

STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT

Case Type: Civil
(Consumer Protection)

State of Minnesota by its Attorney General,
Lori Swanson,

Court File No. 27-CV-14-12558
Hon. James A. Moore

Plaintiff,

vs.

**AMENDED
COMPLAINT**

Minnesota School of Business, Inc. d/b/a
Minnesota School of Business and Globe
University, Inc. d/b/a Globe University,

Defendants.

The State of Minnesota by its Attorney General, Lori Swanson, for its Amended Complaint against Defendants Minnesota School of Business, Inc. (“MSB”) and Globe University, Inc. (“Globe”) alleges as follows:

INTRODUCTION

1. MSB and Globe hold themselves out as higher education institutions that train students for employment in particular careers. They aggressively solicit prospective students through “admissions representatives.” Defendants instruct these admissions representatives that “the sale begins when the prospect says ‘NO’” and not to let the students “leave without a commitment.” The admissions representatives present themselves as career advisors and recommend specific degrees and programs to students, who they then attempt to sign up on the spot. They are trained to use high-pressure tactics to “close” the sale.

2. Defendants have engaged in high pressure and misleading recruiting practices to enroll students into their programs as quickly as possible. Defendants’ deceptive practices relate

to, among other things, the employability of their criminal justice graduates, the transferability of their credits to other institutions, their graduate job placement rates, and students' financial aid and student loan obligations. For example, some students have told Defendants they wanted to become police officers, and Defendants recommended and enrolled these students in their criminal justice programs, even though they do not satisfy State criteria for graduates to become licensed police officers in Minnesota. Other students have told Defendants they wanted to become probation officers, and Defendants recommended and enrolled these students in their associate's degree program in criminal justice, even though probation officers generally must have at least a bachelor's degree to be hired in Minnesota. Defendants have told prospective students that their credits would transfer to other institutions, even though most if not all of Defendants' credits typically do not transfer to most other institutions. To convince students to enroll in their programs, Defendants have inflated their graduate job placement rates by counting students as "placed" for jobs that require no college education, jobs that students held before enrolling, and jobs for which students indicated that they were not otherwise using their degrees. Defendants have also reported some unplaced graduates as exempt from job placement because of certain conditions that prevent employment, when in fact, these unplaced graduates were available for employment.

3. Most students who enroll in one of Defendants' programs cannot afford to pay their tuition out-of-pocket. Intertwined with and part of Defendants' unlawful practices is their issuance and facilitation of tens of millions of dollars in student loans for the tuition charged by Defendants. Defendants have issued usurious, and otherwise illegal, loans to students. Defendants have also provided other misleading and incomplete information to some students

about their loan obligations including, but not limited to, the terms and conditions associated with Defendants' institutional loans.

4. The State of Minnesota brings this action to stop these practices and to enforce Minnesota law.

PARTIES

5. Lori Swanson, the Attorney General of the State of Minnesota, is authorized under Minn. Stat. Ch. 8, including Minn. Stat. §§ 8.01 and 8.31 (2013), and under Minn. Stat. §§ 325D.45 and 325F.70 (2013), and has common law authority, including *parens patriae* authority, to bring this action on behalf of the State of Minnesota and its citizens to enforce Minnesota law.

6. Minnesota School of Business, Inc. d/b/a Minnesota School of Business ("MSB") is a Minnesota corporation with its principal place of business located at 8089 Globe Drive in Woodbury, Minnesota. MSB operates campuses in Blaine, Brooklyn Center, Elk River, Lakeville, Moorhead, Plymouth, Richfield, Rochester, Shakopee, and St. Cloud, Minnesota and enrolls Minnesota students in its MSB-Online Division, which is operated from a location in Richfield, Minnesota.

7. Globe University, Inc. d/b/a Globe University ("Globe") is a Minnesota corporation with its principal place of business located at 8089 Globe Drive in Woodbury, Minnesota. Globe operates campuses in Minneapolis and Woodbury, Minnesota and enrolls Minnesota students in its Globe-Online Division in Richfield.

8. MSB and Globe are part of a consortium called Globe Education Network. They are sometimes collectively referred to herein as "Defendants." They offer post-secondary education programs, including certificate, diploma, associate degree, bachelor degree, master

degree, and doctoral degree programs in “Business and Accounting,” “Health Science,” “Technology,” “Legal Science,” and “Creative Media.”

JURISDICTION AND VENUE

9. This Court has jurisdiction over the subject matter of this action pursuant to Minn. Stat. §§ 8.01, 8.31, 325D.43 to 325D.48 and 325F.68 to 325F.69.

10. This Court has personal jurisdiction over Defendants because they reside and do business in Minnesota and have committed acts in Minnesota causing injury to Minnesota consumers.

11. Venue in Hennepin County is proper under Minn. Stat. § 542.09 because the cause of action arose, in part, in Hennepin County.

FACTUAL BACKGROUND

I. “The sale begins when the prospect says ‘NO.’”

12. Defendants solicit and recruit prospective enrollees through advertisements, websites, phone calls, emails, and in-person meetings at their campuses and at high schools. Defendants pay Internet search engine companies to drive business to their website, and they purchase “leads” of potential enrollees who have searched online for information about higher education opportunities.

13. Defendants employ numerous “admissions representatives” whose job is to enroll students in the programs offered by Defendants. Defendants’ Admissions Representative Training Manual (“Training Manual”) tells new admissions representatives that “one of the reasons you were hired over others that applied for the same position is likely your previous success in sales.”

14. Defendants' admissions representatives recommend particular programs of study to prospective applicants (e.g., criminal justice, business administration, etc.), often after just a brief meeting with the prospective student. Defendants' Training Manual states:

The recommendation tells the prospect why they should enter the career field you are recommending....Almost everyone comes in to meet with us a little unsure if they are making the right decision on which career is best for them. The recommendation takes away that doubt."

Elsewhere, Defendants' training manual states:

We attempt to get 5 or 6 good solid reasons why this person should go into a career field. We build the person's confidence when we share with him all the reasons this is the right choice for him...If he trusts you and you tell him in a convincing way that this is the best career option for him, you will have a sale.

15. Defendants lead prospective students to believe that their admissions representatives are academic personnel with expertise in and the goal of assisting students in selecting the best type of degree based on that student's skills and interests. One of Defendants' written solicitations to potential enrollees states: "If you're just not sure about your ultimate career goals, speak with one of our admissions representatives, who can help you choose a starting point." Defendants' Training Manual states: "You are acting as a quasi-counselor or a career advisor guiding and helping the prospect in solving a problem or problems. A major problem may be the need of additional training and you are assisting the prospect toward an important and purposeful conclusion." Defendants require that their admissions representatives tell prospective students the following:

The [] goal is to identify if the career field you are interested in, is the best field for you. We will be able to help you in choosing the right career path by asking you questions about your interests and skills. At the end of our meeting today, I will recommend that your application be submitted for acceptance, but only if both you and I believe that you can benefit from career training and that it would put your career in the direction you would like to see it go.

16. Based on Defendants' recruiters' representations, some students place a high level of trust and confidence in their recommendations and enroll in one of Defendants' programs.

17. Defendants' Training Manual states: "Most people are not aware of the sales involvement when it comes to education. In fact if you look at our business cards, they don't say sales representatives. You are an admissions representative or a career advisor." In internal materials, however, Defendants refer to their admissions representatives as "educational sales representatives." Former recruiters explain their role as follows:

While our goal was to sell MSB's programs, MSB trained us to present ourselves as career advisers whose role was to determine whether MSB was the right fit for each person...[W]e presented ourselves as acting in students' best interests by telling each student that we would make a recommendation only if we both believed he or she would benefit from MSB's career training. We represented to prospective students that we had the knowledge and training to determine which program was best for each student based on their skills and career goals. In truth, the purpose of meeting with prospective students was to convince them to enroll that day....

MSB required that we represent to prospective students that we were knowledgeable and experienced career advisors whose goal was to determine whether MSB was the right fit, and if so, recommend a career program based on each individual's skills and interests. I was trained to tell a student that I would only "recommend her for acceptance" if both she and I agreed that she would benefit from MSB's career training...In reality, every student was given a "recommendation" based on the information given to us by the student.

18. Defendants' admissions representatives call prospective recruits and attempt to arrange personal meetings with them at which they sign students up for enrollment in one of Defendants' programs. Defendants require their admissions representatives to make a typical minimum of 250 calls per week and repeatedly call prospective students to try and schedule face-to-face meetings with them. Admissions representatives are given sales quotas. Representatives

who do not generate enough sales may be terminated. One former recruiter states, “MSB made it clear that our job was a sales job, and that we would be rewarded or disciplined based on how many students we enrolled.” To create a competitive sales environment, Defendants publicize among groups of admissions representatives lists of which recruiters are meeting and not meeting their sales quotas.

19. One of Defendants’ tactics to drive enrollment is to “create urgency” on the part of prospective students to enroll right away. One former admissions representative stated that MSB tried to enroll students “as quickly as possible, preferably that day, before they had time to think about the importance of their decision.” Defendants also schedule dates to create urgency among high school students, such as scholarship and financial aid planning days and open houses. Admissions representatives are told to arrange face-to-face meetings with prospective recruits within 24-48 hours of a sales call. They are instructed not to mention specific programs, program durations, or degree costs on the telephone, but rather to get the student onto the campus where a sales pitch can occur.

20. Defendants train their admissions representatives to “master the art of selling” and tell them that “selling education is different from any other type of selling.” Defendants use what they call “qualitative selling” or “the reverse approach,” which they define to mean presenting “challenges to the potential students and an attitude that they must prove their worthiness of being accepted.” Defendants tell recruiters: “During your questioning you will allow your potential student to start selling you on the reasons he should be considered for acceptance.” Defendants’ Training Manual states: “Set[] a certain amount of restrictions and limitations. Challenge the prospect’s grades, attendance, ambitions, desires and [support system], if applicable.” Defendants use the following analogy to illustrate this process:

“You have just created and built a tantalizing layer cake, a cake that the prospect would surely love to taste. You now very skillfully leave the cake for its taking or move the cake just so slightly away from the prospect’s reach...The prospect now will have to come and take the cake away from you, if he truly wants it. He will now have to prove he is worth consideration in trying for acceptance into your training.”

21. To make the schools seem more prestigious, recruiters are required to tell prospective students that they need a recommendation from an admissions representative to be accepted. In fact, Defendants enroll the overwhelming majority of students, so long as they can finance the cost.

22. Admissions representatives are taught not to take “no” for an answer. Defendants’ Training Manual states: “There is a familiar saying among salespeople that goes, ‘The sale begins when the prospect says ‘NO.’ You must be prepared to meet a ‘NO’ and not be stopped by it. Your prospect’s ‘NO’ does not mean it is over. It means there is work to be done.” To that end, Defendants admonish admission representative trainees: “You are there to enroll that student, not to PR him and leave without a commitment.”

23. Defendants teach their admissions representatives classic sales tactics often prevalent in high pressure salesrooms. For example, Defendants tell their admissions representatives: “When you ask the question at the final close, remain silent. The next one who speaks loses.”

24. As a result of the sales tactics employed by Defendants, students often describe feeling pressured to enroll in one of Defendants’ programs on the spot, after a brief meeting in which the admissions representative recommends a particular program and degree.

25. For example, **S.R.**¹ told MSB that she needed time to think about applying because she wanted to visit another school before making her big college decision. MSB's recruiter told S.R. that if she did not apply that day, she would not recommend S.R. for acceptance because MSB was only looking for students who were committed to starting and finishing their education. MSB urged **J.L.** of Stewartville to enroll the day of her admissions visit, attend an orientation that evening, and start classes the next week. When J.L. told MSB she needed time to think about enrolling and talk to her husband, MSB's admissions representative asked for J.L.'s husband's phone number to call him. "I was taken aback and a little scared by how aggressive MSB was," J.L. states. When **E.C.** told Globe that she needed time to think about whether she was ready to enroll in college because she was working and raising a young child, Globe's recruiter told her that Globe's programs filled up quickly, and E.C. needed to enroll that day if she wanted to make sure she got a spot at Globe. "Globe [] was aggressive," E.C. explains. "I felt overwhelmed and agreed to enroll that day."

26. **R.G.** states: "[MSB] rushed me through my visit, and before I had time to think about my decision, I had signed an enrollment agreement." When R.G. expressed uncertainty about taking on an additional \$30,000 in student loan debt to obtain a bachelor's degree, MSB warned R.G. that tuition costs would increase with time and told her to enroll right away. When R.G. declined to enroll, an MSB recruiter barraged her with phone calls for several weeks before his manager took over and left R.G. several messages trying to convince her to enroll. MSB's recruiter pressured **C.S.** to enroll the same day she visited MSB, telling her that the sooner she enrolled, the sooner she could graduate and pursue a career. MSB convinced **T.H.** to enroll during her campus visit, before she had time to think about her decision. Within minutes of

¹ Students are identified by their initials to protect their privacy.

signing an enrollment agreement, MSB's recruiter "led [my mom and I] to a meeting with MSB's financial aid representative, who told my mom she needed to cosign my student loans," T.H. recalls. **J.L.** was hesitant to enroll at MSB, but MSB encouraged her to enroll that day, and told her not to worry about the cost of tuition because she was investing in her future and would qualify for a lot of financial aid as a single mom. MSB encouraged recent high school graduate **C.O.** to enroll right away to "fast-track" her career.

27. Defendants often enroll applicants before they have qualified for financial aid. Defendants' policies only require that new students meet with the financial aid department within two weeks *after* enrollment. Defendants' programs typically cost between \$35,000 and \$42,000 for an associate's degree and between \$70,000 and \$89,000 for a bachelor's degree. In 2013, associate degree recipients from Globe and MSB had a median student loan debt of \$35,132 and \$34,291, respectively, compared to \$15,850 from public two-year colleges and \$24,702 from nonprofit colleges in Minnesota, according to data from the Minnesota Office of Higher Education. During the same time period, bachelor degree recipients from Globe and MSB had a median student loan debt of \$48,834 and \$52,791, respectively, compared to \$25,080 from the University of Minnesota, \$25,424 from the Minnesota State Colleges and University System ("MnSCU"), and \$27,632 from nonprofit colleges in Minnesota.

II. Defendants Tell Admissions Representatives: "We are selling a feeling, an attitude."

28. As set forth below, Defendants sell prospective students on the "dream" of bettering their future with a higher education degree or certificate from their programs. To do this, Defendants market themselves as career schools that provide hands-on training and job placement assistance that will land the student a job in their field of study, and they sell students

in part by asking about their “dreams” for the future and then constantly referring back to these dreams in the sales pitch.

A. Defendants Promote Themselves As Career Schools That Provide Job-Specific Training For Employment.

29. Defendants market their programs as providing job-specific career training. In their solicitations and presentations to prospective students, Defendants state that their training is job related and their programs are “industry sensitive.” Defendants represent that their students are trained for a specific career after graduation.

30. On their website, Defendants state that all of their programs “provide employer-approved skills” in fields like business and criminal justice and that “we prepare our students to be successful in their career fields.” Defendants advertise: “Our graduates have the skills that employers need most.” Elsewhere in their written solicitations to Minnesota consumers, Defendants make statements like:

- “Our graduates have the skills and knowledge they need to succeed in their professions.”
- “Get the training and learn the skills employers want.”
- “Globe University focuses on real-world education for real-world careers. Our programs [are] among the hottest fields for employment.”
- “Everyone has their own reason for seeking a better education, but a more meaningful career with higher earning potential is usually at the top of the list. What about you? Are you ready?”
- “Successful futures start here.”
- “Watch Your Career Grow With Globe University!”
- “Increase Your *HIRE* Potential.”

B. To Convince Students To Enroll, Defendants Actively Promote Their Job Placement Assistance.

31. Defendants train their admissions representatives to use, as a selling point, a student's ability to find a job after graduation from Defendants' programs. Defendants tout their job placement assistance. Defendants tell prospective students that they have a full-time Career Services staff and offer effective career assistance to students and graduates. Students are told by Defendants' recruiters that Defendants' placement rates and graduates' starting salaries are high because employers value Defendants' training.

32. Defendants' website states: "At [Globe], we care about helping students on their paths to fulfilling careers. Our career services department offers job-search assistance to current students and alumni." Their written solicitations to prospective students include statements like:

- "Receive job placement assistance—make this the career of your dreams."
- "Lifetime CAREER assistance. (We're not kidding)."
- "Our staff members will help throughout every step of the job search process from [] networking with local employers to finding relevant job leads."
- "We help students connect with employers and other professional contacts."
- "[At Globe], [s]tudents get the support they need, including...job placement assistance."
- "With our promise of lifetime job placement assistance, [Globe's] career services department works diligently with students and graduates [to secure employment]."

33. Some students, however, report that Defendants provided little to no effective job placement assistance after graduation. After taking out \$70,000 in student loans to attend MSB, **K.A.** received only public job postings from MSB, most of which were entry-level positions that required no college education and paid little more than minimum wage. "MSB's Career Services staff changed about every six months and rarely responded to my communications," 57-year-old

B.B. of Rochester states. Many of the job postings Globe sent criminal justice associate degree graduate **E.C.** required a bachelor or master's degree and others, such as cashier positions, were low paying, required no college education, and were out-of-field. **M.F.** asked Globe for job placement assistance and networking opportunities, explaining that she was open to most criminal justice-related positions except entry-level security jobs. The only "assistance" Globe provided was sending **M.F.** job postings for entry-level security positions from websites like CareerBuilder.com.

34. MSB sent business administration associate degree graduate **J.G.** job postings for positions that included dishwasher and convenience store cashier. MSB similarly sent business management bachelor degree graduate **T.S.** postings for positions that required no college education like fast food shift manager and receptionist. **A.H.** contacted MSB many times asking that MSB send her job postings, but received "nothing but run around." When criminal justice graduate **T.H.** contacted MSB asking for employment opportunities, MSB told her it did not have any. Only once did MSB forward **T.H.** a criminal justice-related position, telling her she had to apply that day. Most of the jobs MSB sent **C.O.** were low paying and located up to an hour from her home. Others required advanced degrees and/or years of experience that **C.O.** did not have. When **C.O.** questioned why MSB was sending her jobs that she did not qualify for, MSB told her, "just apply, you never know." "MSB's indifference at a time when I was struggling to find a job was worrisome, especially since it promoted its job placement services [during enrollment]." MSB promised husband and wife **T.P.** and **M.P.** job opportunities geared toward their degrees, but never followed up and eventually stopped responding entirely to their requests for assistance. When business management bachelor degree graduate **R.R.** asked for employment assistance from MSB, it told her to consider temporary administrative jobs. "I was

not interested in entry-level positions with no job security,” states R.R., who spent over \$65,000 on her MSB degree. Business management bachelor degree graduate **B.R.** was troubled to discover that MSB’s job placement “assistance” consisted of mass emails to all graduates of publicly available job postings that were not tailored to graduates’ degrees or career interests. **N.R.** was similarly disappointed when MSB told him that it sent the same job postings to all MSB graduates because MSB told him before he enrolled that he would receive individualized job search assistance.

C. Defendants Sell Students On A “Dream.”

35. Defendants coach their admissions representatives that: “Selling is more than a matter of presenting facts and information. It is a process of discovering and intensifying a potential student’s wants and needs. How do you discover a potential student’s wants and needs? By asking questions.”

36. Defendants admonish admissions representatives to “[r]emember, we are selling a feeling, an attitude.” Defendants require their admissions representatives to ask prospective students the so-called “Dream Question” by asking them how a successful career could better their lives. Representatives are trained to: “[Give] the prospect a chance to dream about a better life with education. Let him describe to you a car, house, or some tangible item.” They are told to prompt the prospective student with questions like: “To reach your goals, do you feel you need additional education?”

D. Defendants Use Job Placement Rates To Sell Enrollment.

37. To maintain accreditation, Defendants must submit an annual report to its accreditor, Accrediting Council for Independent Colleges and Schools (“ACICS”), which includes program and campus graduate job placement rates for each of Defendants’ campuses.

Failure to meet ACICS's job placement rate requirements can result in performance improvement measures, including additional reporting requirements, and ultimately a loss of accreditation.

38. Defendants use the alleged job placement rates of past graduates to recruit and solicit new students. Defendants' training manual states:

Before a prospect will make application to our school, they must have confidence (be sold) on four areas. If one of the four is not satisfied, it means no sale.

The four are:

- 1) Our school, which includes the instructors, placement, financial aid, the equipment, hands-on training, etc.
- 2) The career fields. They must have confidence that there are career opportunities in this career and that it will help them fulfill their dreams of success.

...

39. Defendants provide job placement "disclosures" for each of their programs on their website, send solicitations to prospective students which tout high job placement rates, and tell students in sales meetings about high job placement rates, sometimes using specific figures.

For example, in one email to a prospective student, Defendants wrote:

The majority of our placement rates are 90%. That's tremendous! 9 of 10 of our graduates are placed within the field of their choice doing exactly what they chose to complete their degree in. Here at MSB, we do everything that we can to ensure that our students have a career in the field of their choice upon graduation.

40. When prospective students visit Defendants' campuses, recruiters market Defendants' programs based in part on its job placement rates and graduate career opportunities. Defendants tell students: "Our placement rates and entry-level salary ranges are very good because employers recognize the value of our type of training." After presenting job placement rates and salary ranges to prospective students, Defendants' recruiters ask, "Wouldn't it be

important to you to attend a school whose graduates are able to find employment upon graduation?” or “When choosing a college to attend, is it important to choose one that works hard to place a high percent of their students?”

41. For instance, Navy veteran **E.G.** enrolled in Globe’s veterinary technician program after Globe told her that the program had an 80-90% job placement rate and “everyone wants to hire a Globe graduate.” Globe also told E.G. that other schools accepted its credits. Disappointed in her Globe experience, E.G. withdrew after several quarters and enrolled at Normandale Community College. Normandale refused to accept any of E.G.’s Globe credits.

42. MSB told **L.H.** that about 96% of its business graduates were placed in jobs in their field of study upon graduation and that it could “almost guarantee” that L.H. would be placed within a week of graduation. Husband and wife **T.P.** and **M.P.** were impressed when MSB’s recruiter indicated during their admissions presentation that over 90% of MSB graduates found work in their field of study upon graduation. As **R.R.** explains, “MSB said that because of its great reputation and effective career services, over 80% of its graduates found employment in their field of study upon graduation.” MSB similarly represented to **T.S.** that because of MSB’s excellent reputation and effective Career Services staff, at least 90% of its business graduates found jobs in their field upon graduation. **E.T.** was advised by MSB that it offered effective job placement services which contributed to MSB’s 90% job placement rate. MSB told **A.M.** that over 80% of its medical assistant (“MA”) graduates were placed in-field at graduation, and told **A.K.** that over 80% of its digital media and video production graduates found in-field jobs. MSB told **N.T.** that it successfully placed 80% of music business graduates in industry jobs.

43. To document graduates’ job placement, Defendants distribute Graduate Employment Documentation forms to students, often before they graduate. The forms do not ask

students whether they are working in their field of study or whether their jobs require use of their college program skills. Instead, the forms ask students whether they are using their training at work, to which there are spaces to respond “Yes,” “Somewhat,” or “No.”

44. Defendants’ career services representatives are under pressure to count students as “placed” in jobs in their fields of study or related fields. Defendants forecast the amount of placements needed each quarter and regularly email campuses’ placement statistics to career services staff, pitting campuses against each other in a “race to the finish line.” Defendants keep close tabs on the number of students who are deemed “placed,” circulating emails to career services employees on the numbers of students considered “placed” and “unplaced,” assigning regions into competing teams like “Vanguard,” “Hawks,” “Firefly,” and “Northern Stars” and forecasting the number of placements needed to reach certain rates for monthly “business reviews.” In one email, for example, Defendants’ corporate manager of career services states: “Keep PUSHHHHING! Just under a month before reporting time!...I’m willing to call grads as well! Sometimes hearing a different voice can make a difference.”

45. To maintain their accreditation and solicit and enroll students in their programs, Defendants mislead their accreditors, consumers and the public to believe that a high percentage of their graduates obtain employment in their fields of study, when in fact, their in-field graduate employment rates are materially lower. In some cases, Defendants have counted graduates as “placed” for jobs that require no college education, including jobs that graduates had before enrolling; counted graduates as “placed” when graduates indicate they are not using their education in their position; and otherwise falsely made it appear that some graduates are using their degree. Defendants reported some unplaced graduates as exempt from job placement because of certain conditions such as health conditions that prevent employment or continuing

education, when in fact, these unplaced graduates are available for placement. As several of Defendants' former Career Service department employees explained:

Whether a graduate's job required a college degree was not relevant to MSB's determination of whether the student was to be counted as "placed." For example, if a business graduate indicated that she was working as a receptionist, MSB reported her as placed because she was working for a business. If a veterinary technician graduate reported he was working as a cashier for a pet store, he was reported as placed because he was working at a company that dealt with animals.

MSB counted most jobs as in-field or in a related field in its job placement statistics, even for [secretarial or call center positions that were low-paying and required a high school diploma].

46. For instance, when **S.R.** met with MSB's Career Services department around graduation, MSB asked if she planned to continue to work for UPS, where she had worked for years before enrolling at MSB. She states that MSB did not ask her about her job duties at UPS, or whether S.R. was using her MSB training or education. S.R. later found that MSB had written on her Graduate Employment Documentation form that she was utilizing her MSB training at UPS. This concerned S.R. because her position did not require any college education, nor was she using her business administration education at this job. S.R., who enrolled at MSB with the hope of advancing her career, remains employed in her same UPS position, but now has \$50,000 in student loans. Records produced to the State by MSB indicate that it reported to its accreditor that S.R. was "placed" in her field of study.

47. **C.A.** enrolled in MSB's business management bachelor degree program because she wanted to provide a better life for her son, who has a disability and requires extra care. Before graduation, she took a temporary secretarial job. MSB completed C.A.'s Graduate Employment Documentation form, indicating that she was "somewhat" using her MSB training even though the job did not require a college degree and C.A. was not using her business

management skills. Records that Defendants produced to the State indicate that MSB reported C.A. as “placed” to ACICS. C.A. and her son currently live on \$900 a month and she is unable to make monthly payments toward her \$60,000 in MSB student loans. She states: “Instead of bettering my life, my MSB degree wrecked my credit and made my life more difficult.”

48. At graduation, **T.P.** told MSB that he continued to work as a sales representative for Verizon Wireless, an entry-level job that he took while in school to help pay his family’s bills. T.P. states that he told MSB that this job paid \$10.50 an hour and that he was not using his MSB business administration associate’s degree. MSB filled out a Graduate Employment Documentation form, indicating that T.P. was using his MSB training at Verizon. Records produced by Defendants to the State indicate that MSB reported T.P. as “placed” in his field of study for accreditation purposes. T.P. and his wife, who collectively have over \$125,000 in MSB student loans, struggled to find in-field employment, and T.P. eventually took a job as an oil hauling company dispatcher, a job that does not require any college education.

49. “It is difficult to make my student loan payments each month knowing that they are going to a school that conned me into enrolling with [] false promises,” states 27-year-old **J.G.**, a C2 Systems Technician in the United States Air Force. J.G. transferred to MSB from St. Cloud State University after MSB told him that it had business partnerships with companies like Target, Best Buy, and Wells Fargo; that it offered lifetime job placement; and, that its credits would transfer to other schools if J.G. decided to pursue a bachelor degree elsewhere after earning an MSB associate’s degree. At graduation, J.G. states that he told MSB that he remained employed as a bank teller and was not using his business administration associate’s degree in this position. MSB later changed J.G.’s form to indicate that he was using his degree and according

to records that Defendants produced to the State, reported J.G. as “placed” in its annual report to ACICS.

50. **A.H.** serviced slot machines at a local casino before deciding to pursue a business degree from MSB. “My goal was to work my way up at a company into a management role,” A.H. states. When A.H. graduated from MSB with an associate business administration degree, she held the same casino job and told MSB on its Graduate Employment Documentation form that she was not using her degree. She states that MSB later changed A.H.’s form to indicate that she was using her degree and wrote in job duties that she did not have. According to records produced by MSB to the State, MSB reported A.H. as “placed” in its job placement statistics filed with its accreditor. While her job duties have not changed since 2001, A.H. now has \$30,000 in debt as a result of her time at MSB.

51. 47-year-old **L.S.** of Becker worked for over a decade as a legal administrative assistant before deciding to earn a business degree and pursue a career in management or human resources. L.S. enrolled in MSB’s business administration associate degree program in 2010 after MSB told her that it offered hands-on training and successfully placed most graduates in their field of study at graduation. L.S. received little assistance from MSB’s Career Services at graduation, and continued to work the same legal administrative job she had since 2005. She states that she was surprised to review MSB’s Graduate Employment Documentation form on which MSB indicated she was using her MSB training because her job did not require business coursework or a business degree. According to records Defendants produced to the State, it reported L.S. as “placed” in the business administration field to ACICS.

52. Before she enrolled, MSB told **R.G.** that it had a history of successful business graduates. When R.G. graduated with her business administration associate’s degree in 2010,

she reported to MSB that she was working as a bank teller. She also reported that she was not using her MSB training, as her job did not require a business background or college education and paid \$10 an hour. R.G. recently reviewed her MSB Graduate Employment Documentation form and saw that additional job duties beyond the scope of her teller position had been added and someone had written in “see job duties—related” under her statement that she was not using her training. According to records produced by Defendants to the State, MSB reported R.G. as a “placed” graduate for accreditation purposes.

53. **L.H.** decided to enroll in MSB later in life after MSB recommended she obtain a business administrative assistant diploma. While in school, she took an imaging specialist job at a bank scanning loan documents into the bank’s computer system. This job required a high school education and paid \$11 an hour. After earning her diploma, L.H. enrolled in MSB’s business administration program when MSB told her she would have a lot more job opportunities with an associate’s degree. Around graduation, L.H. states that she informed MSB that she was not using her business administration training as an imaging specialist. According to records produced by Defendants to the State, L.H. was reported as “placed” by MSB.

54. 54-year-old **K.M.** worked as a bartender for over 20 years before she decided to earn an associate management accounting degree from MSB. After graduation, K.M. continued to bartend because she could not find an accounting job. The records that Defendants produced to the State indicate that Defendants reported K.M. as a “placed” graduate for a bookkeeping position that did not require a college degree and lasted about a week. Because K.M. had no success finding a job with her MSB degree, she decided to enroll in a business program at Anoka-Ramsey Community College (“Anoka-Ramsey”), only to be told that Anoka-Ramsey did not take MSB credits because MSB was not properly accredited.

55. 36-year-old **S.R.**, who lives in Maple Grove with her three children, enrolled in Globe's MA program because she wanted a hands-on career in the medical field. After graduation, she took an administrative assistant position that did not require or prefer a MA degree. According to the records Defendants produced to the State, Globe filled out a Graduate Employment Documentation form in S.R.'s name, indicating that she was "somewhat" using her MA training as an administrative assistant and reported her as a "placed" MA graduate.

56. **J.L.** worked for several years as a surgery scheduler before enrolling in Globe's bachelor degree business administration program. Around graduation, J.L. filled out Globe's Graduate Employment Documentation form, indicating that she remained employed as a surgery scheduler and was not utilizing her business training at this job. According to records Defendants produced to the State, Defendants reported J.L. as a "placed" graduate.

57. In 2010, **J.M.** graduated from MSB with a healthcare management ("HCM") bachelor's degree and \$80,000 in student loans. When J.M. started looking for a HCM position, she discovered most jobs required a master's degree and/or years of managerial health care experience. J.M. told MSB that she could not find a job in her field and had taken a job filing medical records. This job was low paying and did not require any college education. J.M., who was, according to Defendants' records, reported as a "placed" HCM graduate, recently reviewed a MSB Graduate Employment Documentation form in her name and stated:

The form is not in my handwriting and the "Graduate Signature" is not in my handwriting. The form indicates that I utilized my MSB training at AsceraCare and that my job duties included "auditing medical records, serve as Medicare billing contact, investigate [and] maintain private insurance info, prepare reports." The form also indicates that I found this position with help from MSB. All of this information is false.

58. **A.K.** similarly found that most HCM positions required years of experience and/or a nursing or master's degree. Based on MSB's advice, A.K. took an administrative assistant position that required a high school diploma and paid \$10.50 an hour. Her job duties included answering phones, filing, scheduling, and word processing. When she realized there was no room for advancement at this job, A.K. told MSB she planned to quit and asked for help finding a HCM-related position. MSB told A.K. that if she quit her job, she would look like a job-hopper to future employers. According to Defendants' records, MSB reported A.K. as a "placed" HCM bachelor degree graduate for her administrative assistant and filled out a Graduate Employment Documentation form in her name, indicating that A.K. was using "Word 2010" and "written and verbal communication" HCM skills. A.K., who spent about \$50,000 on her MSB degree, states: "I never told MSB that I was using my HCM training at CORE, and do not consider written communication, verbal communication, and my ability to use a computer [HCM skills]."

59. **B.J.** had been working as a debt collector for several years when she enrolled in MSB's associate degree accounting program. Around graduation, B.J. completed MSB's Graduate Employment Documentation form, indicating that she remained employed as a debt collector and was not utilizing her accounting skills at this job. B.J., who has \$40,000 in student loans, recently reviewed her Graduate Employment Documentation form to find that it had been altered to indicate that she was "somewhat" using her MSB degree as a debt collector. According to Defendants' records, MSB reported B.J. as a "placed" accounting graduate.

60. **K.P.** was deciding between MSB and St. Cloud State University until MSB told him that its business degrees were preferred by employers and as a result, its business program had a high job placement rate. After graduating with his associate's business administration

degree, K.P. could not find a job in the business field and continued to work his pre-MSB job as a golf course pro shop attendant and bartender earning about \$8 an hour. K.P. recently reviewed his MSB Graduate Employment Documentation form and states that he was surprised to see that in response to the question “Are you utilizing your training,” K.P.’s “no” response had been crossed out and “yes” was circled. K.P. states that he did not consider his pre-MSB pro shop or bartender jobs in his field of study, nor did he use his MSB business skills in these positions. Nonetheless, records produced by Defendants to the State indicate that MSB reported K.P.’s entry-level, pre-MSB position as “in-field” in its job placement report to its accreditor.

61. **G.S.** was working as a bank teller supervisor when she graduated from Globe with an associate business administration degree in 2011. On her Graduate Employment Documentation form, Globe circled that G.S. was utilizing her training at the bank. G.S., however, states that she was not utilizing her training at this job. Records produced by Defendants to the State indicate that MSB reported G.S. as working in her field of study to its accreditor. G.S. has not been able to find a business administration field position and states: “I remain frustrated that I have over \$20,000 in student loans from my MSB degree that has proved worthless in my employment search.”

62. According to records provided by Defendants to the State, MSB reported **B.E.** as unavailable for job placement because he chose to continue his education after graduating from MSB’s associate degree criminal justice program. B.E. states that he did not continue his education after earning his associate’s degree, despite MSB’s “advice” that he return to obtain a bachelor’s degree. B.E., who took out over \$40,000 in loans to attend MSB, continued to work his out-of-field construction position when he could not find a job in the criminal justice field.

63. Business management bachelor degree graduate **C.S.** states that she was unable to enroll in her planned Master of Business Administration (MBA) program when a local non-profit college refused to accept her MSB degree, but according to records produced by Defendants to the State, MSB nonetheless reported her as unavailable for job placement because of continuing education. Because she could not find a business management-related position, C.S. took a job as an educational support professional, a position that requires a high school diploma and pays less than \$14 an hour. “I have about \$50,000 in student loans from MSB, and it is difficult to make my monthly student loan payments given my earnings,” C.S. states.

64. **D.M.** was reported as unavailable for job placement due to a documented health condition by MSB, according to the records Defendants produced to the State. D.M., however, states that she was working out-of-field as a gas station cook and requested job placement assistance from MSB. D.M., who has \$45,000 in MSB student loans, states: “As hopeless as the outlook seems, I continue to look for and apply for jobs in the criminal justice field. I have not gotten a single interview.”

65. **T.S.**, who took out \$20,000 in student loans when his GI bill funding did not cover his MSB business management bachelor’s degree, was reported as “placed” for a job that required a high school diploma, paid \$12 an hour, and lasted two days, according to records Defendants produced to the State. T.S. has been unable to find a business management position and has worked as a bartender and server since graduating in 2009. “It worries me that MSB reported me placed in my field of study for an entry-level position that lasted two days,” T.S. states.

66. “MSB sold me on its [80% job placement rate] and employment assistance,” states 29-year-old **R.R.**, who lives in Cambridge with her husband and three children. R.R.

graduated from MSB with a bachelor's business management degree. When she requested employment assistance, MSB told R.R. to consider temporary employment agencies. MSB then persuaded R.R. to enroll in its master of business administration ("MBA") program, telling R.R. that a MBA would give her more employment opportunities. Within two weeks, R.R., who already had \$65,000 in student loan debt from her bachelor's degree, withdrew from MSB's MBA program upon learning that it would put her another \$80,000 in debt. The job placement records that Defendants produced to the State indicate that Defendants reported R.R. as unavailable for job placement because she chose to continue her education.

67. According to Defendants' records, Defendants similarly reported **J.S.** as unavailable for job placement because she chose to continue her education after earning a paralegal degree from Globe. J.S. states: "I never advised Globe that I would be continuing my education, and I have continued to look for paralegal work since [graduating in 2011]."

68. Near the end of her MA diploma program, MSB convinced **A.B.** to enroll in its MA associate degree program by telling her that it would set her apart from diploma holders and could increase her starting salary. After graduation, A.B. was told by several local employers, including Allina Health ("Allina"), that they did not hire MSB MA graduates because MSB's curriculum did not meet their standards. "This was especially concerning because MSB advertised Allina as a MSB MA employer," states A.B., who recently took a housekeeping position at a local hospital to try and get her foot in the door for a MA position. According to the records Defendants produced to the State, MSB reported that A.B. was unavailable for job placement due to a medical condition. A.B. never advised MSB that she was unable to work due to a health condition, and has continued to look for a MA position since graduation.

69. **J.F.’s** goal was to be hired by Allina after earning an MA associate’s degree from MSB. J.F. learned after graduation that Allina did not hire MSB MA graduates. J.F. asked MSB for the job placement assistance it promised before she enrolled and was told that because she was pregnant, medical providers likely would not hire her. With over \$40,000 in student loans, J.F. could not afford to wait to apply for jobs and continued her job search on her own. She currently works a temporary nanny position. J.F. recently reviewed MSB’s employment documentation on her and was concerned to see that MSB filled out a form her behalf, indicating that J.F. did not want employment assistance from MSB because she was pregnant. Because J.F. would not have signed this form, MSB wrote “see attached document” in J.F.’s student signature block, and attached a printout of J.F.’s Facebook page which showed an ultrasound photograph.

70. By falsely counting these and other graduates as successful job placements or job placement exemptions, Defendants misleadingly overstate the percentage of graduates employed in their fields of study.

III. Defendants Misrepresent The Employment Opportunities Available To Their Criminal Justice Graduates.

71. Defendants offer associate and bachelor degree programs in criminal justice. Their associate’s degree in criminal justice program costs \$35,100, and their bachelor’s degree in criminal justice costs \$70,200. Defendants promote their criminal justice programs as providing students with “the industry knowledge and credentials employers seek.”

72. To recruit and enroll students in their criminal justice programs, Defendants represent that these programs prepare individuals for many careers in the criminal justice field, including, but not limited to, police officer, crime scene investigator, probation officer, Federal Bureau of Investigations (FBI) agent, and Customs/Border Patrol agent. Defendants recommend specific criminal justice degrees and programs for some students after students tell Defendants’

recruiters their career goals. Defendants' recommendations influence these students' decisions to enroll in Defendants' criminal justice programs. It is only after enrolling, and in some cases, after graduating, that some students find out that Defendants' criminal justice degrees will not qualify them to become police officers in Minnesota, nor will its associate criminal justice degree qualify them to find jobs as probation officers. Some of Defendants' criminal justice graduates do not get the kind of jobs advertised by Defendants, but only qualify for low-paying entry level jobs that require no college education.

A. Defendants Mislead Some Minnesota Students Into Believing That They Can Become Police Officers With A Criminal Justice Degree From Defendants.

73. A person who wishes to become licensed as a peace officer in Minnesota must: (1) earn a law enforcement or criminal justice degree through a Professional Peace Officer Education ("PPOE") program approved by the Minnesota Peace Officer Standards and Training ("POST") Board; or (2) earn a college degree in any discipline from a regionally accredited college or university and then complete a POST Board-approved PPOE program, which includes hands-on law enforcement certificate courses (often called "Skills Training"). *See* Minn. R. 6700.0100, subps. 5a, 7, 20, 24. Regional accreditation means the college or university is accredited by one of six regional accrediting associations.

74. Defendants are not regionally accredited institutions and do not offer a PPOE that is approved by the POST Board. As a result, graduation from Defendants' criminal justice programs does not satisfy the educational requirements for a person to become a licensed police officer under Minnesota law.

75. Through their websites, advertisements, and sales presentations, Defendants mislead some students into believing they can become a licensed police officer in Minnesota with Defendants' criminal justice degrees. In one advertisement, Defendants feature a woman in

a police uniform with a badge and state: “MAKE THE WORLD A BETTER PLACE Earn a criminal justice degree.” In another advertisement, Defendants state, “ADVANCING A CAREER IN LAW ENFORCEMENT Starts with the right degree. For over 125 years, we’ve provided hands-on career training to countless students like you.” In yet another advertisement, Defendants feature a police officer performing a sobriety test.

76. On May 6, 2014 Defendants posted an entry on their blog entitled “A Graduate’s Road to the Realization of A Dream Career in Law Enforcement.” It describes a graduate of Defendants’ criminal justice degree program who “pursued his dream of becoming a police officer” by obtaining an associate’s degree in criminal justice from MSB. The advertisement does not disclose that a person cannot become a police officer in Minnesota with such a degree or that the graduate obtained his employment in another state. Another blog posting dated June 19, 2014 entitled, “Do You Have What It Takes to Work in Criminal Justice?” features a photograph of a police officer walking a handcuffed person to a squad car.

77. When individuals search the internet for information on “police courses,” “law enforcement schools,” “college degree police officer” and similar phrases, Defendants pay search engines such as Google to direct these inquiries to Defendants’ Minnesota criminal justice webpages.

78. From at least 2011 to 2013, Defendants’ course catalogs and website included links to occupations that included police sergeant, police captain, police lieutenant, sergeant, and patrol sergeant as examples of jobs that graduates “typically find employment within a few years after completing the program.”

79. Defendants’ website states: “If you’re interested in working in law enforcement, the court system or corrections, the multidisciplinary team of criminal justice can lead you down

many different career paths. A degree in criminal justice is useful in a wide variety of positions,” including “police officer,” “crime scene investigator,” and “probation officer.” Defendants tell students in enrollment presentations that criminal justice students will “study the theories underlying the 3 main components of the Criminal Justice System”: police, courts and corrections.

80. Defendants promote a degree in criminal justice as a way to earn an enhanced living. For example, their website states: “Make a difference. The safety and well-being of our citizens will always be a public priority...the field of criminal justice offers a variety of secure career paths. A degree in criminal justice provides the industry knowledge and credentials potential employers seek.” In fact, some students who earn a criminal degree from Defendants are unable to find a job that is different or better than they had or would have had with no degree.

81. Even though it is not possible for a person who graduates from Defendants’ criminal justice programs to become licensed as a police officer in Minnesota without obtaining at least an associate’s degree from an acceptable institution, Defendants have recommended and enrolled students in their criminal justice programs who told Defendants they wanted to become police officers.

82. For example, 19-year-old **D.Z.**, whose parents had not attended college, decided as a boy that he wanted to be a police officer. D.Z. researched college law enforcement programs online and discovered that MSB offered a criminal justice program close to his home. He visited MSB three times and discussed his desire to become a police officer with MSB’s recruiters. MSB recommended its criminal justice program and told D.Z. it was accredited, which would allow him to become a police officer. D.Z. later learned from a substitute instructor that a degree from MSB did not satisfy POST Board requirements for D.Z. to become

a police officer. D.Z. withdrew from MSB but MSB refused to refund his tuition. “I feel like [MSB] took advantage of my youth and my family’s inexperience with the college application process,” D.Z. states. “Students have enough roadblocks to overcome when pursuing higher education, and misrepresentations by colleges should not be one of them.” D.Z. now attends Normandale Community College.

83. When **K.A.** told MSB’s recruiter that she wanted to be a police officer, “he praised me for my interest in public service and recommended MSB’s criminal justice program,” K.A. explains. Halfway through her criminal justice program, K.A. met with a local police officer and was surprised to be told that she could not become a police officer with an MSB degree because MSB was not properly accredited. K.A. earned her bachelor’s degree in criminal justice in 2013, and has applied to at least 20 criminal justice-related positions without receiving any job offers. She says: “I have \$70,000 in student loans from MSB, and I am unable to pursue my dreams of becoming a police officer.”

84. **J.L.**, who is 38 and has two children, has worked as a domestic violence advocate for over a decade. J.L. visited with an MSB recruiter and said that she wanted to become a police officer to help battered women. MSB told J.L. that its criminal justice associate’s degree program would give her the skills and training she needed to become a police officer. A few quarters into her program, a new instructor, himself a former police officer, told J.L.’s class that an MSB degree did not qualify individuals to become Minnesota police officers. J.L.’s associate’s degree cost her over \$40,000. She tried to transfer her credits to a MnSCU university, but was told that her credits would not transfer. She works in the same job as before enrolling in MSB. She states: “My MSB diploma is nothing more than a \$40,000 piece of paper.

My MSB education has not allowed me to pursue my dreams of becoming a police officer as promised, nor has it provided me with a better life or career.”

85. **K.M.** was busy working full-time and raising two children on her own when she decided to pursue her dream of becoming a crime scene investigator. MSB told her that to be a crime scene investigator, K.M. needed to become a police officer first and recommended MSB’s criminal justice associate degree program. MSB also told K.M. that its courses were taught by industry professionals with real-world experience. K.M. enrolled in MSB’s criminal justice program, and most of her courses were taught by a state trooper. Around graduation, K.M. discovered that MSB was not certified by the Minnesota POST Board, and enrolled in Bemidji State University’s bachelor degree criminal justice program. “Instead of starting my career in 2009 as planned, I am spending thousands more dollars than anticipated repeating many of my MSB courses, and have not yet found work in the criminal justice field,” K.M. states.

86. 30-year-old **J.B.** served as a M1A1 Heavy Abrams Main Battle Tank Commander in Bosnia and Iraq. After nine years of service, he was honorably discharged and decided to use his GI Bill benefits to earn a college degree. MSB advertised that it was military-friendly, told J.B. it gave veterans tuition discounts, and recommended its criminal justice program based on J.B.’s interest in police work. J.B. learned after enrolling that MSB’s criminal justice program was not POST Board-approved, withdrew from MSB, and enrolled in a different school’s law enforcement program. The school accepted none of MSB’s credits. J.B. states: “I remain disappointed that I wasted thousands of dollars of my GI bill benefits at MSB.”

87. National Guard member **L.L.** of Holdingford decided to use his military tuition benefits to earn a college degree. He visited MSB because MSB advertised that it offered military tuition discounts. When L.L. told MSB that he was interested in a career in law

enforcement, MSB recommended its criminal justice program. Several years into his program, L.L. asked MSB about the State's lawsuit against MSB. MSB told L.L. not to worry about the State's lawsuit because it did not affect him. L.L., who is a year away from earning his criminal justice bachelor's degree, recently learned that MSB planned to cancel its criminal justice program and that his degree will not allow him to work as a Minnesota police officer. "It is devastating to have spent so much time and money at MSB and know that my degree will not allow me to work as a police officer. It is equally troubling that MSB kept me in the dark about the [State's] lawsuit and its plan to cancel its criminal justice program," L.L. states.

88. **R.B.** similarly visited Globe after seeing advertisements promoting Globe as a military-friendly school. R.B. told Globe's military advisor about his National Guard Service and said that he wanted to be a police officer. Globe recommended that R.B. enroll in Globe's associate degree criminal justice program. After six months of classes, R.B. learned that Globe was not POST Board-approved and withdrew from Globe. Shortly after his withdrawal, R.B. was deployed to Kuwait and served on a convoy team for one year. When he returned to Minnesota, he had to start college over because his new school would not accept Globe's credits.

89. Army veteran **K.N.** did three active military tours in Iraq. His service included working on road and military base construction teams; serving in Quick Reaction Force and Personal Security Detachment units; and, performing convoy security. After his honorable discharge, K.N. visited Globe because Globe advertised that it was a military-friendly school. Based on K.N.'s interest in police work or corrections, Globe recommended its associate degree criminal justice program. Around graduation, K.N. discussed his law enforcement career goals with Globe's military advisor, who recommended that K.N. continue his education and earn a bachelor's degree to make him a more marketable candidate. K.N. learned after earning his

bachelor's degree that a degree from Globe would not allow him to work as a police officer. After spending three years and \$65,000 of GI bill benefits at Globe, K.N. could not find criminal justice-related work and took a job as a special education paraprofessional. He recently enrolled in Anoka-Ramsey's special education program. Because Anoka-Ramsey did not accept most of his Globe credits, K.N. is essentially starting his college education over.

90. **D.H.**, an Army veteran who suffers from a number of service-related medical conditions, researched military-friendly schools online and was directed to MSB's website. MSB advertised that it was a top military school because its military-dedicated advisors were trained to help make service members' transition from service to the civilian workforce as smooth as possible. D.H. told MSB that he was interested in becoming a police or probation officer, and MSB recommended its criminal justice associate's degree program. MSB promised to accommodate D.H.'s medical conditions, but failed to do so despite D.H.'s repeated requests after he enrolled. "Almost every time I contacted MSB, it seemed that I spoke with someone unfamiliar with my situation," states D.H. "It was degrading to have to tell my story over and over to people who were unwilling to help me." D.H. recently learned that he could not have become a police or probation officer with MSB's associate criminal justice degree. He states: "I have wasted most of my GI Bill educational benefits, and I have nothing to show for it."

91. When 29-year-old **T.O.** of North Branch shared her dream of becoming a police officer with MSB's recruiter, the recruiter recommended MSB's criminal justice associate degree program and told T.O. that her job opportunities would include police officer, crime scene investigator, and probation officer. T.O. enrolled in MSB's associate degree criminal justice program. In one MSB criminal justice course, T.O.'s class toured a police station to learn about police work. After graduating, T.O. was troubled to discover that she could not become a police

officer with an MSB degree when she contacted a local police department about police officer employment opportunities. She works as a real estate agent and struggles to make her MSB student loan payments.

92. **C.O.** is the first in her family to go to college. Her grandparents agreed to pay for her education. C.O. told MSB she wanted to be a police officer, and MSB told her its criminal justice program was a good option for her. She later learned from a classmate that she could not become a police officer with a degree from MSB. Her grandparents paid over \$33,000 for her degree, which C.O. says “proved useless in finding a criminal justice-related job.” She currently works as a housecleaner making \$10.50 per hour.

93. 35-year-old **B.E.** incurred over \$40,000 in loans to obtain an associates’ degree in criminal justice from MSB. He told MSB prior to his enrollment that he was interested in becoming a police officer. He states: *“It was deceitful for MSB not to inform me that becoming a police officer was not an option with MSB’s criminal justice associate’s degree.”*

94. **S.C.** visited MSB with her father, who never attended college. She told MSB that she wanted to be a police officer or state trooper. MSB recommended MSB’s criminal justice program. S.C. states that she would not have enrolled in MSB had she known its degree would not make her eligible to become a police officer or state trooper.

95. Before she enrolled, **C.S.** was told by MSB that a criminal justice degree would open up “a world of employment opportunities” including security guard, police officer, and probation officer. Several quarters into her program, C.S. was disturbed to learn that MSB graduates could not become police officers when one of her instructors, a retired police chief, told her class that the Minnesota POST Board would not accept MSB degrees. *“At that point, I*

was concerned about MSB's misrepresentations and no longer trusted the school," C.S. says. She withdrew from MSB.

96. A former law enforcement instructor and POST Coordinator for one Minnesota community college states that over the past several years, he has been contacted by many current students and graduates of MSB's criminal justice program who say that they enrolled in MSB's criminal justice program after MSB told them that they could become police officers with a criminal justice degree from MSB. These students called looking to transfer into the community college's law enforcement program, which is not possible because the students have not earned a regionally accredited college degree, nor does the community college have an articulation agreement with MSB. He states: "It is especially troubling [to receive these calls] because over the years, I have had multiple communications with [MSB] and told them that because MSB is not regionally accredited, [the community college] will not enter into an articulation agreement with MSB, nor will [it] allow MSB students to transfer into [the community college's] law enforcement program."

97. Defendants' purported written disclaimers are not sufficient to adequately advise students that completion of an associate's or bachelor's degree from Defendants' criminal justice programs will not make them eligible to become a licensed peace officer in Minnesota, even with completion of additional "Skills Training" from a POST Board-approved program.

B. Defendants Misrepresent Other Career Opportunities Available To Their Criminal Justice Graduates.

98. The Minnesota Department of Corrections requires that probation officer applicants have a bachelor's degree and related experience. Most, if not all, counties in Minnesota similarly require that probation officers have at least a bachelor's degree in criminal

justice, corrections or a closely related field, including the counties in which Defendants' campuses are located. Many require related experience or a master's degree.

99. On their website, Defendants state: "Job opportunities are expected to be excellent" for probation officers. In documents that Defendants produced to the State, however, Defendants acknowledge graduates' difficulty obtaining probation or parole officer jobs, noting that Minnesota counties require a bachelor's, if not a master's degree, and "TONS of experience."

100. Despite this, Defendants have recommended their criminal justice associate's degree to prospective students who told Defendants they wished to become a probation officer before enrolling, even after telling students that they would recommend one of Defendants' programs "only if both you and I believe that you can benefit from career training and that it would put your career in the direction you would like to see it go."

101. One former recruiter explains that Defendants' recruiters often recommended that students enroll in a diploma or associate degree program even if they needed a bachelor's degree or higher to achieve their career goals because student "leads" stayed with recruiters through graduation, which gave them the opportunity to convince graduates to continue their education with Defendants and earn another "enrollment" to help them meet their sales goals. "This was concerning because students trusted [Defendants] to advise them on their best educational option given their career goals," the former MSB recruiter says. Another former MSB recruiter states: "MSB did not train us on the degrees required for different careers, so we recommended programs that appeared to fit a student's interests or attributes without regard to whether the career required a particular degree or a more advanced degree than MSB offered."

102. For example **K.P.**, a 26-year-old single mother, told MSB that she wanted to be a probation officer, and it recommended the school's criminal justice associate's degree. **K.P.**, the first in her family to attend college, later learned that employers require a bachelor's degree to be a probation officer and that her credits would not transfer to another school. She spent \$60,000 to attend MSB. She works as a waitress. She states: "I feel conned by MSB. I trusted MSB to give me accurate and complete information as I made the biggest investment in my life."

103. 33-year-old **T.P.** thought it would be challenging and rewarding to work with offenders and asked MSB whether it had a program that would qualify her to become a probation officer. MSB recommended its criminal justice associate degree program. After graduating, **T.P.** found out that she did not qualify for probation officer positions in Minnesota because she did not have a bachelor's degree. She remains employed in the same job as she did before enrolling and has over \$75,000 in loans from attending MSB.

104. **E.C.** wanted to make a difference and be a positive role model for troubled youths. When she told Globe she was interested in becoming a probation officer, Globe recommended its associate degree criminal justice program, telling **E.C.** that Globe provided extra help to non-traditional students like her and would help her land the career of her dreams at graduation. It was only when **E.C.** interviewed a probation officer near graduation that she was told she needed a bachelor's degree to work as a probation officer in Minnesota. "By that point, I was over \$40,000 in debt as a result of my associate's degree and could not afford to take on any more loans to complete a bachelor's degree," **E.C.** states. **E.C.** currently works a banking job that does not require a college degree.

105. 25-year-old **M.F.**, who lives with her mother and 2-year-old son in St. Paul, was told by Globe that its criminal justice associate's degree would qualify her to work as a probation

officer or social worker. Near the end of her program, M.F. asked an instructor for advice on applying for these jobs. She was told she could not work as a probation officer with an associate's degree, nor could she work as a social worker without a social work degree, which Globe does not offer. She is liable for tens of thousands of dollars of loans, which her mom co-signed for her.

106. 39-year-old **M.A.** was interested in becoming a probation officer because of her experience as a group home manager. When she told MSB about her career goal, MSB recommended its associate degree criminal justice program. Around graduation, MSB for the first time informed M.A. that probation officer work required a bachelor's degree. Not wanting to lose her credits, M.A. enrolled in MSB's bachelor degree criminal justice program only to be informed by MSB that her financial aid had run out and she would not qualify for any bank loans without a cosigner. M.A. was forced to take out a high interest institutional loan from MSB called the Educational Opportunities loan. When M.A. fell behind on her payments, MSB cut off her access to her online classes and told her she could not graduate until she became current on her loan payments. She owes \$80,000 in loans from attending MSB and is working in the same type of job as before she attended MSB.

107. **J.L.** thought she needed a bachelor's degree to become a probation officer, but MSB assured her that she could accomplish her career goal of becoming a probation officer with a criminal justice associate's degree. A quarter or two before graduating from MSB with her criminal justice associate's degree, J.L. was told by an Olmsted County probation officer that she needed a bachelor's degree to be a probation officer in Minnesota. "I remain troubled by MSB's aggressive and deceitful recruiting practices, and feel like MSB robbed me of my chance to pursue my career goals," says J.L., who works as a dental office secretary.

108. After enrolling in MSB's paralegal program, **N.R.** decided that he wanted to become a probation officer and consulted with his academic advisor about switching into a program that fit this career goal. N.R.'s MSB advisor recommended that N.R. enroll in MSB's criminal justice associate degree program. During N.R.'s last quarter at MSB, he discovered that probation officer jobs required at least a bachelor's degree. N.R., who took out over \$55,000 in student loans to attend MSB, works as a house painter. He states: "[I] remain troubled that MSB's academic advisor, whom I trusted to provide me with accurate information, misled me into thinking that I could become a probation officer with an associate's degree."

109. **S.S.** had always had an interest in probation work, and visited MSB's Rochester campus after receiving an MSB brochure that stated that job opportunities for MSB's criminal justice associate degree graduates included probation officer. "I was excited about becoming a probation officer in two short years," S.S. states. When S.S. said that she was interested in becoming a probation officer, MSB's recruiter recommended MSB's criminal justice associate degree program and told S.S. there was no time like the present to pursue her career goals. About a year into her program, S.S. discovered that she needed a bachelor's degree to become a probation officer.

110. **D.M.** told an MSB recruiter that she was interested in working as a probation officer. MSB told D.M. that MSB's criminal justice associate's degree would give her the skills and degree she needed for such a job. After graduating, D.M. learned that such jobs required a bachelor's degree. D.M. obtained loans of \$45,000 to attend MSB and is unemployed.

111. "It troubled me that MSB recommended its associate degree program knowing it would not allow me to accomplish my career goals," said 22-year-old **E.T.** E.T. told MSB that she wanted to be a juvenile parole officer. MSB's recruiter recommended MSB's associate

degree criminal justice program. E.T. told several instructors about her career goal before finding out on her own that she could not work as a parole officer with an associate's degree.

112. Defendants advertise that their criminal justice graduates can obtain careers as crime scene investigators, emergency management personnel, FBI agents and Customs/Border Patrol agents. From January 1, 2009 through June 14, 2013, however, no graduate has obtained employment in any of these careers, according to Defendants' job placement reports produced by Defendants to the State. Defendants recognize in internal communications graduates' difficulties obtaining many of these positions indicating: "Federal Agencies: FBI, [Bureau of Alcohol, Tobacco, Firearms, and Explosives], [Drug Enforcement Agency], Customs/Border Patrol—most want a TON of experience or a special language."

113. When graduates request assistance finding the jobs that Defendants advertise are possible with their criminal justice degrees, Defendants sometimes disclose for the first time that their criminal justice program prepares individuals for entry-level security jobs, which are generally low paying and require no college education.

IV. Defendants Tell Some Students That Their Credits Are Transferable When Most Colleges, Including Public Colleges And Universities In Minnesota, Do Not Recognize Or Accept Most Of Defendants' Credits, Leaving Some Students And Graduates Deep In Debt And Unable To Continue Their Education.

114. The U.S. Department of Education requires postsecondary institutions to be accredited to access federal financial aid. There are two types of accreditation: regional and national. Regional accreditors accredit most public and non-profit universities, while national accreditors accredit mainly for-profit schools. Historically, national accreditation was created to oversee non-degree granting programs, which allowed access to federal financial aid. As many for-profit colleges have begun offering degree-granting programs, national accreditation now

provides for-profit colleges with federal financial aid without requiring them to meet the same academic quality standards as public and non-profit colleges.

115. Most credits from nationally accredited schools like Defendants are typically not accepted by regionally accredited schools, like the University of Minnesota or colleges or universities within the MnSCU system. Defendants, however, deceptively blur the distinction between national and regional accreditation and use their national accreditation as a selling point to recruit and enroll students. For example, one of their solicitations to prospective students states:

“Top 10 Reasons to Attend [Globe]: #1—Accredited College: This means that our degree programs and our school meet the standards set by [Globe’s] accrediting bodies. That carries weight when students put it on their resume.”

116. Creating more misunderstanding by prospective students, Defendants aggressively promote their *own* accreditation.

117. When prospective Minnesota students search the internet for “regionally accredited colleges,” Defendants’ internet marketing campaign directs them to Defendants’ webpages. Defendants accomplish this by paying money to search engine companies like Google. As recently as July, 2014, typing the search term “Minnesota regionally accredited colleges” into the search engine Google from a computer located in St. Paul, Minnesota produced a link to a MSB website titled “An Accredited College” as one of the first search results.

118. On their website, Defendants state the following:

“There is some confusion about the distinction between national and regional accreditation. The Department of Education makes it clear that neither is better than the other. Globe University chooses national accreditation, a process that aligns closely with our career-focused mission and our historic business school status.”

“National and regionally accredited institutions [] have all met the same standards of quality.”

119. Defendants train their recruiters to emphasize the benefits of national accreditation and avoid disclosing to prospective students that most regionally accredited schools do not accept credits from Defendants. As one recruiter explained: “If students asked how MSB’s accreditation would affect their ability to transfer credits, we were taught to deflect these questions by asking, “why would you want to go elsewhere when you can continue here at MSB?” or “Are you planning on leaving? MSB students start and finish here.””

120. Recruiters’ feedback after attending Defendants’ accreditation training further underscores Defendants’ efforts to train their recruiters to present national accreditation as equal or superior to regional accreditation:

- “Knowing that Regionally accredited universities do accept our credits is a big help.”
- “...National accreditation actually holds a school more responsible for their students [sic] successes than schools that have regional accreditation.”
- “Regional Accreditation isn’t necessarily better—only requires updates every 10 years compared to national which requires annual activity.”
- “There is no difference in Regional and National accreditation besides which schools implement it. Both are great ways to prove they offer a quality education, but schools don’t need 1 or the other to be successful.”
- “There is no difference in quality or difficulty in obtaining/maintaining regional versus national accreditation...Globe University **chooses** to be nationally accredited.”
- “National—more get a job, graded on our enrolls, placement, retention all by program...Regional—education for the sake of education. Don’t care or look at placement...Have to have a mission but it doesn’t matter what it is.”

121. Defendants sometimes orally misrepresent to prospective and current students that their credits will transfer to other post-secondary institutions in Minnesota, when in fact, they know that few schools accept all or most of their credits. Some students enrolled in Defendants' programs after Defendants represented that they could transfer their credits to a different post-secondary institution.

122. For instance, when **K.P.** enrolled in MSB criminal justice program in Shakopee, it did not yet have a bachelor degree program. MSB assured K.P. that if she wanted to get her bachelor's degree, she could transfer her credits to a school with a four-year program. After K.P. received her associate's degree and could not find an in-field job, MSB convinced her to take more advanced criminal justice courses, telling her that it would give her an advantage over other associate degree holders, and she could transfer them to another school to complete a bachelor's degree. Several colleges in Minnesota that K.P. contacted to discuss completing her bachelor's degree all told her, however, that they would not accept MSB credits. After spending \$60,000 at MSB, K.P. has since enrolled at Normandale Community College (Normandale) and is re-taking her general courses because Normandale would not accept her MSB credits.

123. As a result of medical issues, 57-year-old **B.B.** found herself unable to continue working in the restaurant industry where she had been employed for over 20 years. B.B. visited MSB after deciding the only way to get out of debt and better her future was with a college degree. MSB recommended its business administrative assistant diploma as a great option for non-traditional students like B.B. with no experience in an office setting. MSB said that if B.B. wanted to earn an associate's or bachelor's degree elsewhere, she would have no problem transferring her credits to another school. When B.B. tried to transfer to Rochester Technical and Community College ("RCTC"), she was told that the school would not take MSB credits

because MSB was not properly accredited. “I feel like MSB cheated me out of my one chance to better my life with an education,” B.B. says. “I am now in my late 50s with over \$40,000 in student loan debt and nothing to show for it.”

124. MSB told **J.G.** that because it was accredited, he could transfer an MSB associate’s degree to another college to complete a bachelor’s degree. After earning his business associate degree, J.G. transferred to Metropolitan State University to complete a bachelor’s degree and was advised that the school did not accept MSB’s credits. J.G., who had \$30,000 in student loans from MSB, had to start his business courses all over at Metro State.

125. Before enrolling, **S.R.** asked MSB’s Rochester campus if other colleges accepted MSB’s credits, because S.R. knew her employer may transfer her out of Rochester. MSB assured S.R. that MSB’s credits would transfer anywhere because MSB was accredited. Disappointed in the quality of MSB’s courses after she enrolled, S.R. contacted RCTC and asked about transferring her credits. RCTC told S.R. that because MSB was not properly accredited, RCTC would not accept any MSB credits. “I have \$50,000 in student loans and cannot advance [at my employer] without a bachelor’s degree,” S.R. explains. “Other schools will not accept MSB’s credits, but I refuse to return to MSB because of MSB’s poor course quality and wrongful practices.”

126. **R.G.** enrolled at MSB after it told her that because it was accredited, its credits would transfer to most colleges. R.G. has since been told by several colleges that they will not accept her MSB credits because MSB is not properly accredited.

127. MSB assured **J.L.** that after earning an MSB associate’s degree, she could either complete a bachelor’s degree at MSB or transfer to another school. When J.L. tried to transfer

her associate degree credits to a MnSCU school, she was told that the school would not accept MSB credits and if she wanted to pursue a degree, she would have to start all over.

128. Defendants' purported written disclaimers do not sufficiently disclose to and apprise students that credits from Defendants will likely not transfer to most other institutions.

V. Defendants Induce Students To Obtain Loans From Defendants And Others To Pay To Defendants.

129. Defendants' systematic deceptive practices, intended to convince students to attend their institutions, extended to convincing students to take on crippling amounts of student debt without fully understanding the consequences. These practices relate to, and intertwine with Defendants' deceptive sales tactics. Defendants use student loans to make their sales, and without arranging for this financing, students could not afford to enroll in Defendants' institutions.

A. Defendants Characterize Their Programs as Affordable Investments.

130. At the same time Defendants mislead prospective students so that they will attend Defendants' schools, they induce students to incur the loan obligations necessary to enroll in one of the schools' programs. The schools promise career training, job placement assistance, transferable credits, and employment opportunities that will supposedly allow graduates to meet their student loan obligations.

131. Defendants characterize enrollment in one of their programs as an investment. For instance, in one email to a prospective student, Defendants wrote: "This is an investment in *yourself* and *your* future! You are going to be working for approximately another 40 years! Obtaining a quality education will continue to pay dividends for the remainder of your professional career!" **D.M.**, an unemployed graduate who is \$45,000 in debt after attending MSB, states: "Based on what MSB had told me about its career-focused courses and job

placement services, I thought I would have no problem paying back my loans once I graduated and began working. MSB had told me that my MSB education was an investment in my future, and I believed it.”

132. During admissions visits, Defendants’ recruiters ask students, “With all this financial aid available, doesn’t this program look affordable?” or “Our students are open to taking out student loans to invest in themselves and change their futures. How do you feel about that?” Recruiters are trained to overcome “cost objections” by telling prospective students:

Most of our students could not or have not saved money for their education. [Globe] has an excellent financial aid program available for our students that strive to make this program affordable for everyone. Isn’t it wonderful that we have a committed financial aid team that strives to make your education affordable?

133. As detailed in Sections I-V, for students who learn after enrolling or graduating that Defendants’ programs will not qualify them for their desired careers, that Defendants provide little to no effective job placement assistance, that Defendants’ credits will not allow them to continue their education, and that they cannot secure in-field employment, the financial consequences are devastating. Meanwhile, Defendants have reaped tens of millions of dollar in tuition payments from these students, much of which comes from student loans.

B. Defendants Rush Students through the Financial Aid Process, Promising to Act in the Students’ Best Interests.

134. By rushing students into making life-altering student loan decisions, Defendants cause students to take on significant debt without fully understanding the consequences. Most students do not meet with Defendants’ financial aid department until after they sign Defendants’ enrollment agreement. One former MSB recruiter explained MSB’s process as follows:

MSB told us that our goal was to get each newly enrolled student through financial aid as quickly as possible so that they did not have time to

rethink their enrollment decision. For students that did not have time to meet with a financial aid representative on the day of enrollment, we were to make sure they sat down with financial aid within 48 hours of enrollment.

135. Students have reported that Defendants encouraged them to rely on Defendants' financial aid representatives and hurried them through the financial aid process, leaving them unsure of what they were signing and uninformed about the financial obligations that would result from enrolling in one of Defendants' programs. Some students have reported that Defendants' financial aid staff took control of their student loan applications and rushed them through the application process.

136. For instance, MSB told **N.T.** to sign his financial aid forms and it would take care of the rest. MSB required that N.T.'s parents sign forms, but reassured him that it was for purposes of loan qualification and told his parents they would not be liable for his student loans. Around graduation, N.T. discovered that his parents and he collectively owed \$70,000 in student loans. MSB asked **R.G.** questions while it filled out her financial aid forms. MSB did not give R.G. the option of reviewing her financial aid documents, but instead asked that she sign the forms. R.G. did not appreciate until after graduation that she had taken out \$30,000 of student loans to complete her associate's degree. MSB told CB that she qualified for a "great grant" and that her father's veteran benefits would cover her books. C.B. signed several financial aid forms and MSB told her that it would take care of the rest. After several quarters, C.B. learned that she had already incurred about \$17,000 in student loans to attend MSB.

137. **J.K.** told MSB's financial aid representative that she was concerned that she could not afford MSB's tuition. MSB reassured J.K. that because she was a single mom, she would qualify for a lot of grants and special funding. J.K., who graduated from MSB's MA diploma program, has about \$28,000 in student loans and works as a paint assistant for a bus

company. MSB's financial aid representative stood over **F.D.** as he completed his financial aid forms online, telling him where to click and how to proceed. "This was different than my experience at RCTC, where I was given information about the school and time to look at it," **F.D.** says. MSB requested that **E.C.** sign several financial aid forms and told her that it would take care of the rest. **E.C.** states: "I trusted that MSB would act in my best interest, and signed these forms each quarter." MSB glossed over its tuition rates during **R.S.**' admissions visit, telling her not to worry about the cost because financial aid would cover her tuition. MSB told **B.B.** that because of her age, she would qualify for scholarships and grants. **B.B.** filled out a financial aid form and MSB's financial aid representative told her that MSB would take care of the rest. **B.B.** spent almost twice as much as she thought she would on her MSB education.

C. Defendants Have Led Students to Believe that Federal and Private Student Loans Will Cover the Cost of Their Tuition.

138. Because of the high cost of Defendants' programs, federal and private student loans do not always cover students' tuition costs. Nevertheless, to ensure student enrollment and immediate sales dollars, Defendants assured some students that "financial aid" would cover their programs. Only later, after receiving the proceeds of the federal and private student loans, did Defendants advise those students that they had run out of federal and private student loan options. Some students invested months or even years into their education before Defendants told them they were out of student loan options and had to come up with future tuition payments or be forced to withdraw. Some of these students then looked to transfer to a more affordable school, only to discover that many schools will not accept most, if not all, of Defendants' credits.

139. For instance, Globe promised **C.B.** that federal financial aid would cover the cost of her bachelor's degree. "This was important because as a single mom to two children, I could not afford to pay any tuition out-of-pocket," **C.B.** explains. Three to six months before

graduation, Globe told C.B. that she had run out of financial aid and asked her how she planned to fund her education. C.B. asked Globe for a payment plan. Globe refused, and C.B. was forced to withdraw from school.

140. Because she had recently been laid off from her job, **S.G.** had no money to make out-of-pocket tuition payments. MSB assured S.G. that financial aid would cover the cost of her bachelor's degree. Three fourths of the way through her program, S.G. had to withdraw from school when MSB put a hold on her account and told her she had run out of financial aid. S.G. has \$75,000 in student loans and has returned to the type of job she had before enrolling at MSB.

141. Before returning to MSB for a second degree, MSB assured **C.C.** that she had enough federal student loan eligibility to complete the program. During her second quarter back at MSB, C.C. was told she could not register for classes because her federal student loans ran out. MSB told C.C. she had to take out \$12,000 in private loans to complete her program. Because C.C. was already \$80,000 to \$90,000 in debt from her first MSB degree, her father had to cosign her loans. Several quarters later, MSB told C.C. she had to take out another \$12,000 student loan to complete her program or she would be forced to withdraw from MSB and start paying back her loans immediately.

142. **A.P.** was disappointed in MSB's MA diploma program. She applied to several different schools, all of which told her they would not accept MSB's credits. She re-enrolled at MSB because she did not want to start college over. MSB convinced **A.P.** to switch from its diploma to the associate degree MA program. After several quarters, MSB told A.P. that she was nearing her financial aid cap and asked for a credit card for A.P.'s tuition. A.P. put roughly \$20,000 of her tuition on credit cards before they were maxed out. MSB then told A.P. to contact friends and family to cosign private student loans to pay for the rest of her tuition. When

A.P. declined to do so, she was forced to withdraw. “I have over \$35,000 in student loans and \$20,000 in credit card debt [from] attending MSB,” A.P. says. “I am scared to return to school because of the nightmare my MSB experience turned out to be.”

143. When her associate’s degree turned out to be a lot more expensive than she had anticipated, **J.P.** looked to transfer schools and complete a bachelor’s degree elsewhere. Because most schools would not accept the majority of Defendants’ credits, J.P. enrolled in a bachelor degree program at MSB. MSB later told J.P. she had run out of financial aid and could not complete her degree unless she paid her tuition out-of-pocket. “I am between a rock and a hard place as I do not have money to continue my education at MSB, but I cannot transfer because other schools will not accept MSB’s credits,” J.P. explains.

144. Around graduation, **I.H.** was surprised to learn that her financial aid had run out. Because she could not afford to continue her education at MSB, I.H. contacted Metro State and was told that the school would not accept most of MSB’s credits. **W.D.** could not find a job in her field after graduation, and decided to continue her education. Because other schools would not accept MSB’s credits, W.D. re-enrolled at MSB. Six or seven classes short of graduation, MSB told W.D. that she needed to pay for the rest of her program out-of-pocket because she had run out of federal and private student loans. Because W.D. could not come up with the thousands of dollars in requested tuition, she had to drop out of MSB prior to graduation.

D. Defendants Engage in Unlicensed Lending, Charge Usurious Interest Rates, and Take Aggressive Action Against Students Who Fall Behind on their Institutional Loan Payments; Preventing Students From Completing The Program In Which They Are Enrolled.

145. When students are unable to obtain enough federal loans to cover the high cost of Defendants’ programs, Defendants lose the tuition they would have otherwise gained from these students unless they provide students with loans to make up the difference. Accordingly, since at

least January of 2009, Defendants have offered “institutional loans” to students who run out of federal and student loan options. During this time, almost 6,000 Globe and MSB students have financed their education with Defendants’ Educational Opportunities (“EdOp”) or Student Access (“StA”) institutional loans.

146. Defendants’ institutional loans meet the statutory definition of “regulated loans” under Minnesota Statutes Chapter 56. To provide loans up to \$100,000, lenders which are not banks, savings associations, trust companies, licensed pawnbrokers, or credit unions must obtain a license. Minn. Stat. §§ 56.002, 56.01, 56.131. Defendants are not banks, savings associations, trust companies, licensed pawnbrokers, or credit unions nor are they licensed as regulated lenders by the Minnesota Department of Commerce.

147. In addition to being unlicensed, Defendants charge interest rates that often exceed the 8% maximum rate allowable under Minn. Stat. § 334.01. Interest accrues on EdOp loans at a staggering rate of 18%. The StA loan carried a 12% interest rate, lowered to 8% only if the student was able to secure a cosigner. It is unlawful for Defendants to charge interest rates higher than 8% because they are not licensed as regulated lenders.

148. Defendants’ institutional loans require payments while the student is still in school. A borrower who fails to comply with any of EdOp’s loan provisions, including notifying the lender of a change in name, address, or school enrollment status within ten days of the event, is considered in default, at which point the lender can demand the entire loan amount due. Student accounts go into default after 90 days of nonpayment, while graduated or withdrawn students are considered in default after 30 days of nonpayment. Students are subjected to late fees and collection fees and costs, including attorneys’ fees, in the case of default.

149. The StA loan contract states: “Should default be made on any payment when due, the whole sum of principal and interest shall immediately become due and payable at the option of the holder of this Agreement.”

150. Neither EdOp nor StA’s loan documents provide that delinquent EdOp or StA borrowers will not be allowed to continue their education with Defendants. Yet, Defendants’ internal documents acknowledge this late payment consequence and some students have been threatened with expulsion or forced to withdraw from school when they fell behind on their institutional loan payments.

151. Defendants’ EdOp loans are serviced by Ed-Op Loan Servicing Corp. (“Ed-Op Loan Servicing”). Ed-Op Loan Servicing and Defendants closely monitor students’ EdOp payments, circulate “Past Due” emails and rosters, contact past-due students to collect payments, and place holds on delinquent students’ accounts.

152. Ed-Op Loan Servicing and Defendants have advised delinquent students that their accounts have been referred to debt collection agency American Accounts & Advisers, Inc. (“AAA”) for purposes of collection. In fact, AAA is Ed-Op Loan Servicing’s parent company. They have the same business address and the same CEO. Ed-Op Loan Servicing has sent delinquent students past-due notices on AAA’s letterhead. For instance, one past-due notice stated: “You are **SERIOUSLY PAST DUE** on your EdOp Loan agreement...your future loan disbursements and school status are in jeopardy!” Defendants’ internal documents state: “**AAA & EdOp Loan Servicing connection**—American Accounts and Advisers (AAA) is the parent company. They really are a collections agency that specializes in debt collections; however, they are familiar with the EdOp program and have become [its] servicer as a result.”

153. Students agree to take out Defendants' institutional loans understanding that if they do not, they will be forced to withdraw from school. For instance, L.L. only enrolled in MSB's bachelor degree program after learning that her MSB criminal justice associate's degree would not qualify her to become a probation officer as MSB had represented before she enrolled. L.L. was told after beginning her criminal justice bachelor's degree program that she had run out of student loan options. MSB had never advised L.L. that there was a financial aid cap, nor had it warned her that she was close to the limit. MSB told L.L. that the only way for her to complete her degree was to take out an EdOp loan. L.L., who earned her bachelor's degree in 2012, now has over \$60,000 in student loan debt and works at a grocery store.

154. When **M.A.** fell behind on her EdOp payments, MSB cut off her online access and told her she could not graduate until she became current on her loan. "This was worrisome because all of my classes were online and I could not participate in discussions or submit homework or tests," M.A. states. After becoming current on her payments, M.A. again fell behind, this time around her graduation date. As a result, not only did MSB cut off M.A.'s access to her online classes, but told her she could not graduate until she became current on her payments. Neither MSB nor AAA respond to M.A.'s payment plan offers.

155. MSB recommended that **A.K.** take out an EdOp loan, which it characterized as a low-interest private loan that required small monthly payments of \$25. When A.K. graduated in 2013, she owed \$150 on her EdOp loan. Even after she paid off this balance, MSB refused to release her diploma, and to-date, A.K. has not received it. **A.S.**, who paid about \$50,000 earning a MA diploma from MSB, took out several EdOp loans after she ran out of financial aid. A.S. works as a personal care attendant, a job that a high school student could work.

156. After **S.J.** enrolled at Globe based on its assurance that its criminal justice degree would satisfy the educational component required to become a certified peace officer in Minnesota, Globe told S.J. that financial aid would not cover her tuition and recommended an EdOp loan, which it characterized as a “pay as you can” loan.

157. Globe told **S.F.** that it would be forgiving if S.F. missed a payment or two. When S.F. fell behind on payments, Globe agreed to accept payment the next week. S.F. made the agreed-upon payment, only to be told that Globe had referred her account to collections.

158. **J.A.** withdrew from MSB after one quarter of classes. When she enrolled at Rochester Community and Technical College (“RCTC”) several years later, J.A. was told that RCTC would not accept her credits, contrary to the express assurances of MSB that other schools accepted its credits. MSB tells J.A. that her \$2,080 EdOp loan balance has increased to over \$4,000. MSB will not agree to a monthly payment plan.

159. MSB told **T.M.** that because she came from a low-income family, grants and financial aid would cover her tuition. After several quarters, MSB told T.M. that financial aid would not cover her tuition and convinced her to take out a \$3,000 EdOp loan. Shortly thereafter, T.M. withdrew from MSB after learning she had taken out \$18,000 in student loans to cover MSB’s tuition. T.M. has contacted AAA numerous times to set up a payment plan, but AAA refuses. AAA tells T.M. that her account balance is now \$5,000 and it will not settle for anything less than a lump-sum payment of \$3,000.

160. Globe twice suspended **O.K.** from her paralegal program when she missed classes due to domestic violence incidents. Both times, Globe required that O.K. “prove” she was a victim by submitting police reports and detailed accounts of the incidents. The second time, O.K. looked to transfer schools and was troubled to learn that contrary to Globe’s representation

prior to enrollment, other schools would not accept Globe's credits. O.K. also learned that Globe's paralegal program was not approved by the American Bar Association. O.K. considered appealing Globe's suspension until Globe told her that her EdOp loan had accrued over \$1,000 in interest, which she had to pay to re-enroll at Globe. O.K., a 30-year-old single mother of three, states: "I have about \$64,000 in student loans which has negatively affected my credit. I am unable to continue my education at Globe or transfer my credits elsewhere."

COUNT I
PREVENTION OF CONSUMER FRAUD ACT
MINN. STAT. § 325F.69

161. Plaintiff re-alleges all prior paragraphs of this Complaint.

162. Minn. Stat. § 325F.69, subdivision 1 (2013) provides:

The act, use, or employment by any person of any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact been misled, deceived, or damaged thereby, is enjoined as provided in section 325F.70.

163. The term "merchandise" within the meaning of Minn. Stat. § 325F.69 includes services. *See* Minn. Stat. § 325F.68, subd. 2 (2013).

164. Defendants' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325F.69, subd. 1. Defendants have engaged in deceptive and fraudulent practices, and have made false and misleading statements, with the intent that others rely thereon in connection with the sale of Defendants' post-secondary education services. For example, Defendants use high-pressure sales tactics to solicit and enroll students, and promise them career opportunities that are unattainable with Defendants' criminal justice degrees in violation of Minn. Stat. § 325F.69. Another example of Defendants' fraudulent practices in violation of the Consumer Fraud Act is their false representation to prospective students that other colleges will

accept Defendants' credits when they know this is not the case. Defendants' inflated job placement rates also mislead students about their likelihood of obtaining employment in their fields of study. Intertwined with and as part of Defendants' unlawful practices is their issuance and facilitation of loans to students, which provides a huge amount of revenue to Defendants. Moreover, Defendants mislead and fail to adequately disclose students' student loan obligations and the legality of such obligations in the case of their institutional loans. By failing to disclose and omitting material facts which Defendants had a duty to disclose, Defendants have further engaged in deceptive and fraudulent practices in violation of the Consumer Fraud Act. Among other things, Defendants have failed to sufficiently disclose that a person who graduates from Defendants' criminal justice programs cannot become a licensed peace officer in Minnesota, that a person who graduates with an associate's degree in criminal justice is unlikely to be hired as a probation officer in Minnesota, and that Defendants' credits are unlikely to transfer to most other institutions, including most public and non-profit colleges and universities in Minnesota.

COUNT II
VIOLATIONS OF THE UNIFORM DECEPTIVE TRADE PRACTICES ACT
MINN. STAT. § 325D.44

165. Plaintiff re-alleges all prior paragraphs of this Complaint.

166. Minn. Stat. § 325D.44, subdivision 1 (2013) provides, in part:

A person engages in a deceptive trade practice when, in the course of business, vocation, or occupation, the person:

- (2) causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of goods or services;
- (5) represents that goods or services have...approval, characteristics...[or] benefits that they do not have...;
- (7) represents that goods or services are of a particular standard, quality, or grade...if they are of another;

- (9) advertises goods or services with intent not to sell them as advertised;
- (13) engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

167. Defendants' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325D.44, subd. 1. For example, by representing that Defendants' criminal justice degrees can lead to students becoming Minnesota police officers when the POST Board does not recognize Defendants' degrees, Defendants caused a likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of their post-secondary education services; represented that their services have characteristics and benefits that they do not have; represented that their services are of a particular standard, quality, or grade when they are of another; and engaged in other conduct which similarly creates a likelihood of confusion or of misunderstanding. Defendants further engaged in deceptive and fraudulent practices in violation of the Uniform Deceptive Trade Practices Act by:

- Misrepresenting the employment opportunities available to their criminal justice graduates, including recommending that students who want to be probation officers obtain an associate's degree in criminal justice; and
- Blurring the distinction between national and regional accreditation and falsely representing to students that other post-secondary education institutions would accept their credits.

Leading consumers and the public to believe that a certain percentage of their graduates obtain in-field employment, when in fact, their graduate employment rates are materially lower.

168. By failing to disclose and omitting material facts which Defendants had a duty to disclose, Defendants have further engaged in deceptive and fraudulent practices in violation of the Uniform Deceptive Trade Practices Act. Among other things, Defendants have failed to sufficiently disclose that a person who graduates from Defendants' criminal justice program cannot become a licensed peace officer in Minnesota, that a person who graduates with an

associate's degree in criminal justice is unlikely to be hired as a probation officer in Minnesota, and that most if not all of Defendants' credits are unlikely to transfer to other institutions, including most public and non-profit colleges and universities in Minnesota. Defendants also failed to disclose all material terms and conditions of students' financial aid and loan obligations.

**COUNT III
UNLICENSED LENDING
MINN. STAT. § 56.01**

169. Plaintiff re-alleges all prior paragraphs of this Complaint.

170. To provide loans up to \$100,000, lenders who are not banks, savings associations, trust companies, licensed pawnbrokers, or credit unions must obtain a license. Minn. Stat. §§ 56.002, 56.01, 56.18, 56.131.

171. Defendants are not licensed as regulated lenders under Chapter 56, nor are they banks, savings associations, trust companies, licensed pawnbrokers, or credit unions.

172. Defendants violated Minn. Stat. § 56.01 by providing EdOp and StA loans to students, in amounts up to \$100,000, without a license.

173. As a result of the violation of Minn. Stat. § 56.01, EdOp and StA loans issued by Defendants are void, to the extent provided by Chapter 56, and students are under no obligation to pay any amount owing. In addition, students are entitled to full reimbursement of all amounts paid. See Minn. Stat. § 56.19, subd. 3.

**COUNT IV
USURY
MINN. STAT. § 334.01**

174. Plaintiff re-alleges all prior paragraphs of this Complaint.

175. Minn. Stat. § 334.01, subd. 1, provides: "No person shall directly or indirectly take or receive in money, goods, or things in action, or in any other way, any greater sum, or any

greater value, for the loan or forbearance of money, goods, or things in action, than \$8 on \$100 for one year.”

176. Defendants violated Minn. Stat. § 334.01 by charging interest rates exceeding the 8% maximum rate on all EdOp and some StA loans.

177. As a result of the violation of Minn. Stat. § 334.01, students are entitled to recover the full amount of interest paid on their EdOp and StA loans, with costs, to the extent provided in Minn. Stat. § 334.02.

178. EdOp and StA loans violating Minn. Stat. § 334.01 are void. Accordingly, these students are under no obligation to pay any amount owing and are entitled to recover all amounts paid. Minn. Stat. §§ 334.03, 334.05.

RELIEF

WHEREFORE, the State of Minnesota, by its Attorney General, Lori Swanson, respectfully asks this Court to award judgment against Defendants as follows:

1. Declaring that Defendants’ actions, as set forth above, constitute multiple, separate violations of Minn. Stat. §§ 325F.69, subd. 1, 325D.44, subd. 1, 56.01, and 334.01;
2. Enjoining Defendants and their employees, officers, directors, agents, successors, assignees, affiliates, merged or acquired predecessors, parents or controlling entities, subsidiaries, and all other persons acting in concert or participation with them, from engaging in deceptive practices, making false or misleading statements, in violation of Minn. Stat. §§ 325F.69, subd. 1, and 325D.44, subd. 1, or engaging in unlicensed and usurious lending, in violation of Minn. Stat. §§ 56.01 and 334.01;

3. Awarding judgment against Defendants for civil penalties pursuant to Minn. Stat. §§ 8.31, subd. 3, for each separate violation of Minn. Stat. §§ 325F.69, subd. 1, and 325D.44, subd. 1;
4. Awarding judgment against Defendants for restitution under the *parens patriae* doctrine, the general equitable powers of this Court, Minn. Stat. § 8.31, and any other authority, for all persons injured by Defendants' acts described in this Complaint;
5. Declaring EdOp and StA loans void, to the extent provided by Minn. Stat. §§ 56.19, subd. 3, 334.03, 334.05, and awarding judgment against Defendants for payments of interest and principal made on these invalid loans;
6. Awarding judgment against Defendants for payments of usurious interest to the extent provided in Minn. Stat. § 334.02;
7. Awarding Plaintiff its costs, including costs of investigation and attorneys' fees, as authorized by Minn. Stat. § 8.31, subd. 3a; and

8. Granting such further relief as provided by law and/or as the Court deems appropriate and just.

Dated: March 20, 2015

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

ALAN GILBERT
Solicitor General
State of Minnesota

/s/ Kirsi L. Poupore

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**MINN. STAT. § 549.211
ACKNOWLEDGMENT**

The party or parties on whose behalf the attached document is served acknowledge through their undersigned counsel that sanctions may be imposed pursuant to Minn. Stat. § 549.211 (2013).

Dated: March 20, 2015

/s/ Kirsi L. Poupore
Kirsi L. Poupore