

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

UNITED STATES OF AMERICA, *ex rel.*

SAPHRONIA BOYD,

RUTHIE PARKER,

and

STANLEY WATTS,

Relators,

v.

CORINTHIAN COLLEGES, INC.,

CORINTHIAN SCHOOLS, INC.,

FLORIDA METROPOLITAN
UNIVERSITY, INC.,

and

RHODES COLLEGES, INC.,

Defendants.

1:14-cv-06620

Judge Ruben Castillo

N Magistrate Judge Jeffrey T. Gilbert

COMPLAINT (FALSE CLAIMS ACT)

FILED UNDER SEAL PURSUANT TO
31 U.S.C. § 3730(b)(2)

JURY TRIAL DEMANDED

N
FILED

AUG 27 2014

THOMAS G BRUTON
CLERK, U S DISTRICT COURT

NATURE OF THE ACTION

1. Relators Saphronia Boyd, Ruthie Parker, and Stanley Watts bring this civil action on behalf of themselves and the United States of America (“United States”) against Corinthian Colleges, Inc., its wholly-owned subsidiaries Corinthian Schools, Inc. and Rhodes Colleges, Inc., and Rhodes Colleges, Inc.’s wholly-owned subsidiary Florida Metropolitan University, Inc. (collectively, “Corinthian” or “Defendants”) to recover, under the False Claims Act, 31 U.S.C. §§ 3729, *et seq.*, damages sustained by and penalties owed to the United States. These damages and penalties are the result of Corinthian having knowingly presented or caused to be presented to the United States Department of Education (“DOE”) millions of dollars of false claims for payment of federal student financial aid. Corinthian continues to present such claims.

2. The claims for payment were and continue to be false because Corinthian would not be eligible for student financial aid funds but for its express commitment to DOE to refrain from racial discrimination. That commitment was knowingly false when made because Corinthian knew that it was engaged in a predatory practice constituting unlawful racial discrimination: deliberately targeting African Americans to enroll in expensive sham educational programs. This is a form of “reverse redlining” analogous to the unlawful targeting of minorities for predatory subprime mortgage loans in recent years.

3. Specifically, Corinthian has made the false claims addressed in this Complaint in connection with the Merrionette Park campus of Everest College, a for-profit vocational college it has owned and operated in Cook County, Illinois since October 2005. Nearly all of Corinthian’s revenue from the Merrionette Park campus has come directly from the United States, or has been guaranteed and subsidized by the United States, under Title IV of the Higher

Education Act of 1965, 20 U.S.C. §§ 1070, *et seq.* (“HEA”). Nearly three-quarters of Corinthian’s Merrionette Park students are African-American.

4. Relators were formerly employed as admissions, recruitment, and instructional staff at the Merrionette Park campus.

5. To secure HEA funds for the Merrionette Park campus, Corinthian explicitly promises the United States that it will not violate Title VI of the Civil Rights Act of 1964, 42 U.S.C. §§ 2000d, *et seq.* (“Title VI”). Title VI forbids racial discrimination by schools whose students use HEA funds to pay to attend.¹ Corinthian makes this promise every few years by entering into Program Participation Agreements (“PPAs”) with DOE that apply to the Merrionette Park campus. This commitment is an absolute prerequisite to eligibility for receipt of HEA funds. Without a PPA between Corinthian and DOE covering the Merrionette Park campus, students at the campus would be ineligible to receive HEA funds to pay Corinthian’s high tuition and other charges.

6. Contrary to Corinthian’s commitment in the PPAs, it systematically and intentionally targets African Americans for enrollment at its Merrionette Park campus while utterly failing to provide its Merrionette Park students with a remotely appropriate or adequate education.

7. To the best of Relators’ knowledge and belief, during the last six years (the “False Claims Period”) Corinthian has improperly received millions of dollars in HEA funds for Merrionette Park students directly from the United States as a result of its false statements, claims, and certifications to the United States regarding Title VI compliance. During the False

¹ “No person in the United States shall, on the ground of race, color, or national origin . . . be subjected to discrimination under any program or activity receiving Federal financial assistance.” 42 U.S.C. § 2000d. HEA funds constitute “Federal financial assistance.”

Claims Period, Corinthian has also improperly received millions of additional dollars for its Merrionette Park students from private lenders whose funds were guaranteed and subsidized by the United States under HEA programs; these funds were also received as a result of Corinthian's false statements, claims, and certifications. *See infra* ¶¶ 25, 48 n.3. Corinthian's Merrionette Park students generate over \$8 million in HEA funds annually for Defendants. The HEA grants Corinthian has received for Merrionette Park students are not subject to repayment, and many of the HEA loans have gone into default.

8. Students use these HEA funds to pay approximately \$16,000 to \$20,000 for the eight-month healthcare-related vocational programs offered by Corinthian at the Merrionette Park campus. These programs are in fields such as medical assistant, medical insurance billing and coding, and massage therapy, among others. Though technically awarded to the students or occasionally their parents, the HEA funds almost always go directly to Corinthian which credits the funds to the students' accounts to pay for these programs.

9. Despite the high cost, the programs offered at the Merrionette Park campus provide little if any value to students seeking improved career prospects. Among other failings, students are regularly assigned teachers who are not competent to teach the subjects they are assigned to teach; teachers routinely do not even try to teach their classes; the school fails to provide adequate supplies of basic materials required for training; and the school fails to maintain in working order medical equipment needed for training. As a direct result of the abysmal education provided at Merrionette Park, when students perform internships near the end of their Corinthian programs, the medical professionals at the internship sites regularly find that the students are unprepared, uninformed, and unable to perform basic tasks that students should

be able to perform. In the end, the students leave school with large debts but without enhanced vocational skills, career prospects, or earning capacity.

10. Corinthian targets African Americans for enrollment in its sham “educational” programs at its Merrionette Park campus because it believes, based on discriminatory stereotypes, that they are especially vulnerable to the school’s emotionally manipulative and deceptive sales tactics. It does so in a number of ways, including by using entirely or predominantly African-American admissions and instructional staffs; setting up a recruitment program to identify and focus on disproportionately African-American high schools, complete with software to provide each area high school’s racial demographics; and placing marketing materials in areas where they will reach a disproportionately large African-American audience. Racial targeting is a core component of Corinthian’s business model for the Merrionette Park campus.

11. Corinthian similarly targets economically disadvantaged individuals for enrollment at its Merrionette Park campus.

12. The Merrionette Park campus is overwhelmingly African-American as a direct result of Corinthian’s pattern and practice of deliberately targeting African Americans and people who are economically disadvantaged for enrollment at the campus. Only 13.8% of the Merrionette Park students are white but 71.9% are African-American (an additional 10% of the students are Latino, 0.5% are Asian, 2.4% are two or more races, and the race of 1.4% is unknown).² The racial demographics of the Merrionette Park campus have been consistent throughout the False Claims Period.

² “White” is used herein to refer to non-Hispanic Caucasians.

13. The demographics of the area do not explain the extraordinarily high enrollment of African Americans at the Merrionette Park campus. To the contrary, the campus is located in a majority white area. Of the approximately 26,000 people who live in census tracts within one mile of the campus, 70.7% are white and only 15% are African-American. Within 2 miles, there are approximately 71,000 people; 66% are white and only 24.2% are African-American. Of the approximately 313,000 people within 5 miles of the campus, 51.8% are white and only 40.3% are African-American.

14. A comparable disparity remains even after limiting the population to people over 25 years old who have completed high school or have a GED certificate but no higher education experience (*i.e.*, people likely to be interested in for-profit vocational colleges). In the census tracts within one mile of the Merrionette Park campus, only 9.3% of this population is African-American. Within two miles, it is only 18.6%, and within five miles it is only 35.7%.

15. A similar disparity exists when limiting the population to households with an income below \$25,000 or below \$35,000 (*i.e.*, another segment of the population likely to be interested in for-profit vocational colleges). In the census tracts within one mile of the Merrionette Park campus, only 12% of the population with household income below \$25,000 is African-American. Within two miles, it is only 32.9%, and within five miles it is only 49.1%. In the census tracts within one mile of the Merrionette Park Campus, only 17% of the population with household income below \$35,000 is African-American. Within two miles, it is only 33.1%, and within five miles it is only 46.3%.

16. The demographic data described in ¶¶ 12 to 15 above, as well as additional data about the white population, is summarized in this chart:

	Everest College - Merrionette Park Campus		
Student Body			
African-American	71.9%		
White	13.8%		
Latino	10.0%		
Asian	0.5%		
Two or more races	2.4%		
Race Unknown	1.4%		
	Within 1 Mile of the Merrionette Park Campus	Within 2 Miles of the Merrionette Park Campus	Within 5 Miles of the Merrionette Park Campus
Total Population			
African-American	15.0%	24.2%	40.3%
White	70.7%	66.0%	51.8%
Population over 25 Years Old with a High School Degree or GED Only			
African-American	9.3%	18.6%	35.7%
White	84.9%	77.3%	57.9%
Population with a Household Income below \$25,000			
African-American	12.0%	32.9%	49.1%
White	82.8%	63.8%	47.2%
Population with a Household Income below \$35,000			
African-American	17.0%	33.1%	46.3%
White	77.5%	61.9%	48.5%

17. In short, Corinthian has achieved an overwhelmingly African-American student body at Merrionette Park despite, not because of, residential living patterns that would suggest a majority-white campus. This buttresses Relators' allegations herein that Corinthian's repeated commitments to abide by Title VI, set forth explicitly in its PPAs with the federal government, were and remain false.

18. Corinthian's disproportionate enrollment of African Americans at Merrionette Park is consistent with the minority enrollment pattern at the many other for-profit colleges it owns across the country. At the vast majority of its schools, African Americans and Hispanics constitute the majority of students and outnumber whites by a wide margin.

19. Each time Corinthian has executed a PPA applicable to Merrionette Park, it has done so knowing and intending at that time that it is not complying with and will not in the future comply with Title VI with respect to the campus. Likewise, each time Corinthian has secured HEA funds from or guaranteed by the United States for Merrionette Park students subsequent to execution of a PPA with DOE, it has done so on the basis of this knowingly false certification in the PPA. Corinthian and the Merrionette Park students would not have secured any HEA funds from the United States, and would not have secured any HEA funds guaranteed and subsidized by the United States, but for Corinthian's false claims of Title VI compliance.

20. As required under the False Claims Act, Relators have served the Attorney General of the United States and the United States Attorney for the Northern District of Illinois with a copy of this Complaint and a written disclosure of substantially all material evidence and information that they possess regarding Corinthian's false claims and certifications. Service was made in accordance with Federal Rule of Civil Procedure 4(i) (formerly 4(d)).

21. Pursuant to the False Claims Act, and on behalf of the United States, Relators seek to recover HEA funds that Corinthian secured through its Merrionette Park students by making false statements to the United States Department of Education, together with treble damages, appropriate civil money penalties, and attorneys' fees and costs. In addition, Relators seek an appropriate share of the proceeds recaptured from Corinthian.

PARTIES

22. Relator Saphronia Boyd is an African-American resident of Elmhurst, Illinois. From approximately July 2007 to March 2009, Ms. Boyd was employed as an instructor in the Medical Assistant program at the Merrionette Park, Illinois location of Everest College.

23. Relator Ruthie Parker is an African-American resident of Homewood, Illinois. From approximately April 2006 to December 2009, and January 2011 to December 2012, Ms. Parker was employed as an admissions representative, senior admissions representative, master admissions representative, and high school recruiter at the Merrionette Park, Illinois location of Everest College. From approximately January 2010 to December 2010, Ms. Parker was employed as a high school recruiter at the location of Everest College in downtown Chicago.

24. Relator Stanley Watts is an African-American resident of Homewood, Illinois. From approximately January 2007 to June 2008, Mr. Watts was employed as an admissions representative at the Merrionette Park, Illinois location of Everest College.

25. The United States of America, on behalf of which Relators bring this action, provides approximately \$30 billion a year in financial aid for students at for-profit colleges under Title IV of the Higher Education Act of 1965, 20 U.S.C. §§ 1070, *et seq.* (“HEA”). These HEA funds come directly from the federal government, primarily in the form of grants and loans. Until the middle of 2010, some of the loans came instead from private lenders but were subsidized by the United States through billions of dollars in loan guarantees and interest subsidies; these federally-subsidized private loans were made under Title IV’s Federal Family Education Loan Program until new lending under this program was discontinued.

26. Defendant Corinthian Colleges, Inc. (“CCI”) is a Delaware corporation with its principal place of business at 6 Hutton Centre Drive, Suite 400, Santa Ana, California, 92707.

CCI is a publicly-traded company on the NASDAQ stock exchange. CCI is registered to do business in Illinois.

27. CCI owns and operates, directly or through wholly-owned subsidiaries, 107 for-profit college locations in the United States and Canada under three brand names: Everest (90 schools), Heald (12 schools), and WyoTech (5 schools). Just under 75,000 students are enrolled at these locations.

28. CCI owns the Merrionette Park, Illinois location of Everest College. The Merrionette Park campus is one of six locations of Everest College in the Chicago area. Technically, the Merrionette Park location is a “branch” campus of one of Corinthian’s “main” campuses – the Pompano Beach, Florida location of Everest University. As a practical and educational matter, however, the Merrionette Park location does not have any special relationship with the Pompano Beach location.

29. Defendant Corinthian Schools, Inc. (“CSI”) is a Delaware corporation with its principal place of business at 6 Hutton Centre Drive, Suite 400, Santa Ana, California, 92707. CSI is a wholly-owned subsidiary of Defendant CCI. CSI operates some or all of CCI’s college locations, including the Merrionette Park, Illinois location of Everest College, on behalf of CCI. CSI also owns the physical campus at which the Merrionette Park, Illinois location of Everest College operates. CSI is registered to do business in Illinois.

30. Defendant Florida Metropolitan University, Inc. (“FMU”) is a Florida corporation with its principal place of business at 6 Hutton Centre Drive, Suite 400, Santa Ana, California, 92707. FMU is registered to do business in Illinois. FMU owned and operated the Merrionette Park, Illinois location of Everest College until, at least, August 1, 2011. FMU is a wholly-owned subsidiary of Defendant Rhodes Colleges, Inc.

31. Defendant Rhodes Colleges, Inc. ("RC") is a Delaware corporation with its principal place of business at 6 Hutton Centre Drive, Suite 400, Santa Ana, California, 92707. RC is a wholly-owned subsidiary of Defendant Corinthian Colleges, Inc.

32. In acting or omitting to act as alleged herein, each Defendant was acting through its employees and/or agents, and is liable on the basis of the acts and omissions of its employees and/or agents.

33. In acting or omitting to act as alleged herein, each employee or officer of each Defendant was acting in the course and scope of his or her actual or apparent authority pursuant to such agencies, or the alleged acts or omissions of each employee or officer as agent were subsequently ratified and adopted by each Defendant as principal.

34. Defendants CSI, FMU, and RC are, and at all relevant times have been, subsidiaries of, controlled by, mere instrumentalities of, and agents of Defendant CCI such that Defendant CCI is liable for their acts alleged herein. At all times relevant herein, each of the Defendants acted as the principal, agent, or representative of each of the other Defendants, and in doing the acts alleged herein, each of the Defendants was acting within the course and scope of its agency relationship with each of the other Defendants, and with the permission and ratification of each of the other Defendants.

JURISDICTION AND VENUE

35. This action arises under 31 U.S.C. §§ 3729, *et seq.* ("the False Claims Act"). This Court has jurisdiction over this case pursuant to 31 U.S.C. §§ 3730(b) and 3732(a). This Court also has jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1345.

36. Venue is proper in this District pursuant to 31 U.S.C. § 3732(a), because the conduct proscribed by the False Claims Act and complained of herein took place in this District,

and is also proper pursuant to 28 U.S.C. § 1391(b) and (c), because the acts and omissions complained of herein occurred in this District, and because, at all times material and relevant, Defendants resided in and transacted business in this District.

FACTUAL BACKGROUND

I. FOR-PROFIT COLLEGES MUST ENTER PROGRAM PARTICIPATION AGREEMENTS WITH THE UNITED STATES DEPARTMENT OF EDUCATION TO BE ELIGIBLE FOR HEA FUNDS

37. There are more than 2,000 for-profit colleges in the country where students who attend are eligible to receive federal financial aid through the United States Department of Education under Title IV of the Higher Education Act of 1965. These schools, also known as “proprietary” schools, must “prepare students for gainful employment in a recognized occupation” to qualify for HEA funds. 34 C.F.R. § 600.5; *see id.* §§ 600.1, 668.8(d)(1)(iii).

38. A for-profit college must also execute a program participation agreement with the United States Secretary of Education to participate in HEA programs. *See* 34 C.F.R. § 668.14. This means that students attending a particular for-profit college are ineligible for Direct Loans, Pell grants, and all other HEA funds and benefits (*i.e.*, all funds and benefits under Title IV of the Higher Education Act of 1965) if the school has not executed a PPA.

39. PPAs state clearly that: “The execution of this Agreement by the Institution and the Secretary is a prerequisite to the Institution’s initial or continued participation in any Title IV, HEA Program.”

40. By executing a PPA, a for-profit college makes a number of express commitments to DOE. These include, among others, that the school:

agrees to comply with [] Title VI of the Civil Rights Act of 1964, as amended, and the implementing regulations, 34 CFR Parts 100 and 101 (barring discrimination on the basis of race, color or national origin);

and

understands and agrees that it is subject to and will comply with the program statutes and implementing regulations for institutional eligibility as set forth in 34 CFR Part 600 and for each Title IV, HEA program in which it participates, as well as the general provisions set forth in Part F and Part G of Title IV of the HEA, and the Student Assistance General Provisions regulations set forth in 34 CFR Part 668.

41. The PPA must be signed on behalf of the for-profit college by its chief executive officer. It must also be signed by an authorized representative of the Secretary of DOE.

42. Corinthian's Pompano Beach location has executed PPAs with DOE that apply to the Merrionette Park campus pursuant to the technical main campus/branch campus relationship between the two locations described above. Together, these PPAs have been operative throughout the False Claims Period. These PPAs were also executed by an authorized representative of the United States Secretary of Education.

II. FOR-PROFIT SCHOOLS HAVE GROWN DRAMATICALLY, RELY HEAVILY ON FEDERAL FINANCIAL AID, AND POSE A SIGNIFICANT PROBLEM OF FRAUD AND ABUSE

43. For-profit colleges offer a wide array of programs. Many offer diplomas and associate's degrees in vocational areas like medical billing, cosmetology, massage therapy, web page design, and numerous other areas. Programs frequently require enrollment for less than two years and often less than one year.

44. The number of students attending for-profit colleges has grown faster than the number in traditional public and non-profit colleges and universities. For-profit colleges now enroll approximately 11% of the nation's postsecondary student population.

45. Federal financial aid programs under Title IV of the Higher Education Act of 1965 have been a critical component of the rapid growth of for-profit colleges. Federal financial aid to for-profit colleges under these programs totaled approximately \$29.6 billion in the

2011/2012 academic year (July 1, 2011 to June 30, 2012), up from \$16.6 billion four years earlier. This constitutes 21% of all HEA funds.

46. Though technically awarded to students (or occasionally their parents), HEA funds typically go directly to accounts maintained by the for-profit colleges. The schools receive the loan proceeds and credit them to their students' accounts. HEA funds are not distributed in one lump sum but, similar to tuition payments, are paid throughout the course of a student's enrollment. The schools use the funds to pay themselves for tuition and other charges due from their students.

47. Nearly all for-profit colleges are extraordinarily dependent on HEA funding, and few could continue to operate without it. Indeed, recent events described in paragraphs 63 to 64 below demonstrate that Corinthian cannot even operate for 21 days without HEA funds. Faced with the prospect of needing to do so earlier this summer, Corinthian only avoided shutting down by negotiating accelerated access to millions of dollars in HEA funds.

48. The largest HEA programs are the Direct Loan Program (of which the Stafford Loan Program is a component) and the Pell Grant Program. Under the Pell Grant Program, students receive need-based grants from the United States that do not have to be repaid. Individual Pell grants range up to \$5,730 per academic year. Under the Direct Loan Program, students and parents receive loans directly from the United States.³ They must repay these loans including applicable interest.

³ For some borrowers before July 1, 2010, these loans came from private lenders but were guaranteed and subsidized by the United States under the Federal Family Education Loan Program, which was also an HEA program. Loan guarantees under that program remain outstanding. The Direct Loan Program, described above, operated side-by-side with the Federal Family Education Loan Program until new lending under the latter was discontinued.

49. For many years there have been concerns about extensive fraud and abuse committed by for-profit schools that take advantage of federal financial aid programs without giving students a useful education in return. As the Congressional Research Service explained:

During the late 1980s and into the 1990s, the General Accounting Office (GAO), Congress, and Office of the Inspector General (IG) at the U.S. Department of Education conducted investigations of student aid programs and found evidence of extensive fraud and abuse; some of the worst examples of these practices were found at proprietary schools. . . . When default rates peaked nationwide in 1990, default rates at proprietary schools reached 41% compared with an overall default rate of 22%. Many proprietary schools were failing to provide students with a quality education or training in occupations with job openings, focusing instead on obtaining federal student aid dollars. As a result, students left proprietary institutions with no new job skills or few prospects of employment in their field of study and burdened with substantial loan debt. . . . [P]roprietary institutions that were overly dependent on Title IV revenue were considered institutions that were not providing a high quality education, and institutions that might be misusing federal dollars.

Congressional Research Service, *Institutional Eligibility & the Higher Education Act: Legislative History of the 90/10 Rule and Its Current Status* (updated Jan. 19, 2005), at 3-4, available at <http://www.policyarchive.org/handle/10207/bitstreams/1904.pdf>.⁴

50. In 1992 these concerns led Congress to require for-profit colleges to derive a minimum percentage of their revenue from sources other than HEA funds. The current version of this rule is commonly referred to as the “90/10 rule” because the schools must derive at least 10% of their revenue from other sources. *Id.*

51. The new rule did not eliminate fraud and abuse at for-profit colleges. To the contrary, the problem has grown as the number of students and the amount of federal financial aid going to these schools has grown. The GAO studied a sample of 15 for-profit colleges

⁴ Neither the studies cited herein nor others Relators are aware of have identified Title VI violations by Corinthian generally or at its Merrionette Park campus specifically.

(identified in part by focusing on schools that barely satisfied the 90/10 rule) and summarized key findings as follows:

Undercover tests at 15 for-profit colleges found that 4 colleges encouraged fraudulent practices and that all 15 made deceptive or otherwise questionable statements to GAO's undercover applicants. Four undercover applicants were encouraged by college personnel to falsify their financial aid forms to qualify for federal aid—for example, one admissions representative told an applicant to fraudulently remove \$250,000 in savings. Other college representatives exaggerated undercover applicants' potential salary after graduation and failed to provide clear information about the college's program duration, costs, or graduation rate despite federal regulations requiring them to do so. . . .

Programs at the for-profit colleges GAO tested cost substantially more for associate's degrees and certificates than comparable degrees and certificates at public colleges nearby. A student interested in a massage therapy certificate costing \$14,000 at a for-profit college was told that the program was a good value. However the same certificate from a local community college cost \$520.

For-Profit Colleges – Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices: Testimony Before the S. Comm. on Health, Educ., Labor, & Pensions (Aug. 4, 2010) (statement of Gregory D. Kutz, Managing Director Forensic Audits & Special Investigations), *available at* <http://www.gao.gov/new.items/d10948t.pdf>.

52. Fraud and abuse by for-profit colleges and their frequent failure to provide an education remotely commensurate with their promises to students and their high tuition bills remain subjects of great concern throughout the country. Although some of these schools may provide a useful and fairly-priced educational service, many more are leaving students with nothing to show from their “education” but unsustainable debt from federal student loans. In promulgating new rules designed to address these problems, the Department of Education reported that for the 2008 academic year, “46 percent of student loans (weighted by dollars) borrowed by students at two-year for-profit institutions are expected to go into default over the

life of the loans, compared to 16 percent of loans borrowed by students across all types of institutions.” Program Integrity: Gainful Employment—Debt Measures, 76 Fed. Reg. 34,386, 34,387 (June 13, 2011). Data subsequently released by DOE confirm that students who take out federal student loans to attend for-profit colleges continue to default at much higher rates than ones who attended public or non-profit colleges.

53. Financially, the biggest single loser as a result of for-profit colleges’ failings is the United States.

III. CORINTHIAN’S BILLION DOLLAR FOR-PROFIT COLLEGE BUSINESS

54. Corinthian was founded in 1995 and became a public company in 1999. It is traded on the NASDAQ stock exchange under the symbol “COCO.”

55. Corinthian quickly grew to be one of the largest operators of for-profit colleges in the country. It owns and operates 107 schools: ninety schools under variations of the Everest brand name (Everest College, Everest University, and Everest Institute); twelve under the Heald brand name; and five under the WyoTech brand name. Ninety-three of the schools are in the United States and fourteen are in Ontario, Canada. The American schools are in twenty-five states. Corinthian also offers online programs. Corinthian owns and operates six schools, all under the Everest brand name, in the Chicago area. African Americans and Hispanics outnumber whites by a wide margin at all of Corinthian’s schools in the Chicago area and at the vast majority of its other schools.

56. Corinthian had revenues of approximately \$1.6 billion in its 2013/2014 fiscal year from its for-profit educational business.

57. As of March 31, 2014, total student population at Corinthian’s schools was 74,498. New student enrollment during the first quarter of 2014 was 22,853.

58. Corinthian is exceedingly dependent on federal HEA funds. For the July 2012 through June 2013 academic year (the most recent for which information is publicly available), Stafford Loans, Pell grants, and other HEA programs accounted for at least 83.3% of its United States revenue. According to the Commonwealth of Massachusetts, Corinthian collected 89.8% of its revenue from HEA sources in the 2009/2010 academic year.

59. This means that, collectively, Corinthian's schools are barely below the maximum 90% of revenue that may be derived from non-HEA sources. The 90/10 calculations are not made collectively, however; they are made separately for each of Corinthian's several "main" campuses based on revenue at that main campus and the "branch" campuses affiliated with that particular main campus. Corinthian admitted in a recent SEC filing that it has been attempting to restructure its main campus/branch campus arrangements in part to manipulate 90/10 calculations and avoid exceeding the 90% limit at any of its locations (*see supra* ¶ 50).

60. Corinthian also collects substantial revenue from the United States through veterans' benefits, which do not count toward the 90/10 limit. Approximately 7% of Corinthian's students are veterans.

61. Much of Corinthian's non-federal revenue comes from loans it makes to its own students. That is, Corinthian loans its own money to its students that the students then turn around and use to pay Corinthian's tuition and other charges. Corinthian calls this program "Genesis." Corinthian admits in an SEC filing that repayment of these Genesis loans by its students is "not reasonably assured." Reports indicate ongoing regulatory scrutiny of such programs, which help schools like Corinthian avoid failing the 90/10 requirement. The United States Consumer Financial Protection Bureau recently sued another for-profit college operator for operating a similar in-house lending program.

62. Corinthian's practices, especially those concerning recruitment and marketing, have been criticized sharply by regulatory authorities as deceptive and misleading. California and Massachusetts both sued Corinthian within the past year after investigations by their respective Attorneys General; the United States Department of Education and the United States Consumer Financial Protection Bureau are currently investigating Corinthian; and the Iowa Attorney General is currently leading a multistate investigation of Corinthian. Other regulatory investigations and actions preceded these.

63. As a result of scrutiny from the United States Department of Education, Corinthian has abruptly gone into rapid decline. On June 19, 2014, Corinthian announced in an SEC filing that because of Corinthian's failure to provide requested documents to DOE and related concerns, DOE had just imposed new conditions on Corinthian's access to HEA funds and that HEA funds previously available to Corinthian 24 to 72 hours after request would be withheld by DOE for 21 days. Corinthian further stated that absent relief or alternative funding, it would not be able to continue as a going concern because of this 21-day delay. Corinthian's inability to sustain its operations when faced with this very modest delay demonstrates its extraordinary reliance on HEA funds from the United States.

64. Corinthian and DOE have subsequently agreed that Corinthian will try to sell most of its American campuses, including the Merrionette Park campus, and "teach-out" its other American campuses (cease accepting new students but continue operating to allow existing students to complete their programs) before eventually closing them. Corinthian has also announced that it will try to sell its Canadian campuses.

65. None of these plans provide for the return of federal HEA funds to the United States. To the contrary, the plans specifically provide that Corinthian will continue to receive even more federal HEA funds, including for Merrionette Park students.

IV. CORINTHIAN TARGETS AFRICAN AMERICANS FOR ENROLLMENT IN SHAM EDUCATIONAL PROGRAMS AT ITS MERRIONETTE PARK CAMPUS

A. The Merrionette Park Campus of Everest College

66. One of Corinthian's schools is the Merrionette Park, Illinois campus of Everest College. It is located in Cook County at 11560 South Kedzie Avenue near the intersection of South Kedzie Avenue and West 115th Street. This is a majority-white area (*see supra* ¶¶ 101-04).

67. Corinthian acquired the Merrionette Park campus in October 2005 and operated it under the Olympia College brand name until April 2007, when it changed the name to Everest College.

68. The Merrionette Park campus only offers healthcare-related programs. It offers six of them: Dental Assistant, Massage Therapy, Medical Administrative Assistant, Medical Assistant, Medical Insurance Billing and Coding, and Pharmacy Technician. The Medical Assistant program is the largest. Each program lasts eight to nine months and culminates in the award of a diploma, not a degree of any sort. The programs range in cost from approximately \$16,505 to \$20,554.

69. In recent years there have been approximately 500 students enrolled at the Merrionette Park campus at any given time. Over the course of an academic year, the Merrionette Park campus enrolls over 700 students. The vast majority of these students receive both Pell grants and student loans through the Direct Loan Program. These HEA funds come directly from the federal government.

70. Until June 30, 2010, instead of Direct Loans many Merrionette Park students received HEA funds through private loans that were subsidized and guaranteed by the United States under DOE's Federal Family Education Loan Program. The millions of dollars in Pell grants that these students received came directly from the United States, as Pell grants do today.

71. Corinthian receives, through its Merrionette Park students, over \$8 million annually in HEA funds. Under both the Direct Loan Program and the Federal Family Education Loan Program, many of the HEA loans to Merrionette Park students have gone into default.

B. The "Education" Provided at the Merrionette Park Campus Is a Sham

72. In myriad ways, the "education" provided by Corinthian at Merrionette Park is a sham that does not adequately prepare students to obtain jobs and succeed in their fields of study.

73. One of the Merrionette Park campus's biggest failings is that most of its classroom instructors lack the necessary knowledge and qualifications to teach effectively, and/or are unwilling even to engage in teaching.

74. Many classes are taught by instructors who are not familiar with and have no background in the subject matter. Corinthian is aware of this but simply tells these teachers to follow the written course material. The result is that classes are taught by instructors who have no more knowledge about the subject than the students. Even worse, some instructors without any familiarity with the subject matter of a class have been directed by Corinthian to simply sit in the classroom with the students and not make any effort to teach. Corinthian does this to satisfy regulatory classroom "clock hour" requirements, but it is of no educational value.

75. Many teachers, regardless of their knowledge about the subject matter of the classes they are supposed to be teaching, do not even bother to try to teach their classes. Instead

they spend classroom time reading or on the phone. Students often are told to sign in on an attendance sheet and then leave. Assignments are not graded.

76. Many other teachers, despite formal qualifications, are not competent and teach the classes incorrectly. For example, many students are given improper instruction in basic tasks like how to take a patient's blood pressure or how to administer an injection.

77. Classroom time is also of minimal value for many Merrionette Park students because Corinthian fails to provide adequate and proper medical tools and equipment needed to train students in the basic healthcare tasks that they must learn. For example, the Merrionette Park campus regularly lacks an adequate supply of needles, gauze, and hemoglobin cartridges. Instructors who request more of these materials are refused. Corinthian regularly fails to maintain equipment like EKG machines, centrifuges, and blood pressure gauges in proper working order, preventing students from learning how to use them. Instructors are told by Corinthian officials to "be creative" because the school does not have the supplies and equipment that should be available for the students to use. As a result, Relator Boyd had to resort to teaching lessons with pictures of medical supplies and equipment and could not give her students the hands-on experience they needed. The lack of proper equipment and supplies prevents the Merrionette Park students from learning important and often very basic clinical skills.

78. Corinthian's Merrionette Park campus similarly lacks proper software and a sufficient number of computers to train the Medical Insurance Billing and Coding students how to perform basic billing and coding.

79. Students at Merrionette Park regularly are not provided with books for their classes, or are only provided the books well after a class has started, even though Corinthian

commits to buying the books for the students as part of what they receive in exchange for tuition and fees.

80. Merrionette Park students also suffer educationally because Corinthian does not assign them to the appropriate classes. It enrolls students throughout the year regardless of what level classes it is currently offering and how those classes fit into the curriculum. For example, the students may be assigned to a more advanced Anatomy and Physiology class before they have taken a precursor class. This practice allows Corinthian to enroll and begin receiving money from students sooner than if it waited to enroll the student until it was offering the entry level class. The practice does not benefit the students educationally. To the contrary, practices like this minimize any benefit students gain from their classes.

81. Corinthian also sacrifices its students' education – while enriching itself – by refusing to let Merrionette Park students attend class if they are late making the small monthly payments many are required to make on their Genesis loans (*i.e.*, loans that are effectively from Corinthian). Even if a late payment is only \$50, Corinthian does not allow Merrionette Park students to go to class until they pay.

82. The consequences of these and other educational deficiencies are apparent when Merrionette Park students do their internships near the end of their courses of study. The internships are supposed to be opportunities for real world learning in area medical facilities. The placement sites, however, regularly report that Merrionette Park students are unprepared, uninformed, cannot perform basic tasks that they should have learned in their classes, and are unqualified and unable to perform the tasks expected of them. This is a direct result of the woefully inadequate education provided by Corinthian at its Merrionette Park campus. Many past internship sites refuse to take any more Merrionette Park students because they have found

them to be so poorly prepared by Corinthian. Many others refuse to take students because the Merrionette Park campus's reputation for educating and preparing its students is so bad.

83. Many Medical Insurance Billing and Coding students at the Merrionette Park campus have not even been given the opportunity for an internship in the first place. Instead, they have been sent home or to the library with practice files for their so-called internships. This is meaningless as an internship and a waste of the students' time. Upon information and belief, the reason Corinthian assigns students to their homes or the library for their internships is so that it can satisfy regulatory requirements by completing attendance sheets showing that the students were at the location to which they were assigned.

84. As a direct result of these and similar practices, Corinthian's Merrionette Park students are unprepared for certification and licensing examinations they must pass to become credentialed in their field of study. Practicing in the massage therapy and pharmacy technician fields requires a state-issued license. Certifications in the other areas of study available at the Merrionette Park campus are offered by independent private organizations. Obtaining the license or certification requires, among other things, passing an examination offered by independent organizations not affiliated with Corinthian. But because of the exceptionally poor education offered at the Merrionette Park campus, its students routinely do not pass the examinations. If the Merrionette Park campus provided a legitimate education, the students' passage rate would be much higher.

85. The severe deficiencies in the education provided by Corinthian to its Merrionette Park students are exacerbated by Corinthian's failure to provide any meaningful career services support to its students. Despite Corinthian's promises to the contrary, the career services office

at Merrionette Park does not offer substantive career counseling or resume assistance, and often leaves calls from students unreturned.

86. In sum, Merrionette Park students use HEA funds to pay vast amounts of money to attend, but in return Corinthian utterly fails to give them a remotely adequate education. They are left with crushing debt, but without the improved career prospects that Corinthian promises them and purportedly exists to create.

C. Corinthian Targets African Americans for Enrollment at the Merrionette Park Campus

87. Corinthian intentionally targets African Americans to enroll in and obtain HEA funds to pay for the sham education it offers at its Merrionette Park campus. As a direct result of this targeting, the Merrionette Park campus is 71.9% African American and only 13.8% white, even though it is located in a majority-white area.⁵ The racial demographics of the Merrionette Park campus have been consistent throughout the False Claims Period.

88. Corinthian deliberately targets African Americans because it believes, based on discriminatory stereotypes, that they are easily manipulated through two critical practices it uses to persuade people to enroll at the Merrionette Park campus and pay for their programs with HEA funds. Both practices are predatory. Corinthian's goal is to exploit African Americans based on their relative lack of experience with higher education and financial aid.

89. First, the Merrionette Park admissions staff are trained and instructed by management to rely on an emotionally manipulative sales pitch about the opportunity for people to improve their lives by enrolling. Admissions staff are instructed to look for negative aspects of a prospective student's life, such as her children's father not doing anything to support the

⁵ The Merrionette Park campus is also 10% Latino, 0.5% Asian, 2.4% two or more races, and 1.4% race/ethnicity unknown.

family, and use that against the person to make her feel like it would be irresponsible to decide against enrolling in a Merrionette Park program. The goal is to find people who are broken or can be made to think they are broken, and then convince them that everything will change for the better if they enroll. Admissions staff sell these individuals a dream, not a real education, and they know it is a dream the school is not equipped to make come true.

90. The admissions staff is also told to aggressively lobby disillusioned students to stay enrolled at Merrionette Park. The admissions staff is instructed to deal with students who, after starting at Merrionette Park, realize the education is woefully inadequate by reminding those students about the negative aspects in their lives that they identified when first enrolling. This is done to convince those students to complete their “education” at Corinthian and to continue to make tuition payments with their HEA funds to the school.

91. Second, Corinthian’s enrollment strategy for Merrionette Park relies on the ability of admissions and financial aid staff at the campus to deceive students about many aspects of the school. These deceptive tactics include:

- a. making those students who express skepticism about incurring long-term financial liabilities think that their “education” will be paid for entirely with grants or that the loans will be much smaller than they will be in actuality;
- b. deceiving prospective students about accreditation of the individual programs offered at the Merrionette Park campus, which dictate which private organization’s certification a graduate may be able to obtain after graduation. Staff make it sound like the students will be eligible for the certifications that are in greatest demand by employers and that will allow

them to work in settings like hospitals, but in truth they will only be eligible for certifications that preferred jobs do not recognize;

- c. convincing prospective students who cannot read or write and clearly lack the ability to succeed in postsecondary education to enroll. Admissions staff are instructed to complete enrollment forms for people who cannot read or fill out the forms on their own, and instructors are told to read exams out loud to students who cannot read the exams by themselves. When Relator Boyd refused to pass students who could not read or write, Corinthian transferred those students to another instructor who passed them regardless of their abilities;
- d. misleading students about the likelihood of obtaining employment in their field of study after graduating and how much money they will earn. In addition to routinely making general statements about employment prospects that are untrue, staff manipulate statistics that Corinthian reports publicly about the success of Merrionette Park students in finding jobs in their field of study.⁶ These tactics obscure the reality that Merrionette Park graduates fare poorly in obtaining jobs in their fields of study;

⁶ Staff manipulate these statistics in a variety of ways. One way is by counting non-healthcare jobs in a healthcare setting as a job in a graduate's field of study. Another is by taking credit for jobs that graduates had before they ever enrolled at Merrionette Park. This is especially dishonest because it involves taking credit for a job the school did not help the student obtain, when what the situation really demonstrates is that attending the school did not help the student obtain a better job and advance her career. On two occasions the Merrionette Park campus manipulated its employment statistics by sending a busload of graduates to Valparaiso, Indiana, where they worked at a non-profit healthcare facility for three or four hours. The school counted them as working in their field of study even though they worked only for those few hours. Moreover, it was not even legitimate to consider the graduates employed by the non-profit for

- e. lying to prospective students about the number of spots left in a program to induce them to enroll right away instead of taking appropriate time to consider their options;
- f. rushing students through all of the complex admissions and financial aid paperwork, usually trying to complete the lengthy process in one day, so that the students do not have a chance to understand what they are signing or have time to change their minds;
- g. misleading prospective students into thinking that credits from the Merrionette Park campus will be widely accepted at other institutions, such as when a graduate wants to enroll in a registered nurse program at the University of Illinois or elsewhere; and
- h. misleading prospective students with criminal records into thinking they will be able to obtain a license in their field of study after graduating, despite knowing that the license applications will be rejected.

92. These and other deceptive tactics are critical to Corinthian's plan for enrolling and keeping students at Merrionette Park.

93. Corinthian deliberately targets African Americans to enroll at Merrionette Park because it believes African Americans are particularly susceptible to these emotionally manipulative and deceptive sales strategies. It believes African Americans lack the sophistication and experience with higher education to look beyond the sales pitch, examine the school closely, and identify its many fundamental failings, and that African Americans can easily

those few hours because Corinthian made a donation to the organization so it could pay them. Many of the organization's checks nonetheless bounced and the graduates were never paid.

be maneuvered into signing up and staying enrolled in programs at Merrionette Park and using HEA funding to pay for these programs. These discriminatory stereotypes underpin Corinthian's discriminatory practices described herein.

94. Corinthian targets African Americans in a number of ways. Its first targeting tactic when it took over the Merrionette Park location in 2005 was to hire an entirely African-American admissions staff, which consisted of six to eight people. This was an intentional strategy of using African-American employees to get African-American students. Corinthian believed that African-American potential recruits would be most vulnerable to its emotional sales pitch if it came from African-American admissions staff. The admissions staff has remained predominantly African-American ever since for this very reason.

95. For parallel reasons, the vast majority of the Merrionette Park instructional staff has always been African-American. Admissions staff take prospective students on a tour of the Merrionette Park facilities while trying to induce them to enroll, where the prospective students see that the instructors are predominantly African-American. This is intended to make African Americans feel like the school is a place where they will be comfortable.

96. The Merrionette Park campus also operated a high school recruitment program in or around 2009 and 2010 that was designed to target African Americans. The program focused on visiting area high schools with disproportionately large African-American populations. The recruiters would visit these high schools to generate interest in the Merrionette Park campus and identify potential recruits to follow up with individually by phone or in-person.

97. The Merrionette Park campus even utilized a software program called "Everest Connect Portal" so that it could identify predominantly African-American high schools. The program was created "to capture important and pertinent information about the high schools" and

features racial demographic information. Merrionette Park's high school recruiters used the program's race information to identify and prioritize high schools with large numbers of African-American students who management thought would be vulnerable to the school's emotionally manipulative sales pitch. When Everest Connect Portal was missing racial demographic information about a high school, the Merrionette Park high school recruiters regularly sought out that information from other sources because of how important it was to the campus's recruitment strategy.

98. Relator Ruthie Parker, who was one of the high school recruiters, was told by a white Merrionette Park official that she would be good for the high school program because she was a "black mother type." As with the hiring of an African-American admissions staff, Corinthian's goal was to use an African-American employee to dupe African Americans into enrolling.

99. The Merrionette Park campus relies on a racially targeted marketing strategy to complement the other targeting techniques described above. Television, radio, and billboard advertisements, as well as flyers and pamphlets, are placed so as to reach a disproportionately large African-American audience. These materials also rely heavily on images and language cues designed to appeal to African Americans.

100. Corinthian's aim is to have its broader recruitment efforts like advertising work synergistically with its more individualized efforts, namely in-person encounters with admissions staff and high school recruiters, to maximize the Merrionette Park campus's chances of reaching and enrolling African Americans.

101. The racial targeting techniques described above, not the racial characteristics of the area in which the Merrionette Park campus is located, explain why the school is so heavily

African-American. Despite being 71.9% African-American, the school is in a majority-white area:

- a. the census tracts within one mile of the school have a population of 26,534 – 15% African-American and 70.7% white;
- b. the census tracts with two miles of the school have a population of 71,417 – 24.2% African-American and 66% white; and
- c. the census tracts within five miles of the school have a population of 313,227 – 40.3% African-American and 51.8% white.

102. There is an even greater disparity after limiting the population to people over 25 years old who have completed high school or have a GED certificate but no higher education experience (*i.e.*, people likely to be interested in for-profit vocational colleges):

- a. in the census tracts within one mile, this population is 9.3% African-American and 84.9% white;
- b. in the census tracts within two miles, this population is 18.6% African-American and 77.3% white; and
- c. in the census tracts within five miles, this population is 35.7% African-American and 57.9% white.

103. The disparity is also apparent when limiting the population to households with an income below \$25,000 or below \$35,000 (*i.e.*, another segment of the population likely to be interested in for-profit vocational colleges):⁷

⁷ The National Center for Education Statistics' 2007-08 National Postsecondary Student Aid Study (NPSAS:08) found that approximately 80% of independent students at less-than-2-year private for-profit institutions had household incomes of less than \$30,000. The data in ¶ 103 includes both household income below \$25,000 and \$35,000 due to limitations of available data.

- a. in the census tracts within one mile, the population with household income below \$25,000 is 12% African-American and 82.8% white;
- b. in the census tracts within two miles, the population with household income below \$25,000 is 32.9% African-American and 63.8% white;
- c. in the census tracts within five miles, the population with household income below \$25,000 is 49.1% African-American and 47.2% white;
- d. in the census tracts within one mile, the population with household income below \$35,000 is 17% African-American and 77.5% white;
- e. in the census tracts within two miles, the population with household income below \$35,000 is 33.1% African-American and 61.9% white; and
- f. in the census tracts within five miles, the population with household income below \$35,000 is 46.3% African-American and 48.5% white.

104. The demographic data described in ¶¶ 87 and 101 to 103 above is summarized in this chart:

	Everest College - Merrionette Park Campus		
Student Body			
African-American	71.9%		
White	13.8%		
Latino	10.0%		
Asian	0.5%		
Two or more races	2.4%		
Race Unknown	1.4%		
	Within 1 Mile of the Merrionette Park Campus	Within 2 Miles of the Merrionette Park Campus	Within 5 Miles of the Merrionette Park Campus
Total Population			
African-American	15.0%	24.2%	40.3%
White	70.7%	66.0%	51.8%
Population over 25 Years Old with a High School Degree or GED Only			
African-American	9.3%	18.6%	35.7%
White	84.9%	77.3%	57.9%
Population with a Household Income below \$25,000			
African-American	12.0%	32.9%	49.1%
White	82.8%	63.8%	47.2%
Population with a Household Income below \$35,000			
African-American	17.0%	33.1%	46.3%
White	77.5%	61.9%	48.5%

105. This demographic data supports Relators' allegations of racial targeting set forth herein. Without a thumb on the recruiting scales, the Merrionette Park campus would have a much higher percentage of white people like the surrounding neighborhoods.

106. Targeting African Americans for a sham education and the HEA funds to pay for it constitutes a violation of Title VI of the Civil Rights Act of 1964. The practice is a close

relation to the lending discrimination practice of “reverse redlining,” whereby minorities are targeted for predatory mortgage and other credit products, which has repeatedly been held to violate fair lending laws. Here the targeting is identical, and the product is a predatory education instead of a predatory mortgage. The predatory education here is even accompanied by loans that, as with predatory mortgages, do great harm to the recipients (*i.e.*, Merrionette Park students) because they do not receive real value in return. They instead receive only debilitating debt.

107. For reasons that are comparable to the reasons it targets African Americans and using some of the same methods, Corinthian also targets economically disadvantaged individuals for enrollment at its Merrionette Park campus. The “Everest Connect Portal” program includes specific demographic information on the percent of students at each high school who are “Economically Disadvantaged” and the school’s dropout rate. This information appears alongside the racial demographics provided by the program.

108. Corinthian’s practice of targeting economically disadvantaged people for its Merrionette Park campus has a disparate impact on African Americans because it leads to the disproportionately large enrollment of African Americans. The United States Department of Education’s implementing regulations for Title VI of the Civil Rights Act of 1964 prohibit practices in federal student financial aid programs that have a disparate impact on the basis of race, as well as practices that discriminate intentionally. *See* 34 C.F.R. § 100.3(a), (b)(2).

V. CORINTHIAN’S ACTIONS IN CONNECTION WITH ITS MERRIONETTE PARK CAMPUS VIOLATE ITS PROGRAM PARTICIPATION AGREEMENTS WITH THE UNITED STATES

109. Corinthian knows that it targets African Americans for enrollment at its Merrionette Park campus and does not offer a legitimate education at that campus, as described

in Section IV above. Corinthian likewise knows that it enrolls a disproportionately large number of African Americans at its Merrionette Park campus because it targets economically disadvantaged people. This means that Corinthian knows that it is, and will remain, in violation of the prohibitions in Title VI and the Department of Education's Title VI implementing regulations against intentional discrimination and facially race-neutral practices that have a disparate impact on the basis of race. *See* Title VI; 34 C.F.R. § 100.3(a), (b)(2). Corinthian has known this throughout its ownership of the Merrionette Park campus.

110. When executing PPAs applicable to the Merrionette Park campus, Corinthian has known that it is, and will remain, in violation of Title VI and the implementing regulations. It has also known that it is, and will remain, in violation of Title VI and the implementing regulations when, after executing PPAs, it has submitted requests to DOE for financial aid payments on behalf of its Merrionette Park students or caused such requests to be submitted to DOE by students or private lenders..

111. In the alternative, Corinthian acted with deliberate ignorance or reckless disregard of the truth that it was and would remain in violation of Title VI when doing so.

CAUSE OF ACTION

False Claims Act, 31 U.S.C. §§ 3729, *et seq.*

112. Relators Boyd, Parker, and Watts repeat and incorporate herein the allegations set forth in paragraphs 1-111, above.

113. While knowingly and intentionally committing the PPA violations described herein in connection with its Merrionette Park campus, Corinthian has throughout its ownership of the Merrionette Park campus certified its compliance and intent to comply with these same PPA requirements. All of the millions of dollars of claims for payment that Corinthian has

presented or caused to be presented to DOE under the Higher Education Act of 1965 during the False Claims Period in connection with Merrionette Park students were, accordingly, knowingly false or fraudulent.

114. On each occasion that Corinthian presented to the United States a claim for payment under Title IV of the Higher Education Act of 1965 in connection with its Merrionette Park campus or caused one of its Merrionette Park students or a private lender to do so, it committed a separate violation of the False Claims Act, 31 U.S.C. §§ 3729, *et seq.*

115. To Relators' knowledge, no public disclosure has been made of the False Claims Act violations regarding Corinthian's Merrionette Park campus that are described herein.

JURY TRIAL DEMAND

116. Relators hereby demand a trial by jury.

CLAIMS FOR RELIEF

WHEREFORE, Relators respectfully pray that the Court grant it the following relief:

(1) That the United States be awarded damages against Corinthian in the amount of three times the damages sustained by the United States because of the false claims alleged within this Complaint, as provided by the False Claims Act, 31 U.S.C. §§ 3729, *et seq.*

(2) That civil penalties of \$11,000 be imposed for each and every false claim that Corinthian presented or caused to be presented to the United States;

(3) That Relators be granted an appropriate share of the proceeds of the action or settlement of the claim, pursuant to 31 U.S.C. § 3730(d); and

(4) That pre- and post-judgment interest be awarded, along with reasonable attorneys' fees, costs, and expenses which Relators necessarily incurred in commencing and prosecuting this case.

Dated: August 27, 2014

Respectfully submitted,



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**Pro hac vice* applications to be submitted