

IN THE COURT OF COMMON PLEAS OF FRANKLIN COUNTY, OHIO

STATE OF OHIO, ex rel.

MICHAEL DEWINE

ATTORNEY GENERAL OF OHIO

30 East Broad Street, 14<sup>th</sup> Floor

Columbus, Ohio 43215

Plaintiff,

v.

EDUCATION MANAGEMENT  
CORPORATION

c/o counsel

Bradley R. Wilson

Wachtell, Lipton, Rosen & Katz

51 West 52<sup>nd</sup> Street

New York, NY 10019

and

ARGOSY UNIVERSITY OF  
CALIFORNIA LLC

c/o counsel

Bradley R. Wilson

Wachtell, Lipton, Rosen & Katz

51 West 52<sup>nd</sup> Street

New York, NY 10019

and

SOUTH UNIVERSITY, LLC

c/o counsel

Bradley R. Wilson

Wachtell, Lipton, Rosen & Katz

51 West 52<sup>nd</sup> Street

New York, NY 10019

and

BROWN MACKIE EDUCATION II LLC

c/o counsel

Bradley R. Wilson

Wachtell, Lipton, Rosen & Katz

51 West 52<sup>nd</sup> Street

CASE NO.

JUDGE

COMPLAINT, REQUEST FOR  
DECLARATORY AND INJUNCTIVE  
RELIEF, CONSUMER DAMAGES,  
AND OTHER APPROPRIATE RELIEF

New York, NY 10019

and

THE ARTS INSTITUTES  
INTERNATIONAL II LLC

c/o counsel

Bradley R. Wilson

Wachtell, Lipton, Rosen & Katz

51 West 52<sup>nd</sup> Street

New York, NY 10019

and

SOUTH UNIVERSITY OF OHIO LLC

c/o counsel

Bradley R. Wilson

Wachtell, Lipton, Rosen & Katz

51 West 52<sup>nd</sup> Street

New York, NY 10019

and

THE ART INSTITUTE OF  
OHIO – CINCINNATI, INC.

c/o counsel

Bradley R. Wilson

Wachtell, Lipton, Rosen & Katz

51 West 52<sup>nd</sup> Street

New York, NY 10019

and

THE ART INSTITUTE OF  
PITTSBURGH LLC

c/o counsel

Bradley R. Wilson

Wachtell, Lipton, Rosen & Katz

51 West 52<sup>nd</sup> Street

New York, NY 10019

and

STAUTZENBERGER COLLEGE  
EDUCATION CORPORATION

c/o counsel

Bradley R. Wilson )  
Wachtell, Lipton, Rosen & Katz )  
51 West 52<sup>nd</sup> Street )  
New York, NY 10019 )  
 )  
and )  
 )  
AMERICAN EDUCATION )  
CENTERS, INC. )  
c/o counsel )  
Bradley R. Wilson )  
Wachtell, Lipton, Rosen & Katz )  
51 West 52<sup>nd</sup> Street )  
New York, NY 10019 )  
 )  
and )  
 )  
SOUTHERN OHIO COLLEGE LLC )  
c/o counsel )  
Bradley R. Wilson )  
Wachtell, Lipton, Rosen & Katz )  
51 West 52<sup>nd</sup> Street )  
New York, NY 10019 )  
 )  
Defendants. )

The State of Ohio ex rel. Attorney General Michael DeWine, acting pursuant to the authority of the Consumer Sales Practices Act (“CSPA”), R.C. 1345.01 et seq., files this action against Defendants Education Management Corporation (“EDMC”), Argosy University of California, LLC, South University, LLC, Brown Mackie Education II LLC, The Arts Institutes International II, LLC, South University of Ohio, LLC, and the Art Institute of Ohio – Cincinnati, Inc., The Art Institute of Pittsburgh LLC, Stautzenberger College Education Corporation, American Education Centers, Inc., and Southern Ohio College LLC (collectively “Defendants”), 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.

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 under the CSPA to seek a court order barring EDMC from misleading Ohio students and reforming its business practices to comply with the CSPA.

### **JURISDICTION AND VENUE**

6. Plaintiff, State of Ohio, by and through counsel, the Attorney General of Ohio, Michael DeWine, having reasonable cause to believe that violations of Ohio's consumer protection laws have occurred, brings this action in the public interest and on behalf of the State of Ohio under the authority vested in him by the CSPA, R.C. 1345.01, et seq.

7. The actions of Defendants, hereinafter described, have occurred in the State of Ohio, and as set forth below are in violation of the CSPA, R.C. 1345.01 et seq., and its Substantive Rules.

8. Jurisdiction over the subject matter lies with this Court pursuant to the CSPA, R.C. 1345.01 et seq.

9. The Court has venue to hear this case pursuant to Ohio Civ. R. 3(B)(3), as Defendants conducted activity in this county that gives rise to the claims for relief.

### **PARTIES**

10. Plaintiff, the State of Ohio ex rel. Attorney General Michael DeWine, is specifically authorized to enforce the CSPA, pursuant to R.C. 1345.07.

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

12. Defendants Argosy University of California LLC, a California limited liability company, South University, LLC, 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, South University of Ohio LLC, an Ohio limited liability company, the Art Institute of Ohio – Cincinnati, Inc., an Ohio corporation, The Art Institute of Pittsburgh LLC, a Pennsylvania limited liability company, Stautzenberger College Education Corporation, a Delaware corporation, American Education Centers, Inc., a Delaware Corporation, and Southern Ohio College LLC, a Delaware limited liability corporation, are wholly-owned, indirect subsidiaries of Education Management Corporation.

13. Defendants are “suppliers” as defined in R.C. 1345.01(C), since Defendants at all times relevant hereto were engaged in the business of effecting consumer transactions either directly or indirectly by soliciting and selling goods and services to consumers in the State of

Ohio for purposes that were primarily for personal, family or household use, within the meaning specified in R.C. 1345.01(A).

### **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 schools.

24. The deceptive and unfair practices cited in paragraphs 14-23 above led to certain Ohio students enrolling in and/or becoming indebted for Defendant’s educational courses.

**CAUSES OF ACTION**

**Violations of the Consumer Sales Practices Act**

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

***COUNT ONE – UNFAIR AND DECEPTIVE PRACTICES***

26. Defendants violated R.C. 1345.02 by engaging in deception in connection with its solicitations for enrollment in educational courses, as set forth in paragraphs 14-24.

27. Defendants violated R.C. 1345.02 by engaging in misrepresentation in connection with its solicitations for enrollment in educational courses, as set forth in paragraphs 14-24.

28. Defendants violated R.C. 1345.02 by 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, pursuant to R.C. 1345.07, 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 CSPA as alleged herein.

B. That the Court, pursuant to R.C. 1345.07, enter a declaratory judgment declaring that each act or practice described in Plaintiff's Cause of Action violates the CSPA in the manner set forth therein.

C. That the Court, pursuant to R.C. 1345.07, 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 CSPA.

D. That the Court grant Plaintiff its costs in bringing this action.

E. That the Court order Defendants to pay all court costs.



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

Respectfully submitted,

MICHAEL DEWINE  
Ohio Attorney General

  
Jeffrey R. Loeser (0082144)

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