

COMMONWEALTH OF MASSACHUSETTS

SUFFOLK, ss.

SUPERIOR COURT  
CIVIL ACTION NO.

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COMMONWEALTH OF MASSACHUSETTS,	)
	)
Plaintiff,	)
	)
v.	)
	)
CORINTHIAN COLLEGES, INC. and	)
CORINTHIAN SCHOOLS, INC.,	)
	)
Defendants.	)
_____	

14-1093

COMPLAINT



INTRODUCTION

1. The Commonwealth of Massachusetts, by and through its Attorney General, Martha Coakley, brings this enforcement action in the public interest pursuant to the Massachusetts Consumer Protection Act, G.L. c. 93A, § 4. The Commonwealth seeks restitution, including the return of tuition and fee payments acquired by defendants Corinthian Colleges, Inc. and Corinthian Schools, Inc. (collectively “Corinthian”) from students induced by Corinthian’s unfair or deceptive acts or practices to enroll in Corinthian’s Massachusetts Everest Institute schools (collectively “Everest MA” or “Everest MA schools”), and civil penalties of \$5,000 per violation. The Commonwealth also seeks injunctive relief to remedy Corinthian’s unfair or deceptive acts or practices and prohibit and prevent additional harm arising from these acts. The Attorney General seeks to recover the costs of investigating and prosecuting this action, including reasonable attorneys’ fees.

2. From 2009 or earlier through the present, Corinthian has deceived and misled the public and prospective students in order to aggressively enroll students at its Massachusetts campuses with the goal of increasing tuition and fee revenues, and consequently profits, for the company and its shareholders.

3. In advertisements, on its website, and in written and oral statements made to recruit and enroll prospective students, Corinthian misrepresented:

- the urgency of enrollment and the need to enroll immediately in Corinthian schools,
- Everest MA's influence and historical success in finding jobs in the students' field of study,
- the employment opportunities available to Everest MA graduates,
- the earnings of Everest MA graduates,
- the assistance Everest MA schools provide graduates in obtaining employment in their fields of study,
- the nature, character, and quality of Everest MA programs,
- the transferability of Everest MA credits,
- the availability of externships in the students' fields of study, together with the training provided by and employment opportunities accompanying externships, and
- the nature and availability of financial aid.

4. Corinthian represented to prospective students and the public that very high percentages of its Massachusetts students obtain employment in their fields of study after completion of Everest MA programs when Corinthian knew or should have known that this was untrue. In some cases, Corinthian employees promised or guaranteed employment despite knowing that it could not fulfill such promises or guarantees.

5. At various times between 2009 and the present, Corinthian recruited and enrolled students in the Everest MA schools that it knew or should have known were unable to benefit from the programs and/or were legally unable to obtain employment in their fields of study.

6. Students enrolling in Corinthian's Everest MA programs incurred substantial debt in order to make tuition payments to Corinthian. A large number of former Everest MA students have not obtained jobs in their field of study, or jobs at all, and are currently or will soon be unable to repay their loans. These students received no benefit from their loans.

7. Most of the students' Everest MA debt was comprised of federal loans, but a portion was provided in the form of private loans guaranteed and ultimately funded by Corinthian. Corinthian knew or should have known, when it created its loan program and guaranteed and funded private student loans, that student borrowers were unable to repay the loans in accordance with their terms.

8. When individuals default or become delinquent on their student loan payments, their access to credit is severely impaired, and they often become prey to harassing debt collection practices. Their future wages may be garnished and their federal student loan debts are not dischargeable in bankruptcy. Taxpayers ultimately cover the costs of default on federal student loans, while Corinthian keeps the students' tuition and fees monies. Former Student 1<sup>1</sup> said, "[I]t felt like they just wanted your money. . . . [T]hat school is a scam." Former Student 2 stated, "They promised me a job, a career, a better life. And at the end I didn't get any of them. . . . At this point of my life I feel like I got a brand new car which I'm paying for but I can't drive it."

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<sup>1</sup> We have provided numbers to identify the individual students in this complaint so that their identities are not made public by this filing. The names are discoverable and the Commonwealth intends, subject to appropriate treatment in the litigation, to provide the identities to the Defendants.

#### JURISDICTION AND VENUE

9. The Attorney General (“AGO”) is authorized to bring this action pursuant to G.L. c. 93A, § 4. The AGO has an interest in preventing unfair or deceptive acts or practices in order to promote the health and economic well-being of those who live and transact business in Massachusetts.

10. This court has jurisdiction over the subject matter of this action pursuant to G.L. c. 93A, § 4.

11. This court has personal jurisdiction over defendants Corinthian Colleges, Inc. and Corinthian Schools, Inc. pursuant to G.L. c. 223A, § 3(a) and (b). Pursuant to G.L. c. 223, § 5 and G.L. c. 93A, § 4, venue is proper in Suffolk County.

#### PARTIES

12. The Plaintiff is the Commonwealth of Massachusetts, represented by the Attorney General, who brings this action in the public interest to remedy Corinthian’s unlawful conduct and to enjoin future unlawful acts.

13. Defendant Corinthian Colleges, Inc. (“CCI”) is a corporation engaged in the business of operating post-secondary career schools for profit. Founded in 1995, CCI has been a publicly-traded company since 1999. As of March 2013, it operated 97 campuses in the United States and 16 in Canada, with a total enrollment of 87,776 students. In addition to other institutions across the country, CCI has operated Everest Institute with two locations in Massachusetts. These locations, at 1505 Commonwealth Avenue in Brighton (“Everest-Brighton”) and 70 Everett Avenue in Chelsea (“Everest-Chelsea”), became part of CCI’s Everest Institute in 2007. CCI is a Delaware corporation with its principal place of business located at 6 Hutton Centre Drive, Suite 400, Santa Ana, California.

14. Defendant Corinthian Schools, Inc. (“CSI”) is a wholly-owned subsidiary of CCI, through which CCI operates its Everest MA schools. CSI is a Delaware corporation with its principal place of business located at 6 Hutton Centre Drive, Suite 400, Santa Ana, California.

#### STATEMENT OF FACTS

##### I. For-Profit Schools

15. For-profit schools, which award various degrees and certificates, are owned and operated by businesses and business persons. *For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success*, United States Senate, Health, Education, Labor and Pensions Committee, p. 1 (July 30, 2012) (“Senate Report”). Like any for-profit business, a principal function of these businesses is to produce returns for owners and shareholders (*id.*).

16. The for-profit education sector has grown significantly since the early 2000s. Pell Grants to for-profit schools increased nearly 600%, from \$1.1 billion in the 2000–2001 school year to \$7.5 billion in the 2009–2010 school year (*id.*, p.2). For-profit schools receive most of their revenue from the federal government in the form of federal student grants and loans. During 2009–2010, the fifteen publicly traded for-profit education companies received 86% of their revenues from taxpayers (*id.*). Taxpayer investment in for-profit schools was \$32 billion in 2009–2010 (*id.*), more than the budget of the U.S. Department of Energy, and 75% of the spending of the Department of Homeland Security in the same year.

17. The business model of for-profit schools typically focuses on students with modest financial resources who are eligible for federal funds in the form of grants and loans. For-profit post-secondary schools also target non-traditional students and the unemployed who are eligible for federal workforce retraining monies. About 96% of students in for-profit

institutions take out federal loans to pay for their training (*id.*, p. 6). For-profit schools enroll about 12% of post-secondary students, but consume nearly a quarter of all federal educational loans and grants.

18. For-profit programs are often expensive. Programs at for-profit schools average 4.5 times the cost of comparable programs at public schools (*id.*, p. 3). The schools' tuition charges are often based on company profit goals, rather than anticipated academic and instructional expenses (*id.*). Profit goals also drive marketing tactics and expenses.

19. In 2009, marketing consumed 22.7% of for-profit school revenue, and profit 19.4% (*id.*), or, together, 42.1% of for-profit schools' revenue. By contrast, for-profit schools spend relatively little on education. In fiscal year 2009, only 17.2% of revenue was spent on instruction, less than half the expenditure on profit and marketing (*id.*, p. 6).

20. Students at for-profit institutions typically have poor outcomes. A large number of students leaving for-profit schools are unable to obtain employment (*id.*, p. 7). A quarter of for-profit students default on their loans within three years of graduation (*id.*). About half will default at some point.

21. Overall, the 12% of students at for-profit schools nationally comprise about 48% of all defaults (*id.*).

22. For-profit schools routinely engage in misleading and deceptive marketing practices, and for-profit recruiters are trained to use aggressive tactics (*id.*, p. 176). Recruiters often create a false sense of urgency to enroll. Using a particularly insidious marketing technique, for-profit colleges train and encourage recruiters to emotionally exploit prospective students who may already be in dire straits by identifying their pain and vulnerability, and then

exploiting those weaknesses to pressure the individual to enroll. For-profit schools' marketing strategies have been effective at increasing enrollments and for-profit school revenues.

## II. Corinthian's Everest MA Diploma Programs

23. In Massachusetts, Corinthian is engaged in the business of marketing, selling, and providing products and services to consumers for profit. Corinthian solicits and obtains consumers in Massachusetts through advertisements, direct phone calls, in person communications, statements on its website, and "leads" it provides and/or purchases from entities or websites unrelated to Corinthian, all aimed at selling its products and services to Massachusetts consumers.

24. Corinthian's Everest MA schools provide diploma programs and do not have degree-granting authority. During the period relevant for this Complaint, Everest-Brighton has offered diploma programs in Dental Assistant, Medical Administrative Assistant, Medical Assistant, and Medical Insurance Billing and Coding. Everest-Chelsea offers the same four programs, plus a diploma program in Massage Therapy.

25. Corinthian's tuition prices are among the highest of for-profit schools (Senate Report, p. 378). For students who enrolled at Everest MA in 2008 or 2009, diploma programs typically cost between \$13,999 and \$16,128. Currently, the programs typically cost between \$16,000 and \$19,000 in tuition and fees with additional costs for books and supplies. In 2014, according to Everest's webpage, the largest program, Medical Assistant, costs \$19,152, plus \$1,871 for books and supplies.

26. The vast majority of students who attend Everest MA receive a significant portion of their funding in the form of federal grants and loans authorized under Title IV of the Higher Education Act of 1965 ("Title IV"). Since 2010, all Title IV loans have been provided under the

William D. Ford Direct Loan program, initially codified in the Omnibus Reconciliation Act of 1993. Prior to 2010, the Federal Family Education Loan Program (FFELP) offered loans from private lenders guaranteed by the federal government. Direct loans include both subsidized loans and unsubsidized loans, each with a current interest rate of about 4%.

27. The Pell Grant program, which assists students based on need, is a significant revenue source for Corinthian, which from 2007 to 2010 tripled its collected Pell Grants, from \$170.2 million to \$509.3 million (Senate Report, p. 381).

28. For the year ending June 30, 2010, 89.8% of Corinthian's revenues were collected from Title IV funding. Much of the remainder of Corinthian's reported revenue comes from a private loan program created by Corinthian.

29. The vast majority of students are unable to afford payments on their loans. These students default on the Corinthian private loans. But Corinthian concurrently pushes these students into deferment and forbearance plans on their federal loans in order to manage or artificially lower the school's reported federal default rate. Under federal rules, a high default rate on federal loans limits access to federal funds. In order to manage its default rate, Corinthian has built an internal default management operation and also contracts with outside default management firms that make millions of calls to former Corinthian students each year. Once the deferment and forbearance periods end, a large number of these students default on their federal loans.

30. The total amount of tuition and fee payments acquired by Corinthian as a result of enrollments in the Everest MA schools during the two years from 2008 through 2009 was approximately \$30 million. The company's total revenue for all holdings nearly doubled between 2006 and 2010, from \$909 million to \$1.76 billion (*id.* at 379).



31. A large number of students who enrolled at Everest MA in or after 2009 through the present have been unable to find employment in their fields of study. Many remain unemployed or have found jobs requiring no training, often at low wages or on a temporary basis. Many of these students have defaulted or will default on their student loans.

III. Corinthian's Unfair or Deceptive Acts or Practices

32. Since at least 2009 and continuing through the present, Corinthian has engaged in unfair or deceptive acts or practices in its Everest MA schools. These practices include (i) unfair and harassing sales tactics and false and misleading representations to consumers and prospective students designed to induce enrollment in Everest MA schools, (ii) the recruitment and enrollment of students unable to benefit from the education, and (iii) the creation, guarantee, and funding of private student loans Corinthian knew or should have known were unable to be repaid in accordance with their terms.

33. Many students do not apply to Everest MA schools because they are interested in the schools—they are targeted and induced to enroll by aggressive recruiters, who work with “leads” provided or purchased by Corinthian. Prospective Everest MA students typically have no funds of their own, and Corinthian’s business plan is to tap into financial aid funds from government funding sources.

34. Corinthian recruiters are primarily sales persons. A Corinthian manual states that “this is a sales position and the new hire must understand that from the beginning.”

35. As part of Corinthian’s corporate recruitment strategy, Corinthian requires its Everest MA admissions or recruiting employees to make hundreds of telephone calls a week to prospective students. Prospective students receive numerous, constant, and harassing calls, often several times a day.

- “[The representative] called me every day at any time during the day or night to tell me that car[eer] will change my life. Guess what? It didn’t! I’m working on my city grocery store.” Student 2, Everest-Chelsea.
- “They called about 10 times a day. Even after telling them I would call them back.” Student 3, Everest-Chelsea.
- “Overwhelming amounts of phone calls to get you to join.” Student 4, Everest-Chelsea.
- “[The admissions representatives] haunted me every day, 3x times per day.” Student 5, Everest-Chelsea.
- “Enrollment was very pushy, almost not given a choice with phone calls daily till you’re signed.” Student 6, Everest-Chelsea.
- “Calls every single day. Very annoying.” Student 7, Everest-Chelsea.
- Another prospective student received numerous calls from an Everest-Brighton lead generator. She answered one call in order to ask them to discontinue the calls: “I only answered the phone because I’ve been getting calls from this, that number like ten times a day for like two or three weeks now. . . . It’s just annoying and I figured I would answer it this one time and I’m not interested in going to school right now. . . . I just wanted to address it today because it’s been happening way too much and it’s been like a pain.” *Recorded enrollment call dated January 7, 2013, 2:35 PM, Everest-Brighton.*

36. Part of the Corinthian recruitment strategy is to ensure that prospective students visit Everest MA schools, where maximum pressure can be applied to induce them to enroll. Prospective students who request even basic information over the phone (*e.g.*, program start dates or financial aid eligibility requirements) are told that Corinthian requires them to come to the campus to receive the information. An Everest-Brighton admissions representative told one prospective student inquiring about financial aid, “I wouldn’t be able to send you anything like that. . . . [A]s far as information goes, you’d have to come in for that.” *Recorded enrollment call dated February 6, 2013, 2:33 PM, Everest-Brighton.*

37. When a student visits an Everest MA campus, recruiters attempt to ensure the student does not leave without enrolling. Student 8 (Everest-Chelsea) described being pressured

to “enroll right away”: “I was still unsure but [the recruiter] then began to pressure me into taking a test. I wanted to go because my kids were in the car with my dad.” Student 9 (Everest-Chelsea) stated, “I was forced to enroll! This was the first school I went to look at and the [representative] wouldn’t let me not enroll. I told her so many times I was just there to look—as soon as I took my placement test, and scored 80 high, they had all my financial info waiting for me. It was horrible. I was so overwhelmed, naïve, and vulnerable. I also got phone calls about 6x per day afterwards, asking me to enroll after I already was. I kept telling them that I was already a student and [they] would still call.”

38. From 2009 or earlier through the present, Corinthian made false or deceptive oral statements and provided statements and advertisements in written materials and/or on Corinthian’s website containing false or misleading information to consumers and prospective students. The false and/or misleading advertising, information, and statements provided during the recruitment and enrollment process relate to (i) the urgency of admission and the need to enroll immediately at Everest MA schools, (ii) Corinthian’s influence and historical success in finding in-field employment for Everest MA students, (iii) the employment assistance Everest MA schools provide to students, (iv) the earnings of new Everest MA graduates, (v) the nature, character, quality, and purported benefits of Everest MA’s training programs, (vi) the transferability of Everest MA credits, (vii) the availability of meaningful externships in Everest MA students’ field of study, and (viii) the nature and availability of financial aid.

39. As a result of Corinthian’s misrepresentations, students enrolled in Everest MA programs between 2009 or earlier and the present and, as a consequence of their enrollment, incurred substantial debt without obtaining jobs in their field of study and without achieving a commensurate increase in earning power sufficient to repay their student loans.

A. False or Misleading Representations Concerning the Urgency of Enrollment

40. Corinthian's admissions goal is to enroll as many students as possible in Everest MA schools, but it markets its Everest MA programs as limited. A mass mailing sent to prospective students states: "LIMITED SPACE AVAILABLE" and asks the recipient to "[p]lease call within 7 days. Even if you are not sure, call so we can reserve a 'Pending' spot for you." It further states: "So call us today at [phone number] and take the first step to your new, rewarding career. But hurry. Make sure you're one of the people in [MA] who gets a spot in career training." (A copy is attached as Exhibit 1.)

41. In reality, Everest MA does not turn students away because of limited available space.

42. During the recruitment and enrollment process, Corinthian employees tell prospective students that if they do not enroll as soon as possible, they will miss their chance to start classes. Classes, however, start at least once, and sometimes twice, per month. Student 10 said, "I really visited Everest to gather information, but before I realized, I was already enrolled. Everything happened so fast. The representative made it seem that the programs were very competitive. I was told that because classes fill up quickly, if I didn't enroll the same day, I may have to wait up to one year to start classes." Student 11 stated, "I felt pressured to enroll at Everest. When I went to tour the school I was told that there were only two spots left in the class and that I needed to enroll quickly. When I started the class, the class was not full. There were about 10–11 people in my class."

43. Student 1 stated, "[I]t felt like they just wanted your money and how many people they can get through the door." Student 12 said, "It seems like anyone can attend Everest even if

they do not do well on the basic entrance exam. . . . In my opinion Everest is fueled by money so therefore they would not want to throw out any student because each student brings in money.”

44. Corinthian’s representations to consumers and prospective Massachusetts students between 2009 and the present concerning the limited space in its programs and the need to enroll immediately were material and false and were made for the purpose of, and had the effect of, inducing students to enroll in Everest MA schools and providing access to tuition and fee monies acquired by Corinthian.

B. False and/or Misleading Representations Concerning Student Training

1. Educational environment, faculty, and curriculum

45. Between 2009 or earlier and the present, Corinthian has advertised and promoted the nature, character, and quality of its Everest MA schools as providing high-quality career-ready education. The Everest MA catalog states that “[u]nder CCI ownership, the School maintains its long-standing reputation for innovation and high-quality private education.”

46. Since at least 2009 through the present, the Everest website ([www.everest.edu](http://www.everest.edu)) has promised hands-on training and qualified instructors:

- “We give you practical hands-on career training. We think it’s important to practice what you’re learning. That’s why we incorporate hands-on training into all our programs. You’ll learn better and quicker by doing the work than you will just sitting in a lecture room.”
- “We have instructors with real-world experience. We don’t just hire any instructor. We recruit qualified professionals with industry-specific expertise. So you get the benefit of real-world knowledge and gain the kind of practical insights that can’t be learned from a textbook.”

47. Everest webpages have made similar representations:

- “The instructors at the Chelsea campus bring a wealth of personal experience, which results in innovative classroom projects and inspirational classroom discussions.” (<http://chelsea.everestinstitute.edu/>)

- “The instructors at the Brighton campus are professionals who can give you practical advice in each area of study—all based on the real-world experience they bring to the classroom. They understand what it takes to make the subject matter come alive through inspirational classroom discussions and creative classroom projects. Small work teams allow the instructors to work with you one-on-one when needed.” (<http://brighton.everestinstitute.edu/>)

48. An advertisement mailed to prospective students emphasized the supposed “hands-on” nature of Everest MA programs: “[t]oday’s employers want employees that have real-world experience. Practical training with real tools can give you the edge over someone who’s only just read about the job. . . . At [this Everest campus], we concentrate on what you need to know—with training designed to get you into the workforce as quickly as possible. All of our instructors have experience in the field.” (A copy is attached as Exhibit 1.)

49. Students describe a dramatically different classroom experience at Everest MA schools. According to students, there is little or no hands-on or clinical instruction. In some classes, there is little instruction of any kind.

- “My instructor did not teach us. This was basically a hangout place for people. For the amount of money charged, this was very sad. . . . The education that was provided to us was not up to par as the enrollment staff led me to believe.” Student 13, Everest-Chelsea.
- “I didn’t feel that Everest helped in any way except putting me in financial debt. I basically taught **myself**, the teachers don’t pay attention with helping you. Too many. You can’t teach a large group of about 30 the correct training. I feel that the course I was taught was outdated, the only thing I did get out of the class that helped in my career was the medical terminology. Other than that I have since used nothing. I would never recommend anyone to go to that school and be in debt. It was a waste of time and money.” Student 14, Everest-Chelsea.
- “I thought I was gonna have more hands on than what I had.” Student 15, Everest-Brighton.
- “Too many students for a class. Not everyone was able to do the [hands on work].” Student 16, Everest-Brighton.

- “[The program was m]uch more book and paperwork than more hands on like I was told; most things taught in clinical were irrelevant and duties not done by a medical assistant.” Student 17, Everest-Brighton.
- “There were no lectures, no one really teaching us at all. Were given spelling homework which we never went over, as well as book homework. I did more typing lessons than learning the craft.” Student 18, Everest-Chelsea.
- “[T]here are things my manager says I should have been taught during my education and I have no knowledge of. It’s a continued struggle.” Student 19, Everest-Chelsea.
- “As soon as they got the money from the loan company everything changed and I was stuck. They changed teachers on me multiple times, constant fights between other students. I felt like I was in high school but w/ debt now. . . . The teachers didn’t really teach, they hung out w/ the students instead.” Student 20, Everest-Chelsea.
- “[I]t all seems like it’s going to be an awesome experience. Then on your first day, you get all your books and you’re all excited because everything looks so new and then come to find out, I paid (loans and grants) over \$14,000.00 for books, tuition, etc. to not use many of the books. There were CD ROMs that came with each book that wasn’t touched. There were chapters that were completely skipped, and I feel many short cuts were taken. My class wasn’t able to learn Meditech because the program wasn’t running, and that’s one of the things I was told I would learn. In computer class, there is no review of assignments or anything. You’re given a syllabus and expected to know what to do. Nothing was ever explained, no verbal directions given, no answers to questions. In the classroom/lab, there were many short cuts taken as well. There was very little focus on new things such as bandaging, helping elderly pts [patients], how to use lab equipment and read levels. Chapters in the workbooks were skipped, and another thing was that there were days that barely half the class was there, and basically nothing was done. There were also days when the instructor was out and no one covered.” Student 21, Everest-Brighton.
- “This school is a free for all. My teacher wouldn’t know any answers to my questions during lecture. Half way through the course, our director had to start lecturing to us while she sat and texted. . . . This school is horrible, honestly, and should be shut down. They have trashy teachers and greedy recruiters.” Student 9, Everest-Chelsea.
- “The instructor was a previous student from Everest Institute. She never work[ed] in the medical field. When she graduated she got the job as an instructor. A typical day consisted of discussing a lecture assignment: we would answer among ourselves . . . the instructor just sitting there in her chair doing nothing.” Student 22, Everest-Chelsea.
- “I had the worse [sic] experience ever and my instructor was not educated on my field. . . . [She] was always acting in an inappropriate man[ner]. . . . And all she

spoke about was clubs, drinking and wet T-shirt contests. I regret attending Everest Institute in Chelsea, MA.” Student 23, Everest-Chelsea.

- “The teachers were very unprofessional, had little to no training what-so-ever.” Student 7, Everest-Chelsea.
- “[Some] instructors were very unprofessional and unethical as hanging out with students after schools hours, during lunch breaks.” Student 24, Everest-Chelsea.
- “No teacher didn’t teach anything except sitting in the class and read the book.” Student 25, Everest-Chelsea.

50. In many cases, classes were taught by unqualified, inadequate, or absent instructors. Student 26 (Everest-Brighton) stated that “[s]ome of the teachers were very rude and unprofessional and there [were] some things I was told I would be taught and I never was.” Student 27 (Everest-Brighton) said there was “poor quality teaching, improper equipment, not enough teaching personnel.” Student 28 (Everest-Chelsea) said, “I feel that the classes were more self taught. I wish my teacher had been more involved. I feel like I could have learned more.” Student 29 (Everest-Chelsea) stated: “[t]hey did not teach anything. They handed out workbooks, told us to read the chapters in class and home and then take test at end of chapter. The so called instructors babysat us and if asked had to go to the books to get answers. I suspected at the time something must be wrong with school and its operations.” Student 30 (Everest-Brighton) said, “I was told the teachers would be available for tutoring and extra and they were never there.”

51. The catalog also states that “[t]he Institute maintains professional-level standards for conduct and behavior for all students. The standards of conduct for students are patterned after those of professional employees in the workplace,” and that “[p]rohibited conduct includes possession of drugs, harassment or intimidation of others, and cheating, plagiarism, or other forms of academic dishonesty.” In fact, classes were subject to constant disruptions that teachers



and administrators refused or made no effort to control. Students spoke of drug use, fights, swearing, and cheating in class.

- “The student body was distracting due to the fact that they were very loud and argumentative with each other and the instructors.” Student 12, Everest-Brighton.
- “I went to the school in September [2008] and was appalled to see students yelling and fighting in the classroom. My [instructor] was crying because the students were fighting. I also observed a fight between students in the hallway. That day [my instructor] was upset because students stole the test. A student showed me my books, and a student was told to show me how to take vitals.” Student 8, Everest-Chelsea.
- “My [instructor] had a fist fight with her mother in the hallway! . . . I witnessed drug deals, fights, cheating, and lying throughout the halls, classrooms, and offices.” Student 9, Everest-Chelsea. (Emphasis in original.)
- “I quit after 2 months. The teachers would fist fight with students during class time and I did not feel safe so I stopped going.” Student 5, Everest-Chelsea.
- “They let anybody get in. You don’t need to be smart. Like people who use drugs and come high to classes.” Student 2, Everest-Chelsea.

52. Corinthian’s representations to consumers and prospective Massachusetts students between 2009 and the present concerning the nature, character, and quality of its education were false and material and were made for the purpose of, and had the effect of, inducing students to enroll in Everest MA programs and providing access to tuition and fee monies acquired by Corinthian.

2. The transferability of credits

53. Between 2009 or earlier and the present, Corinthian has misrepresented to prospective students and the public the transferability of credits earned at its Everest MA schools. During this period, Everest MA recruiters told consumers and prospective students that Everest MA credits transfer to any accredited school when in fact Everest MA credits transfer to few or no schools.

54. Everest MA recruiters made the false or misleading statements about transfer of credit even to prospective students who stated that their ultimate goal was continuing their education beyond an Everest diploma, thus making the ability to transfer credits a primary concern in their decision to choose an Everest MA school. Former Student 31 (Everest-Chelsea) stated: “My goal was getting a fast education due to my pregnancy. Then continue my studies in college, with the credit [from] Everest. But come to find out Everest Program won’t count in school which they had told me they did and I’m very upset with Everest for false info.”

55. Corinthian’s representations to consumers and prospective Massachusetts students between 2009 and the present concerning the transfer of credit were material and false and deceived or had the tendency or capacity to deceive or mislead consumers and prospective students, inducing consumers to enroll in Everest MA campuses and to provide tuition and fees to Corinthian.

3. Student externships

56. Between 2009 or earlier and the present, Corinthian has represented to prospective students and the public that an externship is an invaluable component of an Everest MA education. According to Corinthian, the externship enables students to practice skills in the students’ fields of study. The Everest MA catalog states: “[t]he [Medical Assistant program] externship provides the student an opportunity to apply principles and practices learned in the program and utilize entry-level medical assisting skills in working with patients.” The catalog further states: “[s]erving in an externship at an approved facility gives externs an opportunity to work with the principles and practices learned in the classroom.”

57. Certain Everest MA programs, including the Medical Assistant, Dental Assistant, Medical Administrative Assistant, and Medical Insurance Billing and Coding programs, require

students to complete an externship prior to graduation. According to Corinthian's policy, a student who is unable to complete the externship will not be able to finish the program and graduate: "[u]pon successful completion of all classroom requirements, students are expected to begin the externship portion of their program. The required number of externship clock/credit hours must be successfully completed within three months from the date students begin their externship. Students must complete at least 15 clock hours per week . . . at an approved externship site. . . . Students who will not complete their externship training within the required three-month completion time will also be dropped from the program by the Institute."

58. In fact, many externships provide little or no training in the students' fields or study. When students complain, they are reminded that the externship is needed to graduate, and that if they wish to obtain a new externship, their graduation will be delayed.

- "I told [my externship coordinator] I was disappointed in my externship because I did not get much experience as a medical assistant. She got really upset and shouted 'you're lucky you got what you got.'" Student 8, Everest-Chelsea.
- "My externship was at Urban Eye, an ophthalmologist's office on Massachusetts Ave. I didn't use any of the skills I learned in my classes. I understand that being a medical assistant involves some administrative or secretarial work, but it should also involve medical work, such as taking vital signs. Out of our nine mods [classes], eight taught medical training and only one taught administrative training. At my externship, my responsibilities were 100 percent administrative. I filed, answered phones, and made coffee runs. I complained to Maria in Career Services, but I was worried they would not be able to find a new placement quickly and I needed to graduate, so I finished my externship at Urban Eye. I completed the Everest program on time at the end of March 2009, but I did not have a real opportunity to practice medical assistant skills or use my training." Student 32, Everest-Brighton.
- "I finished the program. I was hoping I can find a job but they send me to a physical therapy for [externship]. That was a big mistake in my resume. Because any place I go to apply, they said you did your [externship] in a not better place. They find me a home health aide job. That's crazy, I can do a HHA or CNA training for free and less time. I tried staffing agency [and] they said the same thing. My externship was in a not good place. After looking here and there I went to JVS for CNA training and I started work. I do just a part time. The huge problem [is] the loans I have to pay them

back. . . . [B]asically I waste my time in Everest and my money for something [that] does not help me. When I think about it I got stress.” Student 33, Everest-Chelsea.

59. While Everest MA represented to consumers and prospective students that it will provide them with externships, in many cases it did not do so. The school often requires students to find their own externships, with no help from the school.

- “I found my externship on my own because the school was not helpful and I wanted to have something to start right away, not have to wait until they placed me somewhere that wouldn’t work out for me. I had heard not so great things about placements for previous students, the location was either very far from where they lived or it was just a spot for externships with no hope to be hired.” Student 34, Everest-Chelsea.
- “Even though I was at the top of my class I had an emergency situation my last month after classes had ended which cost me an internship at Tufts. Then when I got the flu my coordinator kicked me out of Everest and did not let me continue with my internship. . . . When I returned to Everest to see if I could finish my program they told me that the only way they would accept me is if I found my own internship because they would no longer assist me. I was basically informed that I still had to pay the loans even though they would not allow me to continue receiving an education.” Student 35, Everest-Chelsea.
- “After the class requirements of the program were completed, Everest placed me at an adult daycare facility for my externship along with many other students. On my first day I was sent home early and told I was no longer needed because Everest had sent too many students. Career Services asked that I try and set up an externship myself.” Student 24, Everest-Chelsea.

60. Corinthian’s representations to consumers and prospective Massachusetts students between 2009 and the present concerning externships in marketing materials, on Corinthian’s websites, and in statements to consumers and prospective students, were material and false and were made for the purpose of, and had the effect of, inducing consumers to enroll in Everest MA schools and to make tuition and fee payments to Corinthian.

C. False and/or Misleading Representations Concerning Job Placement Rates and Employment Earnings

1. Misrepresentations to consumers and prospective students

61. Between 2009 or earlier and the present, a key part of Corinthian's recruiting efforts to enroll students in its Everest MA campuses has involved written and oral statements concerning Everest MA's career-training preparation for jobs in the students' fields of study, and Corinthian's influence and historical success in placing students in these jobs.

62. Between 2009 or earlier and the present, Corinthian's website has stated: "[o]ur mission is to help students prepare for careers in demand or to advance in their chosen field." In phone calls to prospective students, Everest MA recruiters promote its programs as leading to successful careers: "[w]elcome to Everest, the place where we can help you start your journey to a rewarding career. . . . Our primary focus is training people for high-demand careers in the medical field." *Recorded enrollment call dated January 31, 2013, 11:09 AM, Everest-Brighton.* Everest MA's catalog describes the school's mission: "[t]he institution is designed to serve a diverse student population focusing on adults and recent high school graduates seeking to acquire the education and skills necessary to enter their chosen career field."

63. Corinthian recognizes that its historical job placement outcomes are essential to its viability as a school and its continued recruitment of students. In its annual statement, Corinthian states that "[g]raduate placement outcomes are critical to our colleges' reputations and their ability to successfully recruit new students."

64. The Everest website describes each of its programs as preparing students for jobs in their fields of study:

- "The Medical Assistant diploma program is designed to prepare students for entry-level positions as medical assistants in a variety of health care settings. . . . Since

Medical Assistant diploma students are educated in both administrative and clinical procedures, they are capable of filling a variety of entry-level positions, including:

- Clinical or Administrative Assistant
  - Medical Receptionist
  - Medical Insurance Biller
  - Medical Office Assistant
  - Medical Records Clerk
  - Medical Transcription
  - Medical Office Management
  - Medical Assistant
  - Clinical Assistant
  - Outpatient Surgery Assistant
  - Optometric Assistant”
- “[As a dental assistant student] you will be trained in valuable clinical, radiographic and administrative procedures, leading to career opportunities with dental offices, dental supply manufacturers, hospital dental departments, and dental insurance companies. Additional entry-level positions include dental assistants, front office receptionists, dental insurance clerks, dental supply salespeople and administrative assistants.”
  - “Medical billing and its related occupations are expected to grow much faster than average in the health care industry. Give yourself an advantage as more and more insurance companies, medical offices and clinics look to hire well-schooled and experienced professionals.”

65. Corinthian markets its Everest MA schools to consumers and prospective students as career schools. The Everest Institute website has, at various times from 2009 through the present, stated:

- “You’re here for career training and to get on with your life. It’s a decision that deserves respect.”
- “Many of our career programs can be completed in nine months, which means you could be working in your new career in less than a year.”
- “We’re here to learn about you and answer your questions. Our purpose is to help you with your training and career goals, and get you on the fast-track to a real career.”

66. In a marketing pamphlet, Corinthian tells prospective students they can “[e]arn more with career training than you can with just a high school education” and “[j]oin the more than 200,000 Everest graduates who have successfully started their careers and transformed their

lives.” (A copy is attached as Exhibit 2.) An advertisement Corinthian mailed to consumers states: “IMPORTANT NEWS FOR TOUGH TIMES: You’re Approved For A NO-OBLIGATION 15-MINUTE ONE-ON-ONE ASSESSMENT With A Career Training Specialist. CALL [phone number] So We Can Match Your Interests With A Career Training Program That Gets Your Life Headed In The Direction You Want!” (Emphasis in original.) (A copy is attached as Exhibit 3.) The “career training specialists” are enrollment representatives who meet with any prospective student, no “approval” required.

67. During enrollment phone calls and in-person meetings, Everest MA recruiters tell consumers and prospective students that its purpose is to help its graduates obtain careers:

- “Are you familiar with the differences between a job and a career? . . . [W]ith a career you get all kinds of benefits. You know, the medical ones which include health, dental, vision, and you also get paid sick time, paid vacation time, and you get retirement benefits depending on your employer. You get subsidized bus passes or other kinds of club membership benefits, all that sort of thing. And also you are more satisfied with your work. So essentially that is what we do here at the Everest Institute. We work with people. We provide training in three different fields in order to help them launch a career, not just have jobs. We are very good at what we do as an institution; we have a very good job placement rate. Based on what I just told you, would you be interested in launching a career that would provide you with all the benefits I mentioned?” *Recorded enrollment call dated January 16, 2013, 10:53 AM, Everest-Brighton.*

2. *Corinthian’s historical placement rates for Everest MA schools were false and misleading*

68. Since at least 2009 or earlier and continuing through the present, Corinthian has reported Everest MA historical placement rates to prospective students, its accreditor, and the public. The representations of historical placement rates are contained in oral recruitment statements made by Everest MA employees and in written marketing and recruitment materials.

69. Between 2009 and the present, Corinthian’s representations of Everest MA’s historical job placement rates have been false and misleading. Corinthian leads consumers,

prospective students, and its accreditor to believe that its Everest MA programs produce very high rates of employment in the students' field of study, when Corinthian knows or should have known that these placement percentages are inaccurate and that its actual success in placing students in jobs in their fields of study is considerably lower.

70. Between 2009 or earlier and the present, Corinthian recruiters told individual consumers and prospective students that Everest MA programs had placement rates ranging from 70 to 99 percent.

- “As an institution we’ve been very successful at what we do. We have a roughly 70% placement rate, which means 7 out of 10 of our graduates, roughly, obtain employment within the field that they trained for. When you went to Wheelock [College], do you know what their job placement rate was?” *Recorded enrollment phone call dated January 31, 2013, 11:09 AM, Everest-Brighton.*
- “I told [the enrollment representative] I did not want to sign the loan unless I was guaranteed a job, because I know that I would not be able to pay it back. [She] told me the school placed 99% of the students and they could guarantee a job after I finished my externship. [She] told me I would be making between \$18.00 to \$20.00 an hour after completing the program. No worries about the loan. She told me career services would place me in a job, and that she makes sure everyone she enrolls gets placed.” Student 8, Everest-Chelsea.
- “I was told that 85% of the students that graduated would be hired after completing the course.” Student 32, Everest-Brighton.
- “As an institution, let me tell you, we have a very good job placement rate. Institutionally 7 out of 10 of our graduates get employment in the field they are trained for. . . . You know it can’t be 100 percent . . . because not everybody comes to class and do[es] what they’re supposed to. Not everybody gets the skills, not everybody is as passionate in the job. . . . The way we structure it, we’re all about employment. . . . We know you’re not coming here just for kicks, just to learn medical administrative assisting for kicks. You’re coming here to get a job, right? . . . We train people for careers that are in demand by local employers.” *Recorded enrollment call dated January 7, 2013, 5:07 PM, Everest-Brighton.*

71. In the process of enrolling students in its Everest MA schools, Corinthian employees often told students they were “guaranteed” to obtain jobs after graduating from Everest MA. The “guarantee” of a job is consistent with a 100% placement rate.



72. Corinthian has also provided historical placement numbers for its programs to consumers and prospective students on its website and reported these placement rates to its accreditor. These rates are typically between 60 and 90 percent. For the Medical Assistant programs, the rates are between 61 and 83 percent.

**Everest MA Medical Assistant Placement Rates  
Reported on Website and to Accreditor**

On Website	Sent to Accreditor	Student Start Date	Campus	Program Length	
				8 Months	9 Months
	July 2009	2007-2008	Brighton	63%	70%
			Chelsea	77%	
July 2011- June 2012	July 2010	2008-2009	Brighton	71%	72%
			Chelsea	76%	
July 2012- June 2013	July 2011	2009-2010	Brighton	63%	67%
			Chelsea	61%	
July 2013- Feb. 2014	July 2012	2010-2011	Brighton	63% <sup>2</sup>	67%
			Chelsea	61% <sup>3</sup>	
Feb. 2014- Present		2012-2013 (Completion dates)	Chelsea	83%	

73. The historical Everest MA placement rates provided to consumers by Everest MA recruiters, and the placement rates contained on Everest MA’s website and reported by Corinthian to its accreditor are false. A sample of Everest MA students that includes all graduates who enrolled in the Everest-Brighton Medical Assistant nine month program between March 1, 2008 and February 28, 2009 and in the Everest-Brighton Medical Assistant eight month program between April 1, 2008 and March 30, 2009 (collectively the “Brighton Medical Assistant sample”), and whose placement rates were reported by Corinthian to its accreditor in July 2010 and provided to consumers and prospective students as Everest MA’s Medical Assistant “Placement Rates” on Corinthian’s website between July 1, 2011 and June 30, 2012,

<sup>2</sup> Corinthian reported 63% on its website, but 61% to its accreditor.

<sup>3</sup> Corinthian reported 61% on its website, but 66% to its accreditor.

shows that Everest MA placement rates provided to consumers and to Corinthian’s accreditor were substantially and materially false and inflated.<sup>4</sup>

74. In its July 2010 report to its accreditor and on Corinthian’s website between July 1, 2011 and June 30, 2012, Corinthian represented to consumers, prospective students, and its accreditor that its Brighton Medical Assistant placement rate was 71% for the eight-month program; the actual placement rate for graduates was 27%. For the Everest-Brighton nine-month Medical Assistant program, Corinthian represented that 72% of the students were placed; the actual placement rate for graduates was 23%. Because numerous students enroll in but do not graduate from Everest MA, the placement rate for all enrolled students is considerably lower than the placement rate for graduates.

	<b>2010 8-Month</b>	<b>2010 9-Month</b>
<b>Everest MA Medical Assistant Graduate Placement Representations on Website</b>	71%	72%
<b>Actual Graduate Placement Rate</b>	27%	23%

75. Corinthian utilizes a variety of falsification techniques to count students as placed when they were not, including (i) falsely representing the existence of a job when the employer or student stated that the student was not employed, (ii) counting as placements jobs that were not in the students’ fields of study, and (iii) counting externships and short-term, unsustainable jobs as placements. Between 2009 and the present, Corinthian has not disclosed to consumers and prospective students that its placement rates include as “placements” students without jobs, students with jobs outside their fields of study, and students with externships or short-term temporary and unsustainable jobs who never received permanent or sustainable jobs.

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<sup>4</sup> A sample of students was reviewed at Corinthian’s request in order to reduce the burden of the investigation.

<b>Corinthian's Falsification Techniques Used in Brighton Medical Assistant Sample</b>	
Falsified Job	5%
Improperly Categorized Job as In-Field <sup>5</sup> (also includes unsustainable temporary out-of-field jobs)	40%
Externship and Unsustainable Temporary Jobs	18%
Subtotal	63%

76. Corinthian's Chief Executive Officer has stated that certain job titles reported as placements should not be counted for this purpose:

“And so if you're a medical assistant, for example, with us and you get a job at a doctor's or the hospital, those count. If you get a job as an aide in a nursing home, that does not count even though you're making \$10 to \$12 an hour. So we're very tight on our definitions around what is and what isn't included in our placements. We've been averaging over the course of this very difficult time up to around 68%, 69%, and we're about there again this year.”

Jack D. Massimino, Chairman of the Board and Chief Executive Officer  
 Corinthian Colleges CEO Presents at Credit Suisse 15th Annual Global Services  
 Conference (Transcript), March 11, 2013.

However, Corinthian has counted nursing home and home health aide jobs as placements for the Everest MA Medical Assistant program.

77. Even with its falsifications, Corinthian failed to meet its accreditor's standard for placement between 2008 and 2011, a deficiency Corinthian did not disclose to consumers or prospective students. Former Everest-Brighton President Steve Bonkowski stated that Everest-Brighton was “on reporting” with its accreditor, ACCSC, because the school had not met ACCSC's standards for placement and retention, “[y]et to the best of my knowledge, when Everest Brighton was ‘on reporting,’ this information was never shared with students or potential students during the recruitment process.”

<sup>5</sup> A list of out-of-field positions improperly categorized by Corinthian as in-field is attached as Exhibit 4.

78. One way Corinthian falsified its Everest MA placement rates was to send students to temporary jobs that it knew were short-term and unsustainable. Some of these jobs were one-day jobs. According to Steve Bonkowski, “Everest Brighton’s and, to the best of my knowledge, Corinthian’s policy is that a student is considered ‘placed’ once that student has been employed for at least one day. A student does not need to obtain a permanent or long-term position to be considered placed. It is quite common for Everest Brighton to ‘place’ students through temporary employment agencies in short-term jobs such as area health fairs.”

79. On at least one occasion, Everest MA created these short-term jobs itself. In 2010 Everest MA held a two-day health fair and counted the participation of 15–25 students at this event as “placements.”

80. According to former Everest-Brighton Director of Education Garrow-Pruitt, “[i]n the spring following the health fair, Everest Brighton was considered by ACCSC to have met its placement requirement and was no longer ‘on reporting’ with ACCSC. In order to reach the ACCSC required level of placement, it is my understanding that the 25 students hired for the health fair were counted for placement purposes. I had no prior knowledge that the health fair event would be used for the sole purpose to get the school off reporting. . . . I believe that Corinthian knew about the health fair when it occurred.”

81. According to Steve Bonkowski, “Deetra Dennis, Corinthian’s Regional Director for Career Services, was on hand at Everest Brighton during the health fair. The former students who worked at the health fair were hired by a local staffing agency, but Everest Brighton paid their wages. We focused our efforts on staffing the health fair with former students who were not at the top of their classes. We thought that this experience would help these hard to place students by adding a temporary job to their resumes. As a consequence of the health fair, the

students who worked the event were considered ‘placed’ solely for their work at the two day event, and Everest Brighton’s placement numbers rose over the 70% threshold for reporting status with ACCSC.”

82. Corinthian’s representations to consumers and prospective Massachusetts students between 2009 and the present concerning Everest MA’s historical placement rates were false and material and were made for the purpose of, and had the effect of, inducing students to enroll in Everest MA programs and providing access to tuition and fee monies acquired by Corinthian.

3. Corinthian’s representations on earnings were false and/or misleading

83. Between 2009 or earlier and the present, Corinthian has made representations to consumers and prospective students concerning the wages or salaries they would earn after completion of its Everest MA Medical Assistant and Medical Administrative Assistant programs. Everest MA recruiters stated orally to prospective Medical Assistant and Medical Administrative Assistant students that they would earn an hourly wage of between \$16 and \$22 per hour.

- “[An Everest-Chelsea recruiter] also said the salaries of graduates of the Medical Assistant program start at \$17.00 or \$18.00 per hour. I was even given a graph that further defined [her] statements of expected salaries of Medical Assistant graduates. I was fine with earning a little less than my office job because [she] stressed the hourly pay was a starting point that would increase over time. . . . I graduated in July 2010 and found a medical assistant job with no help from Career Services. I was hired because of the job I had in the medical field prior to enrolling in the Everest Medical Assistant program. . . . My starting salary was \$15.00 per hour. . . . [I] currently earn just \$15.50 per hour, still less than what I earned before enrolling at Everest.” Student 24, Medical Assistant, Everest-Chelsea.
- “I was told that I was going to be making around \$17–18 per hour. I only make \$14. . . . It took me forever to get in contact with my case agent. She never picked up her phone. I had to leave countless messages for her and in the end I wound up placing myself.” Student 36, Medical Assistant, Everest-Brighton.
- “I was told by Everest pay rate was \$21.00–\$22.00 and I am now only making \$14.50 after 2 years!!!” Student 19, Medical Administrative Assistant, Everest-Chelsea.

- “Not happy at all. Never got a job. They help me find one at a pharmacy getting pay 8.50 an hour. When I was supposed to get pay \$16 an hour with a Medical Assistant job. Till this day I’m still paying my loan. It was useless.” Student 37, Medical Administrative Assistant, Everest-Chelsea.

84. According to data collected by the Massachusetts Executive Office of Labor and Workforce Development, in 2012 the average wage for entry-level medical assistants in Massachusetts was \$13.94 per hour.

85. Corinthian’s representations to consumers and prospective Massachusetts students between 2009 and the present concerning earnings were false and material and were made for the purpose of, and had the effect of, inducing students to enroll in Everest MA programs and providing access to tuition and fee monies acquired by Corinthian.

D. False and/or Misleading Representations Concerning Job Placement Services

86. Between 2009 or earlier and the present, in its oral recruitment statements and written materials, Corinthian has promised to provide students with assistance in finding jobs in their fields of study. From at least 2009 through the present, the Everest MA website stated:

“We help our graduates find jobs after graduation. At Everest, training you for a career doesn’t stop at graduation. Each campus has a Career Placement Office staffed with dedicated Career Placement Representatives who can assist you with everything from interviewing skills to improving your resume.”

87. Similar representations were made in promotional documents and oral statements.

- A pamphlet mailed to prospective Everest MA students lists four reasons to call the school for more information, including: “Job finding assistance upon graduation. Our placement experts help you find a job in your new career through a vast network of employer relationships.” (A copy is attached as Exhibit 5.)
- A mailing sent to prospective students states that “most [students] find their first new job with the help of our Career Services Department.” (A copy is attached as Exhibit 1.)

- Promotional materials tell students that “Everest Institute has developed solid relationships with employers, both in our local communities and nationwide. These employers know that they can count on our graduates to be knowledgeable and professional.” (A copy is attached as Exhibit 6.)
- “I was told that I would get a good pay[ing] job and that they would help me find a job in my field until someone hired me.” Student 38, Everest-Chelsea.

88. In fact, Everest MA provides little or no help to students looking for jobs.

- “Upon attending the school it was told to me that at the completion of the Medical Assistant program, that I was guaranteed a job. When I completed the program I didn’t get a job, nor did I get any help with my job search. The career service personnel said they would send me job leads and help send my resume out to any job opening for a medical assistant. I haven’t received any job leads and they never called me to update me on where they sent my resume. It has been two years since I’ve attend[ed] Everest and I have not ever had a job as a medical assistant.” Student 39, Everest-Brighton.
- “My problem was and is with the job placement department. Every time I called I would leave a message never to have it returned. When I did speak to someone I was always being told I had a different worker. Never once did they call and offer me leads that were reasonable considering I told them I take public transportation and all leads they gave me were too far away. The first place they placed me for my externship sent me back because she had sent more people than the facility had told her they were willing to take. After my graduation I did briefly work as a CNA at a hospital but as stated earlier I was already a CNA trying to get away from shift work at the hospitals when I enrolled in Everest so I could have got that job without my Everest education. I honestly feel the time and money spent on Everest were wasted.” Student 40, Everest-Chelsea.
- “I did find a small job after a few months of being out of school. I found it myself and Everest took credit when they did nothing for me. I didn’t learn anything.” Student 20, Everest-Chelsea.
- “What upsets me the most was that I never got placed into a job after graduation. When before I enrolled myself into the program that was one of my first questions I had to the recruiter. Because of course I wasn’t trying to place myself in a program, that at the end I wasn’t going to help me with job placement. . . . After I graduated, an Everest representative in the Career Services department, Natasha, was assigned to help me find a job. She was rarely available to meet, her door was always shut, her phone was off, and she never took walk-in appointments. The only help I received from Natasha were links to jobs from websites like Craigslist and monster.com, which is something I could have done myself.” Student 41, Everest-Chelsea.

- “It [is] a big scam. I was an ambassador to Everest with really good grades, went to school every day and was promised to get the best internship and was never placed. . . . [T]hey never helped me after that but they said if I wanted to enroll in something else I could but had to take out more loans.” Student 1, Everest-Brighton.
- “When I went for the tour they told me that they would help with job placement also towards the end and when I graduated they reassured me the same and they didn’t. When I called to see if they could help me they said that all they could do is send my school resume out. I found the job on my own.” Student 42, Everest- Brighton.

89. Corinthian advertises its “network of employer relationships” and states that “[o]ur placement experts help you find a job in your new career through a vast network of employer relationships.” (A copy is attached as Exhibit 5.) Corinthian employees also tell prospective students that student externships will lead to a job. In a phone call to a prospective student, a recruiter at Everest-Brighton stated: “[y]ou go on an externship on your final month. . . . It’s unpaid because it’s still like class hours. Once you finish that up you actually get offered a job, so it’s kind of like a month-long interview basically with this company. We do help you out a lot. . . . We are here for you. Everything under the sun with Career Services.” (Emphasis added). *Recorded enrollment call dated January 7, 2013, 9:53 AM, Everest-Brighton*. In fact, Everest MA students rarely receive jobs as a result of Everest MA “relationships” or externships.

90. In some cases, when Everest MA is unable to place students in jobs in their fields of study, it requires students to sign a document or waiver to the contrary. According to Student 10, “[t]hey ‘threatened me’ to sign a form stating they had found me employment, or they would not release my Diploma to me, which I needed to prove I was a graduate, while searching for employment. . . . I could not get my Diploma unless I signed a document stating, they (Everest) had found me full time work. I had no choice but to sign this ‘fraudulent’ document in order to receive my Diploma and Certificates.” Student 10, a Medical Administrative Assistant program



graduate, has never had an interview in the medical field. She works for the Massachusetts Bay Transportation Authority.

91. Corinthian's representations to consumers and prospective Massachusetts students between 2009 and the present concerning placement services were false and material and were made for the purpose of, and had the effect of, inducing students to enroll in Everest MA programs and providing access to tuition and fee monies acquired by Corinthian.

E. False and/or Misleading Representations Concerning Financial Aid and Debt Collection Practices

92. Since at least 2009 through the present, Corinthian has misrepresented to or concealed from consumers and students information related to students' financial aid. Student 43 (Everest-Brighton) stated, "[t]he amount of money they wanted wasn't what was disclosed to me as I signed up." Student 44 (Everest-Brighton) said, "[they] did not talk to me [about the program] at all. . . . [Did] not tell me school loan would cost \$3000 extra." Student 45 (Everest-Brighton) reported that she "[n]ever got how I was paying for loans I never saw. I believe I was approved for loans but I didn't personally receive it. I was pregnant and didn't finish the program." Student 46 (Everest-Brighton) said, "[they] trick you really quick with the way they explain paying for sch[ool] is 'so easy' and in a blink of an eye you're signing for loans you can't pay back. In my opinion I'm really upset with myself for letting Everest fool me into enrolling. My program wasn't worth \$15,000+ for an 8 mos. program that doesn't involve job placement. I'm in a lot of debt without a position not pertaining to sch[ool] and very upset. I'm not the only person who feels like this."

93. Students also make payments to Everest MA schools that are not credited to their accounts. According to Student 43, she made weekly payments of \$20 to the school. She never

received a receipt for these payments. Later, Everest-Brighton staff said they had no record of any payments made while Student 43 was enrolled. Student 8 said, "I was also paying a fee between \$25.00 and \$30.00 per month to Everest [Chelsea] and was told this would be credited toward my loan. I do not believe this money was ever credited toward my loan balance."

94. Corinthian's representations to consumers and prospective Massachusetts students between 2009 and the present concerning financial aid were false and material and were made for the purpose of, and had the effect of, inducing students to enroll in Everest MA programs and providing access to tuition and fee monies acquired by Corinthian.

F. Unfair Recruitment and Enrollment of Students Unable to Benefit from Everest MA Programs

95. In seeking to maximize the volume of enrollees, Corinthian has recruited students with criminal backgrounds, students who do not speak or understand English, and students who lack high school diplomas and cannot meet the requirements of the Ability to Benefit ("ATB") program under federal law. The students Everest improperly admits do not benefit from the educational program and/or cannot secure employment in their fields of study.

96. Former Everest-Brighton President Steve Bonkowski stated: "Shortly after I joined Everest Brighton, I fired the Director of Admissions, Sadie Burnham, in an effort to address the school's accreditation problem with retention. Ms. Burnham's recruitment philosophy as Director of Admissions was 'asses in classes'; she attempted to maximize the school's enrollment, without concern for whether the enrollees were adequately prepared for the program or were in a position to be able to complete the training. Many of these enrollees would not last a month after enrollment before dropping out."

1. Recruitment and enrollment of students with criminal backgrounds

97. At various times between 2009 and the present, Corinthian has recruited and enrolled in Everest MA medical and massage therapy programs students who have criminal records. According to former Director of Education Denise Garrow-Pruitt, “the school was admitting students who had criminal records within Massachusetts’ Criminal Offender Record Information (CORI) system. This was a particular concern because I know from my experience in the medical field that hospitals and other medical employers will not hire someone who cannot pass a CORI check. I did not think it was appropriate for Everest Brighton to admit students with CORI records because their records would make it impossible for these students to benefit from the Everest Brighton program.”

98. Student 29 (Everest-Chelsea) stated, “[w]hen I finished the 10 month course and tried to get work I could not at a medical facility due to my DUI. They promised it would be okay! And would not effect [sic] job opportunity.” Student 2 described how “[a]nyone can get enroll[ed] in three days without checking your background. Many students go high to class. People who [have] been in prison and still doing many bad things on the streets had gone to Everest.”

99. Everest MA’s recruitment and/or admission of students who, as a result of their criminal records, cannot benefit from their education by obtaining employment in their fields of study, is an unfair or deceptive act or practice.

2. Recruitment and enrollment of students who do not speak English

100. At various times between 2009 and the present, Corinthian has recruited and enrolled students who do not speak or understand English, and cannot read or understand

enrollment or course materials. Corinthian does not offer language courses at its Everest MA schools.

101. At enrollment at Everest-Brighton, Student 47 was required to sign documents in English she could not read. Through a translator, she provided the following statement: “[a]lthough I didn’t understand the content of most of the forms, I was asked to sign. As I was eager to attend the class, finish the course and get job, I signed. . . . At the orientation for admission and thereafter, I was told I will get the needed help to finish the program. I was also told the school will assist me with job placement after graduation. It was with this understanding that I got a loan payable to the school. But the school after receiving all the money from the Department of Education and other sources, it seems, mission accomplished for them. They were not interested to give me the assistance I needed, they didn’t have the professional ethics to do their job.” After attending Everest-Brighton for a month, Everest MA employees told her she was doing well, but after four months she was expelled from the school: “[t]he Ethiopian community Mutual Assistance Association also tried to talk to the education director but he refused to talk [to] me nor to my community representative. The education director’s behavior was unprofessional to say the least. . . . I consider it an act of bad business practice, taking money from the government promising something they don’t deliver. From the letters I received from the institute as well as Corinthian Schools, Inc. the institute has received \$9782.00 from the loan taken out on my behalf. There is also \$1850.00 the school got on a grant.” When the student and her translator went to Everest-Brighton following her unexplained dismissal, they were escorted from the building and told the police would be called if they did not leave. They followed the visit with a letter, but received no response.

102. Everest MA's recruitment and/or admission of students who, as a result of their inability to speak or understand English, cannot benefit from their education or obtain employment in their fields of study, is an unfair or deceptive act of practice.

3. Recruitment and enrollment of students lacking a high school diploma

103. Beginning in 2009 or earlier and continuing through 2011 or 2012, Corinthian improperly enrolled students without high school diplomas (or GEDs) who did not meet the standards of the Ability to Benefit ("ATB") program. As indicated in Everest MA's 2010-2011 school catalog, the ATB program provided under federal law that

"[s]tudents who do not have a high school diploma or its recognized equivalent may still be admitted into certain diploma programs at the school, as long as they are past the age of compulsory school attendance in Massachusetts. However, before the school can accept a prospective student who is seeking federal financial aid and who does not have a high school diploma or its recognized equivalent, federal law requires the school to determine whether the student has the ability to benefit (ATB) from training at the institution. Federal law requires that the school made the ability to benefit determination on the basis of the applicant's score on an ATB exam. The school will admit under the Ability to Benefit policy applicants who provide an official score report that meets of [sic] exceeds the passing scores as specified in the federal register on the CPAT, COMPASS, or Wonderlic."

104. Nationwide, about a quarter of Corinthian students in 2009 were ATB students who did not have high school diplomas. In 2010 the number was about 15%.

105. Corinthian enrolled numerous ATB students who did not meet the federal standard for ATB admission. Admissions representatives at Everest MA schools provided answers to the entrance exam or otherwise assisted students in passing tests they would otherwise have failed. Student 26, who did not graduate from high school or have a GED, stated that the Everest-Brighton test administrator looked over her shoulder, pointing out incorrect

answers and providing the correct ones as she was taking the exam, in order to ensure that she passed.

106. While Corinthian stated publicly in its annual report that it stopped admitting ATB students on September 1, 2010, according to Everest MA employee Denise Garrow-Pruitt, Everest-Brighton continued to admit ATB students after this date. But “Everest Brighton had eliminated the necessary support for such ATB students at the school. A number of these students were foreign, and many of them had difficulty with English, but Everest Brighton did not provide English as a Second Language (ESL) support for these students. In addition, the school no longer helped the ATB students obtain their GEDs while enrolled at Everest Brighton. . . . For students in Everest’s Medical Assistant Program, having a GED or high school diploma is critical because hospitals and other medical employers in Massachusetts will not hire a person without either a GED or high school diploma.”

107. Everest MA’s recruitment and/or enrollment of students who cannot benefit from their education or obtain employment in their fields of study, is an unfair or deceptive act of practice.

G. Corinthian Created, Guaranteed, Funded, and Steered Students to Unfair Private Student Loans

108. In or about 2008 Corinthian created a private student loan program in concert with Genesis Lending Services, Inc. (“Genesis”), under which Corinthian paid Genesis to market, manage, service, and collect loans to students, including students at Everest MA schools, made by a bank affiliated with and/or working together with Genesis. Corinthian had an obligation to acquire the Genesis program student loans, except in certain limited circumstances where Genesis did not comply with the terms of the agreement with Corinthian. Under the

Genesis arrangement, Corinthian guaranteed, facilitated, and ultimately funded student loans at Everest MA schools.

109. The Genesis program was created primarily to lend money to subprime borrowers with low credit scores. Genesis borrowers at Everest MA schools were typically unable to obtain private loans from financial institutions in order to attend Everest MA schools.

110. On June 29, 2011, Corinthian entered into a loan origination agreement with ASFG, LLC (which changed its name in July 2013 to Campus Student Funding, LLC) (“ASFG”) to create a new private loan program for students. As with the Genesis program, under the ASFG loan program Corinthian pays ASFG to make loans to students at Everest MA schools. In addition, pursuant to a backup loan purchase agreement entered into in connection with the loan origination agreement, Corinthian guarantees to purchase any Everest MA student loan from ASFG on which no payment has been made for over 90 days.

111. The Genesis and ASFG programs were created in order to aid Corinthian in purporting to, and enabled Corinthian to purport to, comply with the federal government’s 90-10 rule, which prohibits schools from acquiring more than 90% of their funding from federal Title IV sources. Many Corinthian students have no assets and are unable to contribute to the cost of a Corinthian course, and therefore must also take out supplemental private loans.

112. Between 2008 and the present, Corinthian has steered a substantial number of Everest MA students into Genesis and ASFG program loans for private loans. In 2008, about half of the students starting in Everest MA programs obtained Genesis loans, in 2009 a third. The vast majority of these students were placed in Genesis’s so-called Access Payment Plan. In 2008–2009, Genesis Access loans for subprime borrowers (FICO scores less than 640) had interest rates of 16 to 18% and origination fees of 6%.

113. Beginning in 2012, Corinthian steered a substantial number of Everest MA students into so-called Plan C loans. Plan C loans have interest rates for subprime borrowers of about 15%, and origination fees of 3 to 6%.

114. Genesis and Plan C loans are more expensive for students than federal student loans. Federal loans have substantially lower interest rates (currently about 4%, in 2008–2009, between 5 and 7%) and substantially lower origination fees (currently about 1%, in 2008–2009 between 1 and 2%).

115. In 2008, Corinthian steered 455 Everest MA students into private student loans under the Genesis program. In 2009, Corinthian steered 328 Everest MA students into private student loans under the Genesis program.

116. By January 2013, about 70% of the Everest MA students steered by Corinthian into the private loan program managed by Genesis in 2008 and 2009 had defaulted on their Genesis loans.

117. Corinthian has regularly reviewed the default and delinquency characteristics of loans in the Genesis program. Between 2008 and the present, when Corinthian steered Everest MA students into the Genesis and ASFG loan programs, and when it funded and/or acquired individual Everest MA loans from the Genesis and ASFG programs, Corinthian knew or should have known that student borrowers at Everest MA schools were unable to repay the loans in accordance with their terms.

118. Corinthian's creation, guarantee, and funding of loan programs to provide private subprime loans to Everest MA students between 2008 and the present, and Corinthian's steering of Everest MA students into loans Corinthian knew or should have known were unable to be repaid in accordance with their terms is an unfair or deceptive act or practice.



CAUSES OF ACTION

**Count One**

(Violations of G.L. c. 93A)

119. The Commonwealth repeats and realleges paragraphs 1 through 118 of the Complaint.

120. Corinthian has engaged in unfair or deceptive acts or practices in violation of G.L. c. 93A, § 2. Such unfair or deceptive acts or practices include without limitation the following:

- A. Corinthian made false and/or misleading representations to Massachusetts consumers and prospective students concerning the urgency of enrollment and the need to enroll immediately in Everest MA schools, in violation of G.L. c. 93A, §2.
- B. Corinthian made false and/or misleading representations to Massachusetts consumers and prospective students concerning the nature, character, and scope of its training programs and the quality of instruction offered at its Everest MA schools, in violation of G.L. c. 93A, §2.
- C. Corinthian made false and/or misleading representations to Massachusetts consumers and prospective students regarding the transferability of credits earned at Everest MA schools, in violation of G.L. c. 93A, §2.
- D. Corinthian made false and/or misleading representations to consumers and to prospective students concerning the availability of externships and the training provided by and employment opportunities accompanying externships for students at Everest MA schools, in violation of G.L. c. 93A, § 2.
- E. Corinthian made false and/or misleading representations to Massachusetts consumers, to prospective students, and to its accreditor concerning job placement by falsely promising students jobs, and by manipulating and artificially inflating its historical Everest MA job placement rates in reports to its accreditor and in statements and marketing to prospective students and the public, in violation of G.L. c. 93A, §2.
- F. Corinthian made false and/or misleading representations to Massachusetts consumers and prospective students concerning Everest MA placement services, in violation of G.L. c. 93A, §2.
- G. Corinthian made false and/or misleading representations to consumers and prospective students concerning the wages or salaries they would earn on graduation from Everest MA programs, in violation of G.L. c. 93A, §2.

- H. Corinthian made false and/or misleading representations concerning financial aid at its Everest MA campuses, in violation of G.L. c. 93A, §2.
- I. Corinthian unfairly recruited and enrolled students it knew or should have known were unable to benefit from their Everest MA education and/or were unable to obtain jobs in their fields of study, in violation of G.L. c. 93A, §2.
- J. Corinthian unfairly created, guaranteed, funded, and steered private loans to subprime Everest MA student borrowers whom Corinthian knew or should have known were unable to repay the loans in accordance with their terms, in violation of G.L. c. 93A, §2.

121. Corinthian's false and/or misleading representations to consumers, prospective students, and others were material and deceived or had the tendency or capacity to deceive or mislead potential and existing customers, inducing consumers to enroll at Everest MA campuses and to provide tuition and fee monies to Corinthian.

122. Corinthian knew or should have known that the representations made to consumers, prospective students, and others were false and/or misleading. Corinthian knew or should have known that its acts or practices were unfair and deceptive acts in violation of G.L. c. 93A, § 2.

123. Corinthian acquired tuition and fee monies by reason of its unfair or deceptive acts or practices, causing students to suffer an ascertainable loss by paying out funds and/or incurring student loan debts.

124. Corinthian's unfair or deceptive acts and practices resulted in harm to consumers.

## Count Two

(Violations of 940 CMR 3.10 and 3.16)

125. The Commonwealth repeats and realleges paragraphs 1 through 124 of the Complaint.

126. Corinthian has engaged in unfair or deceptive acts or practices in violation of 940 CMR 3.10 and 3.16. Such unfair or deceptive acts or practices include without limitation the following:

- A. Corinthian made false or deceptive statements or representations or statements or representations that have the tendency or capacity to mislead or deceive students, prospective students, or the public in its promotional materials, on its websites, and in recruiting statements by Corinthian employees concerning the character, nature, quality, value, and scope of its training programs offered at its Everest MA campuses, and its influence in obtaining employment for students of the Everest MA campuses, in violation of 940 CMR 3.10 (1) and 3.16 (2).
- B. Corinthian made false or deceptive statements or representations or statements or representations that have the tendency or capacity to mislead or deceive students, prospective students, or the public regarding actual or probable earnings and opportunities available to students and graduates of the Everest MA schools, in violation of 940 CMR 3.10 (2) and 3.16 (2).
- C. Corinthian made false or deceptive statements or representations or statements or representations that have the tendency or capacity to mislead or deceive students, prospective students, or the public concerning opportunities available in the students' field of study as a result of the completion of programs offered at the Everest MA schools, in violation of 940 CMR 3.10 (3) and 3.16 (2).
- D. Corinthian made false or deceptive statements or representations or statements or representations that have the tendency or capacity to mislead or deceive students, prospective students, or the public regarding services to be rendered in connection with securing or attempting to secure employment for students of the Everest MA schools, in violation of 940 CMR 3.10 (4) and 3.16 (2).
- E. Corinthian made false or deceptive statements or representations or statements or representations that have the tendency or capacity to mislead or deceive students, prospective students, the public, and its accreditor concerning job placement by falsely promising students jobs, and by manipulating and artificially inflating its Everest MA job placement rates in reports to its accreditor and in oral and written

statements to prospective students and the public, in violation of 940 CMR 3.10 (1), (3) and 3.16 (2).

- F. Corinthian made false or deceptive statements or representations or statements or representations that have the tendency or capacity to mislead or deceive students, prospective students, or the public by falsely representing that enrollment opportunities were for a limited time and/or for certain exclusively qualified applicants, in violation of 940 CMR 3.10 (5), (6) and 3.16 (2).
- G. Corinthian made false or deceptive statements or representations or statements or representations that have the tendency or capacity to mislead or deceive students, prospective students, or the public concerning the availability of externships and the training provided by and employment opportunities accompanying externships for students at Everest MA schools, in violation of 940 CMR 3.10 (16) and 3.16 (2).
- H. Corinthian made false or deceptive statements or representations or statement or representations that have the tendency or capacity to mislead or deceive students, prospective students, or the public concerning the transfer of credit for students at Everest MA schools, in violation of 940 CMR 3.10 (16) and 3.16 (2).
- I. Corinthian made false or deceptive statements or representations or statement or representations that have the tendency or capacity to mislead or deceive students, prospective students, or the public concerning the financial aid available to students at Everest MA schools, in violation of 940 CMR 3.10 (16) and 3.16 (2).
- J. Corinthian induced the enrollment and/or retention of students at its Everest MA campuses whom Corinthian knew, or had reason to know, were unfit, by reason of educational or permanent physical disqualification, or other material disqualification, in violation of 940 CMR 3.10 (17) and 3.16 (1), (2).
- K. Corinthian unfairly created, guaranteed, funded, and steered private loans to subprime student borrowers whom Corinthian knew or should have known were unable to repay the loans in accordance with their terms, in violation of 940 CMR 3.16 (1), (2).

127. Corinthian's false and/or misleading representations to consumers, prospective students, and others were material and deceived or had the tendency or capacity to deceive or mislead potential and existing customers, inducing consumers to enroll in Everest MA schools and to provide tuition and fee monies to Corinthian.

128. Corinthian knew or should have known that the representations to consumers, prospective students, and others were false and/or misleading. Corinthian knew or should have known that its acts or practices were unfair or deceptive in violation of 940 CMR 3.10 and 3.16.

129. Corinthian acquired tuition and fee monies by reason of its unfair or deceptive acts or practices, causing students to suffer an ascertainable loss.

130. Corinthian's unfair or deceptive acts and practices resulted in harm to consumers.

#### RELIEF REQUESTED

WHEREFORE, the Commonwealth requests that this Court:

A. Issue a permanent injunction restraining Corinthian, its agents, employees, and all other persons and entities, corporate and otherwise, in active concert or participation with any of them from:

- i. making false and/or misleading representations to the public and to prospective and current students concerning the nature, character, quality, value and scope of its educational programs,
- ii. making false and/or misleading representations to the public, to prospective and current students, and/or to its accreditor concerning job placement and career services, including its influence in obtaining employment in students' field of study, its historical success in finding jobs for students in their field of study, and opportunities available for students in their field of study,
- iii. making false and/or misleading representations to the public and to prospective and current students concerning actual or probable earnings and opportunities available to students and graduates of the Everest MA schools,

- iv. making false and/or misleading representations to the public and to prospective and current students concerning the assistance it provides to students in obtaining employment in their field of study,
- v. making false and/or misleading representations to the public and to prospective and current students concerning the availability of externships and the training provided by and employment opportunities accompanying externships,
- vi. making false and/or misleading representations to the public and to prospective and current students concerning financial aid,
- vii. making false and/or misleading representations to the public and to prospective and current students that enrollment opportunities are for a limited time and/or for certain exclusively qualified applicants,
- viii. making false and/or misleading representations to the public and to prospective and current students concerning the transfer of credit for students at Everest MA schools,
- ix. enrolling or retaining students at its Everest MA campuses who are unfit, by reason of educational or permanent physical disqualification, or other material disqualification,
- x. creating, guaranteeing, funding and steering private loans to subprime student borrowers who are unable to repay the loans in accordance with their terms,
- xi. failing to disclose material information to the public and to prospective and current students concerning placement, externships, financial aid, and the nature, character, and scope of its educational programs.

B. Order Corinthian to make full and complete restitution to current and former students at Everest MA schools, including but not limited to the repayment to students of all tuition monies acquired by Corinthian as a result of its unfair or deceptive acts or practices.

C. Order Corinthian to pay the Commonwealth civil penalties of \$5,000 for each violation of G.L. c. 93A, § 2, and costs, including reasonable attorneys' fees, pursuant to G.L. c. 93A, § 4.

D. Grant such other and further relief as this Court deems just and proper.

Dated: April 3, 2014

Respectfully submitted,

COMMONWEALTH OF MASSACHUSETTS

MARTHA COAKLEY  
ATTORNEY GENERAL

By:   
Glenn Kaplan, BBO #567308  
Peter Leight, BBO #631580  
Assistant Attorneys General  
Office of the Attorney General  
One Ashburton Place  
Boston, MA 02108  
(617) 727-2200