

1 KAMALA D. HARRIS
Attorney General of California
2 NICKLAS A. AKERS
Supervising Deputy Attorney General
3 NICHOLAS G. CAMPINS (SBN 238022)
DAVID A. JONES (SBN 250287)
4 ANGELA M. MUÑOZ (SBN 263971)
CAROLINE N. DESSERT (SBN 287783)
5 Deputy Attorneys General
455 Golden Gate Avenue, Suite 11000
6 San Francisco, CA 94102-7004
Telephone: (415) 703-5733
7 Fax: (415) 703-5480
E-mail: Nicholas.Campins@doj.ca.gov
8 *Attorneys for* THE PEOPLE OF THE STATE OF
CALIFORNIA

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*Superior Court of California,
County of San Francisco*
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BY: JUDITH NUNEZ
Deputy Clerk

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF SAN FRANCISCO

14 **THE PEOPLE OF THE STATE OF
CALIFORNIA,**

15 Plaintiff,

16 v.

18 **HEALD COLLEGE, LLC et. al.,**

19 Defendants.

Case No. CGC-13-534793

**MEMORANDUM IN SUPPORT OF EX
PARTE APPLICATION FOR ORDER
SHORTENING TIME**

Motion for Leave to File Supplemental
Complaint, [Proposed] Order Granting Leave
to File Supplemental Complaint Filed
Concurrently

Assigned to Hon. Curtis E.A. Karnow
Department 304

EX PARTE HEARING: June 26, 2014
Time: 2:00 PM
Dept. 304
Trial Date: April 20, 2015
Action Filed: October 10, 2013

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MEMORANDUM OF POINTS OF AUTHORITIES

Plaintiff, the People of the State of California (the “People”), seek on this *ex parte* basis an order shortening the notice period for their Motion for Leave to File a Supplemental Complaint. Code of Civil Procedure section 464 states that, “The plaintiff and defendant, respectively, may be allowed, on motion, to make a supplemental complaint or answer alleging facts material to the case occurring after the former complaint or answer.” The People seek leave to file a supplemental complaint alleging Defendants’ violations of California’s laws that have occurred since the filing of the People’s Complaint on October 10, 2013. The People’s supplemental complaint would add no new causes of action, but would instead allege additional violations of the People’s causes of actions under Business and Professions Code sections 17200 and 17500 tied to Defendant Corinthian College, Inc.’s June 23, 2014 announcement that it anticipates that it will sell “certain of its schools . . . to new owners and to teach out certain of its remaining schools.” (See Declaration of Nicholas G. Campins in Support of *Ex Parte* Application (“Campins Decl.”), Exh. 2, p. 2.)

As CCI disclosed in a Current Report (Form 8-K) filing with the United States Securities and Exchange Commission (SEC), on or about June 12, 2014, the United States Department of Education (ED) sent a letter informing CCI that it has transferred all schools from Advance Payment status to Heightened Cash Monitoring 1 (HCM1) status, as a result of CCI’s failure over an extended period of time to provide documents and data ED requested concerning job placement and other matters. (Campins Decl., at, Ex. 1.) Under the HCM1 payment method, CCI must, contemporaneously with making disbursements to eligible students and parents, provide ED with certain documentation of the students’ eligibility for Title IV program funds in support of its request for payment from ED in the amount of those disbursements. In the ordinary course such funds are available for drawdown by the Company within 24 to 72 hours of the request. ED also imposed an additional stipulation delaying drawdown of the requested funds for a period of 21 days. (Campins Decl., at Ex. 1.)

1 On June 19, 2014, CCI informed its investors and creditors of ED’s letter dated June 12,
2 2014. ED’s brief interruption in payment to CCI exposed the fact that CCI’s cash balances were
3 insufficient to sustain it through the 21-day transition period. (Campins Decl., at Ex. 1.) CCI
4 also told its investors and creditors that it was unable to convince any credit facility lenders to
5 make a bridge loan to cover the gap. Finally, CCI told its investors that if it “is unable to timely
6 obtain alternate financing, the Company’s cash flows will not be sufficient to meet its obligations
7 as they become due, which would cause the Company to be unable to continue as a going
8 concern.” (Campins Decl., at Ex. 1.)

9 On or about June 23, 2014, CCI told investors and creditors that it had reached a
10 Memorandum of Understanding (MOU) with ED on June 22, 2014 under which CCI was to
11 either sell or close (through teach-outs) all of its schools in the near future. (Campins Decl., at Ex.
12 2.) The MOU called for the finalization of an operating agreement by July 1, 2014 to detail the
13 terms of the sales and closures. (Campins Decl., at Ex. 2.)

14 Despite these announcement to investors and potential investors, Defendants continue to
15 advertise to potential students without advising them that Defendants anticipate closing or selling
16 all of their schools within a short period of time. (Campins Decl., ¶¶ 9-10.) In fact, Heald
17 continues to advertise on its website that “since we’ve been around for over 150 years, you can
18 count on us to here when you need it most.” (Campins Decl., Ex. 3.) Everest University Online’s
19 website continues to boast that it is “a stable and permanent fixture in the educational
20 community.” (Campins Decl., Ex 4.) If not apprised of Defendants’ precarious financial state,
21 these potential students lack material information in making important educational choices and
22 risk irreparable harm. Indeed, it is difficult to imagine that a student would choose to attend a
23 school, regardless of program length, if faced with the knowledge that the school would be either
24 closed or sold to an unknown entity within a short period of time.

25 Therefore, in her role as the State’s chief law enforcement officer, Attorney General
26 Kamala Harris requests that the Court shorten the notice period on the People’s motion in order to
27 stop ongoing, irreparable harm to consumers that would otherwise continue under the normal
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1 notice provisions for a motion for leave to file a supplemental complaint. Once the Supplemental
2 Complaint is filed, the People anticipate moving for a temporary restraining order and/or
3 preliminary injunction as soon as practicable to prevent students from being misled and deceived.

4 It is for this reason – to protect the public from irreparable harm – that the People have
5 applied *ex parte* for an order shortening the notice period on their Motion for Leave to File a
6 Supplemental Complaint. The People respectfully request that the Court grant this *ex parte*
7 application and that the People’s Motion for Leave to File a Supplemental Complaint be deemed
8 served upon entry of the Proposed Order. The People further request that the hearing on their
9 Motion for Leave to File a Supplemental Complaint be before this Court on July 1, 2014, at a
10 time to be ordered by the Court, with Defendants’ opposition, if any, due on June 30, 2014, and
11 the People’s reply, if any, be presented orally at the July 1, 2014 hearing.

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13 Dated: June 25, 2014

Respectfully Submitted,

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15 KAMALA D. HARRIS
16 Attorney General of California
17 NICKLAS A. AKERS
Acting Senior Assistant Attorney General

18 /s/ Nicholas G. Campins
19 NICHOLAS G. CAMPINS (SBN 238022)
Deputy Attorney General
20 455 Golden Gate Avenue, Suite 11000
San Francisco, CA 94102-7004
21 Telephone: (415) 703-5733
Fax: (415) 703-5480
22 E-mail: Nicholas.Campins@doj.ca.gov
Attorneys for THE PEOPLE OF THE
23 STATE OF CALIFORNIA