

# School chain to settle lawsuit

Corinthian Colleges plans to pay \$6.5 million over claims it inflated its job-placement record.

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Corinthian Colleges, one of the nation's largest vocational school chains, has agreed to pay \$6.5 million to settle a lawsuit alleging that the chain engaged in unlawful business practices by exaggerating its record of placing students in well-paying jobs.

The company, based in Santa Ana and operating under the names Bryman College, Everest Colleges, Titan Schools Inc. and National Institute of Technology, had been under investigation by the California attorney general's office for at least 18 months.

In a filing with the federal Securities and Exchange Commission last year, the school acknowledged that some of its campuses might have to be shut down as a result of the probe, though none of its 18 California schools will be shuttered. Some of the California programs will be placed under significant restrictions, however.

The settlement was approved Tuesday by Los Angeles County Superior Court Judge Kenneth Freeman.

The company, which has 94 campuses nationwide, agreed to pay \$5.8 million in restitution to students. Thousands of students are expected to benefit, though exact figures were not yet available, said Albert N. Sheldon, senior assistant attorney general, who heads the office's consumer unit.

Corinthian also agreed to pay \$500,000 in civil damages and \$200,000 in costs

According to a lawsuit filed in Los Angeles County Superior Court, Corinthian campuses "engaged in a persistent pattern of unlawful conduct." School representatives persuaded people to enroll in classes at a cost between \$7,000 and \$27,000 by overstating the percentage of those who obtained employment from the courses, the suit said.

Corinthian also inflated information on starting salaries and made misleading or false statements about which programs it was authorized to offer and which were approved by the California Department of Education, the lawsuit added.

Corinthian's "own records show that a substantial percentage of students do not complete the programs and, of those who complete the program, a large majority do not successfully obtain employment within six months after completing the course," according to the suit prepared by deputy attorneys general Margaret Reiter, Robyn C. Smith and Benjamin G. Diehl.

"In addition, the percentages of former students whom Corinthian's documents claim successfully obtain employment are inflated," the suit said. In some instances, Corinthian's records listed nonexistent businesses as students' places of employments, authorities alleged.

Corinthian officials "have placed intense pressure on their schools, particularly the recruitment employees and those who supervise them to meet a pre-set quota" of new enrollments, according to the suit.

"That means the employees are to enroll at least a certain number of students who stay in school beyond the five-day period during which students may withdraw from school and obtain a full refund under the California Education Code," the suit added.

Many people wound up paying their tuition through a combination of government grants, taxpayer-subsidized loans and private loans arranged by Corinthian.

As part of the court-approved settlement, Corinthian is barred for the next 18 months from offering specific courses at nine of its California campuses.

For example, it cannot offer the pharmacy technician program at its Anaheim, San Jose or Wilshire Boulevard campuses; the medical lab assistant program in City of Industry or San Bernardino; the homeland security program in San Bernardino; the business management program in Ontario or at the West Los Angeles campus; or the medical administrative assistant and medical insurance billing and coding programs in San Francisco.

From now on, Corinthian is also barred from compelling any student, as a condition of settlement with the company, to sign an agreement promising not to disclose that pact to a government agency. Shelden said the company had compelled such agreements in the past.

In addition, for the next four years, Corinthian has to provide data promptly so the attorney general's office can determine whether the company is complying with the judgment.

"This groundbreaking settlement provides a measure of justice and fair restitution to these students," state Atty. Gen. Jerry Brown said in a statement released with the settlement. "Corinthian students fully expected that their tuition payments would result in the glowing job opportunities the company promised.

"Unfortunately, their hopes were dashed as many of the students ended up unemployed and in deep debt," Brown said.

"We disagree with the attorney general's conclusions but we are pleased to have this matter behind us," said Anna Marie Dunlap, senior vice president for investor relations and corporate communications at Corinthian.

"The agreement is not evidence of wrongdoing, and the company specifically denied any wrongdoing as part of the settlement. We are fully committed to providing quality education and job placement services for students and to being in compliance with state law and regulations," Dunlap said.

Brown countered, "They certainly saw the force of our case and of the factual and legal basis on which we proceeded." He was referring to the lengthy state investigation followed by extensive negotiations conducted between his office and company officials, represented by two law firms: Manatt, Phelps & Phillips and O'Melveny & Myers.

"It certainly is our hope that other vocational schools will look at this judgment, take it seriously and make sure that their practices conform to what Corinthian is now going to have to do, and that they are treating their students fairly, legally and above board," Shelden said.