

VT SUPERIOR COURT
STATE OF VERMONT
SUPERIOR COURT
WASHINGTON COUNTY

STATE OF VERMONT,
Plaintiff

2015 NOV 16 P 12:43)

CIVIL DIVISION

Docket No. 726-11-15

wncv

v.

EDUCATION MANAGEMENT CORPORATION,)
ARGOSY UNIVERSITY OF CALIFORNIA LLC,)
SOUTH UNIVERSITY, LLC,)
BROWN MACKIE EDUCATION II LLC, AND)
THE ART INSTITUTES INTERNATIONAL II LLC,)
Defendants.)

COMPLAINT

The State of Vermont, through Attorney General William H. Sorrell, acting pursuant to the authority of Vermont's Consumer Protection Act, 9 V.S.A. Chapter 63 ("the Consumer Protection Act"), files this action against defendants Education Management Corporation, Argosy University of California LLC, South University, LLC, Brown Mackie Education II LLC, and The Art Institutes International II LLC (collectively, "EDMC"), and in support of its claim states as follows:

INTRODUCTION

1. EDMC is a for-profit educational institution that operates online and on ground schools including Argosy University, Brown Mackie College, The Art Institutes, and South University.
2. As of October 2014, EDMC had approximately 112,430 enrolled students online and at its 110 locations in 32 U.S. States and Canada.
3. EDMC has engaged in deceptive and misleading student solicitations touting educational benefits that were available to too few EDMC students.

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4. EDMC has engaged in unfair and deceptive acts and practices against its students and prospective students, including but not limited to misrepresenting job placement rates and graduation rates for students.

5. The Attorney General brings this action pursuant to the Consumer Protection Act, 9 V.S.A. Chapter 63, in the public interest, to protect the public's health, safety and welfare and pursuant to his general statutory and common law authority powers and duties pursuant to 9 V.S.A. § 2458. The Attorney General has reason to believe that the above-named Defendants have violated and/or are continuing to violate the Consumer Protection Act. The Attorney General also has reason to believe that this action is in the public interest.

6. The Attorney General brings this action under the Consumer Protection Act to seek a court order barring EDMC from misleading Vermont students and reforming its business practices to comply with 9 V.S.A. § 2453(a).

PARTIES

7. Plaintiff, the State of Vermont, through Attorney General William H. Sorrell, is specifically authorized under the Consumer Protection Act, 9 V.S.A. § 2458(a), to sue to enforce the Consumer Protection Act's prohibitions on unfair and deceptive practices in commerce.

8. Defendant EDMC is a Pennsylvania corporation with its corporate headquarters at 210 Sixth Avenue, 33rd Floor, Pittsburgh, Pennsylvania, and is one of the largest for-profit higher education companies in the United States.

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JURISDICTION

9. The Attorney General of Vermont has the authority to initiate an action for consumer fraud in violation of the Consumer Protection Act.

10. This Court has jurisdiction over the Defendant because the Defendant transacted business within the State of Vermont at all times relevant to this Complaint.

VENUE

11. Venue is proper in Washington County Superior Court, because Defendant conducted business in Vermont and one or more of the victims reside in Vermont.

COMMERCE

12. The term "commerce" is intended to be construed as per the construction of similar terms contained in Section 5(a)(1) of the Federal Trade Commission Act, pursuant to 9 V.S.A. § 2453(b)

13. EDMC was, at all times relative hereto, engaged in trade or commerce in the State of Vermont by marketing, selling, and promoting its educational offerings.

FACTUAL ALLEGATIONS

EDMC Used High Pressure, Deceptive and Unfair Recruiting Tactics

14. Defendants targeted prospective students for high pressure recruitment, including many students Defendants knew or reasonably should have known would not likely benefit from an education at its educational institutions.

15. Defendants high-pressured prospective students to enroll upon their first contact with Defendants' recruiters.

16. Defendants made emotional pitches to recruits to pressure them to enroll.

17. Defendants misled prospective students about program costs, emphasizing cost per credit hour and other generalities rather than disclosing total costs to complete a program.

18. Defendants falsely claimed students would earn substantially higher incomes through obtaining Defendants' degrees than Defendants knew its graduates actually earned.

EDMC made false claims regarding program accreditation

19. In connection with the solicitation of prospective students, Defendants inaccurately claimed that certain of their programs were accredited by a programmatic accreditor necessary for a student to obtain licensure in their profession.

20. In connection with the solicitation of prospective students, Defendants inaccurately claimed that they were seeking to have certain programs accredited.

EDMC Misrepresented Job Placement Data to Students and Prospective Students

21. Defendants engaged in deceptive and unfair practices in calculating disclosed job placement rates, including but not limited to:

a. misrepresenting EDMC graduates who worked only temporarily as having been "employed," based, for example, on a single day of work;

b. misrepresenting EDMC graduates as having been "placed in field" although the employment in question was at a level below that of the graduates' fields of study, including but not limited to a graduate with an AA in Business Management based on employment as a Customer Service Representative at a retail store and a

graduate with an Accounting diploma based on employment as a cashier at a fast food restaurant.

EDMC Accepted Leads Obtained Through Deceptive Means

22. Defendants accepted and paid for prospective student referrals from third party lead generators who operated online and who Defendants knew or reasonably should have known obtained leads through deceptive practices and then recruited students based on those leads.

EDMC Maintained an Unfair Refund Policy

23. Defendants' tuition refund policy unfairly charged students for classes that commenced after they withdrew from Defendant's school.

24. The deceptive and unfair practices cited in paragraphs 14-21 above led to certain Vermont students enrolling in and becoming indebted for Defendant's educational courses.

CAUSE OF ACTION: UNFAIR AND DECEPTIVE TRADE PRACTICES

25. Paragraphs 1 through 24 are incorporated herein by reference.

26. Defendants engaged in unfair and deceptive trade practices in commerce in violation of the Vermont Consumer Protection Act, 9 V.S.A. § 2453(a), including:

- a. engaging in deception in connection with its solicitations for enrollment in educational courses, as set forth in paragraphs 17-22.
- b. engaging in misrepresentation in connection with its solicitations for enrollment in educational courses, as set forth in paragraphs 17-20.

- c. engaging in unfair practices in connection with its solicitations for enrollment in educational courses as set forth in paragraphs 14-24.

REQUEST FOR RELIEF

WHEREFORE, PLAINTIFF respectfully requests:

A. That the Court issue a permanent injunction enjoining Defendants and (as applicable) each of Defendants' directors, officers, principals, partners, employees, agents, representatives, subsidiaries, affiliates, successors, assigns, merged or acquired predecessors, parent or controlling entities, and all other persons, corporations, or other entities, acting in concert or participating with the Defendants who have actual or constructive notice of the Court's injunction from engaging in deceptive, misleading, and unfair practices or otherwise violating the Consumer Protection Act as alleged herein.

B. That the Court expand the provisions of the injunctions as necessary by including such "fencing in" provisions as are reasonably necessary to ensure that the Defendants and other enjoined persons and entities do not return to the unlawful practices alleged herein, or commit comparable violations of law.

C. That the Court enter judgment against the Defendants for amounts necessary to restore to all affected persons all money acquired by means of acts or practices that violate the Consumer Protection Act.

D. That the Court enter judgment against the Defendants for mandatory attorney fees, state's costs, and court costs.

E. That the Court grant such additional relief as the Court deems just and equitable.

Dated: November 16, 2015

Respectfully submitted,

FOR THE STATE OF VERMONT

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