of this inquiry."

http://www.sec.gov/Archives/edgar/data/104889/000010488912000006/d10k.htm

http://articles.sun-sentinel.com/2012-10-31/news/fl-keiser-attorney-general-20121031_1_federal-student-kaplan-university-keiser-university (10-31-12)

- **Illinois attorney general investigation of Kaplan**

Washington Post Company SEC 10-K, 03-02-11:

"On February 7, 2011, Kaplan Higher Education Corporation received a Civil Investigative Demand from the Office of the Attorney General of the State of Illinois. The demand primarily seeks information pertaining to Kaplan University online students who are

residents of the State of Illinois. Kaplan Higher Education is currently reviewing the demand and intends to cooperate with the inquiry."

http://www.sec.gov/Archives/edgar/data/104889/000119312511053497/d10k.htm

- **Massachusetts attorney general investigation of Kaplan**

Washington Post Company SEC 10-K, 03-02-11:

"On April 30, 2011, Kaplan Higher Education Corporation received a Civil Investigative Demand from the Office of the Attorney General of the State of Massachusetts. The demand primarily sought information pertaining to KHE Campuses' students who are residents of Massachusetts. KHE has cooperated with the Massachusetts Attorney General and provided the requested information. KHE also may receive further requests for information from the Massachusetts Attorney General."

http://www.sec.gov/Archives/edgar/data/104889/000119312511053497/d10k.htm

http://www.boston.com/news/local/massachusetts/2013/02/04/attorney-general-martha-coakley-investigating-more-than-for-profit-schools-massachusetts/v5qTyei1UC102yHzKqVfXO/story.html (02-03-13)

- **North Carolina attorney general investigation of Kaplan**

"Kaplan College's Charlotte campus has surrendered its license to operate a dental assistant program following allegations that its officials lied to students about the credentials they'd receive after graduating."

http://web.archive.org/web/20120402031850/http://www.charlotteobserver.com/2012/02/01/2974937/college-reimburses-students-after.html

(02-01-12)

Bridgepoint Education

- **California attorney general investigation of Bridgepoint**

"The goal is 'to evaluate whether Bridgepoint has violated California law by making false or misleading statements to Californians during telephone calls, including telemarketing calls, and through other sales and marketing efforts,' the court filing said."

http://articles.latimes.com/2013/jul/24/local/la-me-0725-online-probe-20130725

(07-24-13)

- **North Carolina attorney general investigation of Bridgepoint**

Bridgepoint SEC 8-K, 10-03-11:

"On September 30, 2011, Ashford University received from the Attorney General of the State of North Carolina ("Attorney General") an Investigative Demand relating to the Attorney General's investigation of whether the university's business practices complied with North Carolina consumer protection law. Pursuant to the Investigative Demand, the Attorney General has requested from Ashford University documents and detailed information for the time period January 1, 2008, to present. The university is evaluating the Investigative Demand and intends to comply with the Attorney General's request."

http://www.sec.gov/Archives/edgar/data/1305323/000130532311000022/form8-kx10311.htm

- **New York attorney general investigation of Bridgepoint**

Bridgepoint SEC 8-k, 05-19-11:

"On May 18, 2011, we received from the Attorney General of the State of New York ("Attorney General") a Subpoena Duces Tecum ("Subpoena") relating to the Attorney General's investigation of whether we and our academic institutions have complied with certain New York state consumer protection, securities and finance laws. Pursuant to the Subpoena, the Attorney General has requested from us and our academic institutions documents and detailed information for the time period March 17, 2005, to present. We are evaluating the Subpoena and intend to comply with the Attorney General's request."

http://www.sec.gov/Archives/edgar/data/1305323/000130532311000003/form8-kxny.htm

- **Iowa attorney general settlement with Bridgepoint, announced May 16, 2014:**

May 16, 2014: Iowa AG Tom Miller announced settlement of investigation, providing $7.25 million in restitution for Ashford University's 5000 Iowa students. The agreement bars deceptive advertising and coercive recruiting and creates an independent overseer, former US Associate Attorney General Thomas J Perrilli.

Settlement agreement, May 16, 2014:

http://www.state.ia.us/government/ag/latest_news/releases/may_2014/Ashford_AVC.pdf

Press statement from AG Miller, May 16, 2014:

http://www.state.ia.us/government/ag/latest_news/releases/may_2014/AU_BE.html

Bridgepoint 8-K, May 16, 2014:

http://bridgepoint.q4cdn.com/a0c4824b-5556-4d77-8398-f4b4c5cc7f79.pdf?noexit=true

Stevens-Henager College

- **Justice Department False Claims Act lawsuit against Stevens-Henager, unsealed 04-09-14:**

"Because Defendant Schools pay bonuses, commissions, and other forms of incentive compensation to employees in the admissions departments based directly and indirectly on the number of students that these employees enroll (or "start") in Defendant Schools, Defendant Schools' compensation system, as actually implemented and practiced, violates the incentive compensation ban applicable to schools that participate in Title IV, HEA programs."

http://www.republicreport.org/wp-content/uploads/2014/04/Wride-Brooks-First-Amended-Complaint.pdf

Justice Department complaint:

"With this lucrative incentive compensation and constant performance reminders to its recruiters, Stevens-Henager directly or indirectly encouraged its recruiters to enroll anyone who was willing to apply for federal funds regardless of the students' likelihood of success or ability to benefit from Stevens-Henager's educational programs. Stevens-Henager wrongfully procured funding for its own benefit and abused the Title IV program's purposes. Further, this irresponsible recruitment saddles unqualified students with large debts that are difficult or impossible to repay, leading to defaults that ultimately cost the government millions of dollars."

http://www.republicreport.org/wp-content/uploads/2014/05/Stevens-Henager-US-complaint.pdf

ATI Enterprises

- **Justice Department False Claims Act lawsuit against and settlement with ATI**

Justice Department statement, 08-22-13:

"ATI Enterprises Inc. will pay the government $3.7 million to resolve False Claims Act allegations that it falsely certified compliance with federal student aid programs' eligibility requirements and submitted claims for ineligible students, the Justice Department announced today....

Allegedly, ATI Enterprises knowingly misrepresented to the Texas Workforce Commission and to the Accrediting Commission of Career Schools and Colleges its job placement statistics to maintain its state licensure and accreditation.... The government alleged that, by misrepresenting its job placement statistics, ATI Enterprises fraudulently maintained its eligibility for federal financial aid under Title IV.

The government further alleged that ATI employees engaged in fraudulent practices to induce students to enroll and maintain their enrollment in the schools. This falsely increased the schools' enrollment numbers, and consequently, the amount of federal dollars they received at the expense of taxpayers and students, who incurred long-term debt."

http://www.justice.gov/opa/pr/2013/August/13-civ-953.html

[ATI has since shut down.]

Lincoln Tech Institute

- **Massachusetts attorney general investigation of Lincoln Tech Institute**

http://chronicle.com/blogs/bottomline/government-investigations-and-suits-against-for-profit-colleges-the-grid/

Universal Technical Institute

- **Massachusetts attorney general investigation of Universal Technical Institute**

UTI SEC 10-Q, 05-01-13:

"In September 2012, we received a Civil Investigative Demand (CID) from the Attorney General of the Commonwealth of Massachusetts related to a pending investigation in connection with allegations that we caused false claims to be submitted to the Commonwealth relating to student loans, guarantees and grants provided to students at our Norwood, Massachusetts campus. The CID required us to produce documents and provide written testimony regarding a broad range of our business since September 2006 to the present. We responded timely to the request, as well as a follow-up request for additional information made in December 2012. At this time, we cannot predict the eventual scope, duration, outcome or associated costs of this request and accordingly we have not recorded any liability in the accompanying financial statements."

http://www.sec.gov/Archives/edgar/data/1261654/000119312513188497/d521184d10q.htm

American Career Institute

- **Massachusetts attorney general lawsuit against American Career Institute**

Complaint filed 11-21-13:

"For years leading up to its closure, defendants falsified documents and forged student signatures to maintain their accreditation and to continue to receive student loan proceeds, enrolled students who did not meet minimum qualifications, and then failed to provide students the education for which they incurred significant debts. Defendants unfairly pursued profit without regard to their supposed career training mission and left students indebted beyond their means."

http://www.mass.gov/ago/docs/press/2013/aci-complaint.pdf

American Commercial College

- **Justice Department False Claims Act lawsuit and settlement with American Commercial College**

"American Commercial College has agreed to pay at least $1 million over the next five years to settle the suit alleging the school falsified financial reports so it could qualify for federal student aid funds. According to a news release from the U.S. Department of Justice in Washington issued late Friday, May 31, the college might have to pay an additional $1.5 million under a contingency clause in the settlement.... The suit alleged American Commercial College orchestrated short-term private loans, ultimately paid off with federal student aid dollars, so the school could appear to comply with federal requirements.... In

November 2011, investigators from the U.S. Department of Education raided ACC's headquarters and Lubbock campus, along with campuses in Abilene and San Angelo, photographing items and removing records."

(05-31-13)

http://lubbockonline.com/crime-and-courts/courts/2013-05-31/american-commercial-college-settles-federal-false-claims-case#.U0V9Vq1dVzi

http://www.justice.gov/opa/pr/2012/February/12-civ-261.html

FastTrain College

"The FBI raided campuses of FastTrain College in Florida..."

http://www.bizjournals.com/southflorida/news/2012/05/16/fbi-raids-fasttrain-college-offices.html

[FastTrain has since shut down.]

Daymar College

- **Kentucky attorney general lawsuit against Daymar College**

http://migration.kentucky.gov/Newsroom/ag/daymarsuit.htm

National College

- **Kentucky attorney general lawsuit against National College**

http://migration.kentucky.gov/Newsroom/ag/nationalcollegesuit.htm

Spencerian College

- **Kentucky attorney general lawsuit against Spencerian College**

http://migration.kentucky.gov/Newsroom/ag/spenceriansuit.htm