

DISTRICT COURT, DENVER CITY AND  
COUNTY, COLORADO  
1437 Bannock Street  
Denver, Colorado 80202

STATE OF COLORADO, ex rel. CYNTHIA H.  
COFFMAN, ATTORNEY GENERAL,

Plaintiff,

v.

EDUCATION MANAGEMENT CORPORATION,  
ARGOSY UNIVERSITY OF CALIFORNIA, LLC,  
SOUTH UNIVERSITY, LLC, BROWN MACKIE  
EDUCATION II LLC, THE ART INSTITUTES  
INTERNATIONAL II LLC, THE ART INSTITUTE  
OF PITTSBURGH, LLC, ARGOSY EDUCATION  
GROUP, INC., THE ART INSTITUTE OF  
COLORADO SPRINGS LLC, AND THE ART  
INSTITUTE OF COLORADO, INC.

Defendants.

▲ COURT USE ONLY ▲

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Case No.:

Div.:

**COMPLAINT**

Plaintiff, the State of Colorado, upon relation of Cynthia H. Coffman, Attorney General for the State of Colorado, by and through undersigned counsel, states and alleges against Education Management Corporation, Argosy University of California LLC, South University, LLC, Brown Mackie Education II LLC, The Art Institutes International II LLC, The Art Institute of Pittsburgh, LLC, Argosy Education Group, Inc., The Art Institute of Colorado Springs LLC, and The Art Institute of Colorado, Inc., including, except as otherwise provided herein, all of their respective subsidiaries, affiliates, successors, and assigns (collectively, “EDMC” or “Defendants”).

## INTRODUCTION

This is an action brought by the State of Colorado (“the State”), pursuant to the Colorado Consumer Protection Act, §§ 6-1-101 *et seq.*, C.R.S. (2015) (“CCPA”), to enjoin and restrain Defendants from engaging in certain unlawful deceptive trade practices, for statutorily mandated civil penalties, and for disgorgement, restitution, and other relief as provided in the CCPA.

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, including Colorado, and Canada.

3. EDMC has engaged in deceptive and misleading student solicitations touting educational benefits that were available to too few EDMC students.

4. EDMC has engaged in 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 State brings this action under the CCPA to seek a court order barring EDMC from misleading Colorado students and reforming its business practices to comply with the CCPA.

## PARTIES

6. Plaintiff, the State of Colorado through Attorney General Cynthia H. Coffman, is specifically authorized to enforce the CCPA pursuant to C.R.S. § 6-1-103.

7. 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. Argosy University of California LLC, a California limited liability company, South University, a Georgia limited liability company, Brown Mackie Education II LLC, a Delaware limited liability company, The Art Institutes International II LLC, a Pennsylvania limited liability company, The Art Institute of Pittsburgh, LLC, The Argosy Education Group Inc. (d/b/a Argosy University and Argosy University/Denver), The Art Institute of Colorado Springs LLC and The Art Institute of Colorado, Inc. are wholly-owned, indirect subsidiaries of EDMC.

8. In Colorado, EDMC owns and operates the following ground campuses: Argosy University at 7600 East Eastman Avenue, Denver, Colorado, and The Art Institute of Colorado at 1200 Lincoln Street, Denver, Colorado. Coloradoans are also enrolled in Defendants' online degree programs.

#### JURISDICTION AND VENUE

9. Pursuant to C.R.S. §§ 6-1-103 and 6-1-110, this Court has jurisdiction to enter appropriate orders prior to and following an ultimate determination of liability.

9. The violations alleged herein occurred, in part, in the City and County of Denver, Colorado. Therefore, venue is proper in the county of Denver, Colorado, under C.R.S. § 6-1-103 and Colo. R. Civ. P. 98.

#### RELEVANT TIMES

10. This action is timely brought pursuant to C.R.S. § 6-1-115 in that it is brought within three years of the date on which the last in a series of false, misleading, and deceptive acts or practices occurred and/or were discovered.

#### PUBLIC INTEREST

11. Through the unlawful practices of their business or occupation, Defendants have deceived, misled, and financially injured consumers in Colorado. The Colorado Attorney General therefore believes that these legal proceedings are in the public interest and are necessary to safeguard citizens from Defendants' unlawful business activities.

## GENERAL ALLEGATIONS

12. At all relevant times, Defendants conceived of, directed, participated in, and controlled the deceptive business practices alleged herein, and are personally liable for all such deceptive trade practices.

13. Whenever reference is made in this Complaint to any act or practice of Defendants, such allegation shall be deemed to mean that the owners, employees, agents, and representatives of such Defendants performed, directed, or authorized such act or practice on behalf of said Defendants, while actively engaged in the scope of their duties.

### **I. EDMC Used High Pressure and Deceptive Recruiting Tactics**

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

15. Defendants engaged in high pressure tactics in order to enroll prospective students upon their first contact with Defendants' recruiters.

16. Defendants made emotional pitches to prospective students 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 that students would earn substantially higher incomes through obtaining Defendants' degrees than Defendants knew their graduates actually earned.

### **II. 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.

### **III. EDMC Misrepresented Job Placement Data to Students and Prospective Students**

21. Defendants engaged in deceptive and misleading 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; and
- (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. For example, Defendants included as “placed in field” a graduate with an Associate’s Degree in Business Management based on the graduate’s employment as a customer service representative at a retail store. Defendants also included as “placed in field” a graduate with an Accounting diploma based on the graduate’s employment as a cashier at a fast food restaurant.

### **IV. 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 recklessly disregarded knowing, had obtained leads through deceptive practices and then recruited students based on those leads.

### **V. EDMC Maintained a Deceptive Refund Policy**

23. Defendants’ tuition refund policy wrongly charged students for classes that commenced after they withdrew from Defendants’ schools.

24. The deceptive and misleading practices cited in paragraphs 14–23 above led certain Colorado students to enroll in and become indebted for Defendants’ educational courses.

### **FIRST CLAIM FOR RELIEF (Knowingly makes false representations as to approval and certification of goods and services)**

25. Plaintiff incorporates herein by reference all of the allegations contained in Paragraphs 1 through 24 of this Complaint.

26. Through the above-described conduct in the course of their business, occupation or vocation, Defendants knowingly made false representations as to the

affiliation, connection, or association with or certification by governmental bodies or accreditation agencies, in violation of C.R.S. § 6-1-105(c).

27. By means of the above-described unlawful deceptive trade practices, Defendants deceived, misled, and unlawfully acquired money from consumers.

### **SECOND CLAIM FOR RELIEF**

**(Knowingly makes a false representation as to the characteristics, ingredients, uses, benefits, alterations, or quantities of goods, food, services, or property or a false representation as to the sponsorship, approval status, affiliation, or connection of a person therewith)**

28. Plaintiff incorporates herein by reference all of the allegations contained in Paragraphs 1 through 24 of this Complaint.

29. Through the above-described conduct in the course of their business, occupation or vocation, Defendants knowingly made false representations as to the characteristics, benefits, approvals, and affiliations of their programs of study, in violation of C.R.S. § 6-1-105(e).

30. By means of the above-described unlawful deceptive trade practices, Defendants deceived, misled, and unlawfully acquired money from consumers.

### **THIRD CLAIM FOR RELIEF**

**(Fails to disclose material information concerning goods, services, or property which information was known at the time of an advertisement or sale if such failure to disclose such information was intended to induce the consumer to enter into a transaction)**

31. Plaintiff incorporates herein by reference all of the allegations contained in Paragraphs 1 through 24 of this Complaint.

32. Through the above-described conduct in the course of their business, occupation or vocation, Defendants failed to disclose material information concerning their programs of study with the intent to induce the consumer into a transaction, in violation of C.R.S. § 6-1-105(u).

33. By means of the above-described unlawful deceptive trade practices, Defendants deceived, misled, and unlawfully acquired money from consumers.

WHEREFORE, Plaintiff prays for judgment against Defendants and the following relief:

- A. An order declaring Defendants' above-described conduct to be in violation of the CCPA, C.R.S. § 6-1-105(1)(c), (e) and (u).
- B. An order permanently enjoining Defendants, their officers, directors, successors, assigns, agents, employees, and anyone in active concert or participation with Defendants with notice of such injunctive orders, from engaging in any deceptive trade practices as defined in and proscribed by the CCPA and as set forth in this Complaint.
- C. Additional appropriate orders necessary to prevent Defendants' continued or future deceptive trade practices.
- D. A judgment in an amount to be determined at trial for restitution, disgorgement, or other equitable relief pursuant to C.R.S. § 6-1-110(1).
- E. An order requiring Defendants to forfeit and pay to the General Fund of the State of Colorado, civil penalties in an amount not to exceed \$2,000 per violation pursuant to C.R.S. § 6-1-112(1), or \$10,000 per violation pursuant to C.R.S. § 6-1-112(3).
- F. An order requiring Defendants to pay the costs and expenses of this action incurred by the Attorney General, including, but not limited to, Plaintiff's attorneys' fees, pursuant to C.R.S. § 6-1-113(4).
- G. Any such further orders as the Court may deem just and proper to effectuate the purposes of the CCPA.

Respectfully submitted this 16<sup>th</sup> Day of November, 2015.

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