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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

IVY BRIDGE UNIVERSITY, LLC f/k/a
Ivy Bridge College, LLC, a Delaware
corporation,

Plaintiff,

v.

HIGHER LEARNING COMMISSION, an
Illinois corporation, and Does 1 through
25, inclusive,

Defendant.

Case No.

COMPLAINT FOR:

(1) Intentional Interference With Contractual
Relations; (2) Intentional Interference With
Prospective Business Interests; (3) Negligent
Interference With Prospective Business
Interests; (4) Inducing Breach of Contract;
(5) California Unfair Competition.

DEMAND FOR JURY TRIAL

1 Plaintiff Ivy Bridge University, LLC f/k/a Ivy Bridge College, LLC (“Ivy Bridge”) files
2 this Complaint against Defendant Higher Learning Commission (“HLC”), alleging as follows:

3 **Background**

4 **A. Low Completion And High Cost: American Higher Education Is Broken,
5 Especially For Low Income And Minority Students.**

6 1. Completion rates at colleges and universities are incredibly low. Only 59% of
7 students starting at a four-year degree institution complete within six years. Nearly 25% of
8 freshman at four-year institutions leave before the second year.

9 2. Two-year colleges—often referred to as community colleges—are “open access
10 institutions” and often represent the only option for many of our nation’s students. But they are
11 failing, too. Only 31% of students graduate within three years.

12 3. The problem is exacerbated for minority students. Only 40.2% of African-
13 American students at four-year institutions graduate within *six years*. At two-year colleges, only
14 26.4% graduate within *three years*.

15 4. 36% of all community college students are the first in their family to go to
16 college. As a result, many are at a disadvantage in navigating the college system as compared to
17 those students whose parents and family understand and have graduated from college. For these
18 students, community colleges are often the last and only chance for them to obtain a college
19 degree.

20 5. Traditional community colleges do not work very well as feeders to four-year
21 institutions, either. Transfer rates are incredibly low. While meant to be a low-cost flexible
22 option as an entry point to a bachelor’s degree, only 16.2% of students who start at a two-year
23 college receive a bachelor’s degree from a four-year institution, even after *six years*. And nearly
24 half of all transfer students that do transfer lose some or all of their college credit in the process.

25 6. Meanwhile, costs are out of control. Tuition and fees have outpaced inflation by
26 five fold over the past 25 years. Cumulative student loan debt is now over a trillion dollars,
27 higher than cumulative credit card debt. Thus, not only are our nation’s institutions failing to
28 graduate a large portion of their students, they are leaving them in massive debt. Average tuition

1 and fees for public four-year colleges have grown to \$9,139 for students in state and \$22,958 for
2 students out of state, while non-profit private schools charge upwards of \$30,000 per year.

3 7. The result is an exacerbating cycle that weighs heavily against those students
4 from low income, underprivileged backgrounds. While college represents their best hope to a
5 higher earning career, their chances of success remain low and they are actually more likely to
6 come out of higher education institutions with a lot of debt and no degree.

7 **B. The United States Economy Is Dependent On A World-Class System Of**
8 **Higher Education.**

9 8. Workplace success depends on education. Median annual wages are over
10 \$20,000 greater for jobs requiring at least an associate degree compared to those with no college
11 degree.

12 9. Among so-called “millennials,” over 20% of those with only a high school degree
13 live in poverty. Yet among the same generation, only 6% of those with a bachelor’s degree or
14 higher live in poverty. Across the entire workforce, the unemployment rate is more than 2%
15 lower for those with at least a bachelor’s degree.

16 10. The United States of America is losing its edge as the world leader in higher
17 education. Currently, the US ranks 5th in educational attainment for people ages 25-64, but only
18 12th for young people ages 25-34. Only 28% of all adults over age 25 in the country have a
19 bachelor’s degree. Meanwhile, by 2018, nearly 63% of jobs will require at least some college.
20 And demand for educated workers is quickly outpacing the supply. At this moment, there are
21 already nearly four million open jobs. Our current higher education system is not meeting this
22 need.

23 **C. Ivy Bridge of Tiffin University: A Solution.**

24 11. Ivy Bridge of Tiffin was created to solve some of these problems. The majority
25 of Ivy Bridge’s students were from low income, underprivileged backgrounds. Ivy Bridge of
26 Tiffin was the perfect solution because it combined the faculty and coursework of Tiffin
27 University—a 127-year-old four-year accredited university—with the convenience and
28 flexibility of an online environment. This allowed students, particularly those from low income

1 and traditionally underrepresented backgrounds in higher education, the flexibility to work part-
2 time and full-time jobs while attending the school.

3 12. Once it was up and fully running, Ivy Bridge's time to graduation was roughly
4 *double* the speed than the average transfer college and, based on public indicators, Ivy Bridge
5 was markedly better at successfully transferring its students to four-year universities. Ivy Bridge
6 was a huge success by anybody's standard. It served dozens of students in California, and
7 students from most of the states in the US.

8 13. Ivy Bridge accomplished its success in a number of different and innovative
9 ways, including by providing each of its students with mandatory tutors; entering into
10 agreements with a multitude of different four-year universities that guaranteed their students'
11 acceptance into these universities so long as the students earned an agreed upon GPA for certain
12 course work; and creating proprietary software that allowed its students to easily track the
13 courses they needed to take and the grades they needed to achieve to be guaranteed acceptance
14 into the four-year university of their choice.

15 14. Despite Ivy Bridge's incredible success, however, it was forced out of business by
16 Defendant HLC because Ivy Bridge did not fit within HLC's political agenda.

17 **D. HLC First Embraces, And Then Destroys Ivy Bridge.**

18 15. HLC is an accrediting body. It wields enormous clout and power, because
19 without accreditation, a university cannot facilitate federal financial aid for its students. In
20 addition, accreditation carries with it a certain level of prestige such that degrees from
21 unaccredited universities are viewed as not very useful or worthwhile. In sum, accreditation is
22 the "seal of approval" without which a university cannot meaningfully operate.

23 16. At first, HLC completely supported and approved the relationship between Tiffin
24 and Ivy Bridge. When presented with Ivy Bridge in 2007, HLC completely supported it and
25 provided the requisite accreditation.

26 17. Then, in 2010, HLC did its Ten Year Review of Tiffin, which included a special
27 focus on the Ivy Bridge relationship. The Ten Year Review is the most intense review done by
28

1 HLC, and occurs every ten years for accredited institutions. Ivy Bridge passed with flying
2 colors. It got strong marks all around:

- 3 • The concept of the Ivy Bridge partnership is an excellent strategic initiative. It
4 addresses an underserved population through a strong curriculum, efficient and
5 effective academic support, excellent instruction, and a very good online portal
6 for program delivery.
- 7 • Ivy Bridge College delivers quality education to a relatively underserved
8 population. Its staff support concept is innovative and well received by the
9 students.
- 10 • It is evident that the University is embracing innovation and change with regard to
11 on-line programs and Ivy Bridge entrepreneurship ventures. The University has
12 stayed true to its mission in these new opportunities. Its focus on career oriented
13 disciplines such as business and criminal justice is clear evidence of programs that
14 support the mission.
- 15 • TU [Tiffin University] effectively utilizes strategic alliances/partnerships to
16 develop and grow academic programs and to expand its local, national, and global
17 presence. These alliances have been particularly effective in the success of the
18 online Associates Degree programs and the International master's and bachelor's
19 degree programs. [Referring to Ivy Bridge.]
- 20 • Tiffin's Ivy Bridge partnership and its European alliances are clear examples of
21 using external relationships to further the mission of the University and stabilize
22 the financial condition.

23 18. During the Ten Year Review, Ivy Bridge disclosed to HLC its future plans.
24 Specifically, it disclosed that eventually it would request independent accreditation as opposed to
25 being accredited as a branch campus of Tiffin. At that time HLC said nothing other than that Ivy
26 Bridge was doing well. Little did Ivy Bridge know, however, a political wave was coming to
27 sweep it away.

28 19. Beginning approximately in 2010, non-traditional universities started receiving
bad press. This was in the midst of the financial crisis of the time and the pundits pounced. The
original focus was a specific model of "for-profit" colleges whereby a traditional university in
financial distress would be purchased by a for-profit entity that would then turn it into a money
making enterprise. This model, so the story went, was proliferating during the financial crisis
and was a problem.

20. Then the congressional hearings began. The press narrative bled into the Senate,
which called the head of HLC, Sylvia Manning, before it for testimony. That did not go well for

1 Ms. Manning. She left the Senate with HLC under pressure to show that it shared the press's
2 concerns about for-profit colleges and that it was going to do something about it.

3 21. But there was a problem. HLC had already accredited many of the for-profit
4 universities that sprung from the failing traditional schools. It could not simply revoke that
5 accreditation. Instead, it had to find a new target to show that it could "get tough."

6 22. That is where Ivy Bridge came in. It was at the wrong place at the wrong time.
7 The Ivy Bridge model was totally different than the for-profit model that was getting bad press.
8 Ivy Bridge was a partnership with Tiffin University to create a transfer university accessible to
9 all. It was not a situation in which a failing university was "bought out" by a for-profit enterprise
10 that was then spun into a profit making machine. However, the Ivy Bridge relationship was non-
11 traditional and it was in a position as technically a branch campus of Tiffin that HLC thought it
12 could exploit to show those putting pressure on it that it would take action against non-traditional
13 providers of higher education. What HLC did next was a complete sham.

14 23. Early in 2012, HLC feigned surprise at the Ivy Bridge structure and demanded
15 that Tiffin submit to a "change of control" review. This is the most stringent category of
16 accreditation review, and it typically is only called for when there is an actual *change in control*.
17 HLC latched on to the fact that Ivy Bridge and Tiffin intended to eventually seek independent
18 accreditation for Ivy Bridge, as opposed to its current branch campus accreditation status, as a
19 pretext for change in control review.

20 24. Really, this was a subterfuge to shut down Ivy Bridge of Tiffin and destroy the
21 relationship and agreements between Tiffin and Ivy Bridge for no justifiable reason. HLC had
22 been aware for years of the plan to eventually seek independent accreditation for Ivy Bridge—
23 including in 2010 when the Ivy Bridge relationship received glowing reviews.

24 25. But at the time Ivy Bridge and Tiffin did not know this was all a sham and
25 complied with HLC's review while noting, however, that HLC had been kept fully aware of Ivy
26 Bridge, its structure, operations, and relationship with Tiffin, throughout the previous four years,
27 all of which was met with nothing but praise from HLC.
28

1 26. The change in control review process included an “on site” visit and inspection,
2 which itself revealed the sham nature of the entire process. HLC brought only four inspectors—
3 two members of HLC and two others, none of whom had any experience with or knowledge of
4 Ivy Bridge-type arrangements, or even community colleges. After a two-day visit, the inspectors
5 met with representatives from Ivy Bridge and Tiffin. They expressed some concerns about the
6 review, but nothing particularly dire or dramatic. Ivy Bridge representatives noted that they
7 would be willing to consider abandoning the plan to seek independent accreditation if HLC
8 desired. But the inspectors responded that there was no need for that and they would follow-up
9 shortly with a formal report of the review.

10 27. The report was a complete hatchet job. The glowing praise from a few years
11 earlier turned into universal disdain. Where the prior review said, for example, that Ivy Bridge
12 had “a strong curriculum, efficient and effective academic support, [and] excellent instruction,”
13 this one said that the Ivy Bridge courses were of “poor quality” and “lacking in content.”
14 Likewise, Tiffin’s once “effective utilization” of alliances like Ivy Bridge turned into a “lack of
15 faculty oversight” and a “failure to demonstrate responsibility” for Ivy Bridge.

16 28. But the only thing that had changed in the intervening years was *more time and*
17 *money* being invested in the Ivy Bridge curriculum. Ivy Bridge and its classes, faculty, and
18 curriculum had by any objective standard improved since the prior review.

19 29. The truth, of course, is that one other thing had changed in those interim few
20 years: HLC was getting political pressure to punish any non-traditional form of higher education.
21 Never mind that Ivy Bridge “addresses an underserved population through a strong curriculum,
22 efficient and effective academic support, excellent instruction, and a very good online portal for
23 program delivery”—*those are HLC’s words*. HLC was under political pressure to kill non-
24 traditional higher education, so that’s what it did. This was a witch-hunt and Ivy Bridge was the
25 victim.

26 30. But there is more. In response to the fabricated criticisms in the change of control
27 review, Ivy Bridge and Tiffin agreed to abandon the plan to seek independent accreditation.
28

1 They would just continue in the same manner—a branch campus of Tiffin—that led to the
2 glowing reviews of Ivy Bridge just a few years prior.

3 31. Telling of its true intent, HLC rejected outright that plan. It threatened Tiffin with
4 sanctions if it did not completely sever its ties with Ivy Bridge. In other words, complete
5 shuttering of Ivy Bridge was the only outcome that HLC would accept. If Tiffin refused, then
6 Tiffin itself faced the prospect of losing its accreditation, which would be a death sentence for
7 the 127-year-old institution.

8 32. And that is how it ended. HLC forced Tiffin to break its agreements with Ivy
9 Bridge and shut down the Ivy Bridge relationship. HLC did not just threaten Tiffin with Ivy
10 Bridge-related sanctions. It threatened sanctions all up and down Tiffin’s operations—even
11 those that had nothing to do with Ivy Bridge—if it did not break its agreements with Ivy Bridge.
12 Again telling of HLC’s true intent to destroy Ivy Bridge, however, soon after Tiffin backed out
13 of the Ivy Bridge relationship, HLC did another review of Tiffin that passed with flying colors.
14 In other words, the only reason Tiffin faced crippling sanctions from HLC was Ivy Bridge.

15 33. After HLC destroyed Ivy Bridge, Ivy Bridge sought to partner with at least two
16 other four-year universities to revive itself. These schools were Concordia University and Ohio
17 Christian University. Each school was willing to start an Ivy Bridge-like institution, but each
18 was threatened by HLC with sanctions if they did. So intent was HLC on burying Ivy Bridge
19 that it threatened to destroy anyone or anything that got in its way.

20 34. Had HLC not blackballed Ivy Bridge, it would have gone on to serve hundreds of
21 thousands and even millions of low income, underprivileged students. By all relevant measures,
22 Ivy Bridge was a huge success prior to HLC’s decision to blackball Ivy Bridge, with roughly
23 *half* the time to graduation and *50-100%* more success at transferring its students to four-year
24 universities. The result would have been a school that gave low income, underprivileged
25 students a fighting chance at one day obtaining higher incomes and getting themselves and their
26 families out of poverty. Ivy Bridge would have gone on to help hundreds of thousands to
27 millions of students transfer to four-year universities in the short term, and in the long term, it
28

1 would have become a stand-alone university with a successful track record built on helping those
2 that needed it the most.

3 35. But HLC stopped all of that when it decided to go on a witch-hunt to destroy Ivy
4 Bridge. In the end, HLC succeeded in destroying Ivy Bridge and ruining its ability to operate, its
5 reputation, and its ability to continue as an entity. This damaged Ivy Bridge in a variety of ways,
6 including but not limited to, destroying its (1) short term ability to partner with Tiffin and
7 operate a transfer college; and (2) long term ability to establish a stand-alone university. Ivy
8 Bridge would have served hundreds of thousands to millions of students under either and/or both
9 scenarios. In addition, HLC damaged Ivy Bridge's reputation so badly that no other school
10 would partner with it. The precise amount of money owed to Ivy Bridge is to be determined at
11 trial.

12 **D. HLC's Actions Were Unauthorized, Wrongful, and Contrary to Law.**

13 36. In order for students to obtain loans guaranteed by the federal government, they
14 must attend schools that are accredited. However, the federal government does not accredit
15 schools directly. Instead, the federal government deputizes certain accrediting agencies, such as
16 HLC. These agencies then apply standards that they create to accredit schools. Once a school
17 gets accredited, its students can receive loans from the federal government. The accrediting
18 agencies have an enormous amount of power, since they essentially hold the key to obtaining
19 federal funding.

20 37. Given this reality, the accrediting agencies are not allowed to simply run rampant
21 and do whatever it is they want, like HLC did with Tiffin and Ivy Bridge as alleged herein.

22 38. Instead, the accrediting agencies are required to follow certain rules as set forth by
23 law. For instance, the law requires that an accrediting agency's decision not be arbitrary,
24 capricious, an abuse of discretion, or otherwise not in accordance with law, or reached without
25 observance of procedure required by law. Also, an accrediting agency is required to follow its
26 own rules. This means an accrediting agency, like HLC, cannot just disregard its own rules and
27 refuse to accredit a school simply because it does not like a particular school or does not want
28 that school to be accredited for political reasons.

1 39. In this case, HLC utterly failed to follow all of the above legal standards.

2 40. As alleged herein, HLC pre-determined it was going to blackball Ivy Bridge at all
3 costs by exerting its enormous leverage over Tiffin. HLC forced an unnecessary and
4 unwarranted change of control review as a pretext to kill the Tiffin/Ivy Bridge relationship. HLC
5 threatened to take away Tiffin’s accreditation if it continued to deal with Ivy Bridge in any
6 capacity and produced a report that was littered with fabrications specifically targeted at
7 destroying the Ivy Bridge/Tiffin relationship.

8 41. HLC also blackballed Ivy Bridge by exerting its leverage over Concordia
9 University and Ohio Christian University. When HLC discovered that these universities were
10 working with Ivy Bridge, HLC communicated to each university that it would sanction it if it
11 continued a relationship with Ivy Bridge. As a result, both universities backed out of their
12 respective relationships with Ivy Bridge.

13 42. HLC’s actions were arbitrary, capricious, and an abuse of discretion. HLC failed
14 to observe the procedures required by law and failed to follow its own rules and procedures.

15 43. HLC’s actions destroyed Ivy Bridge as alleged herein.

16 44. At all relevant times, HLC acted purposefully and with the intent to destroy Ivy
17 Bridge and its relationship with Tiffin, which it knew and intended would harm and injure Ivy
18 Bridge in California. HLC’s actions did, in fact, cause significant harm in California, including
19 to the many students Ivy Bridge served in California and to Ivy Bridge itself, which is
20 headquartered in California, and was forced to cease operations as a result of HLC’s conduct.

21 **PARTIES, JURISDICTION, AND VENUE**

22 45. This Court has subject matter jurisdiction over this action under 28 U.S.C. §1332.
23 Ivy Bridge is a Delaware company with its principal place of business in San Francisco,
24 California. On information and belief, HLC is an Illinois corporation with its principal place of
25 business in Chicago, Illinois. The amount in controversy exceeds \$75,000.

26 46. Does 1-25 are persons or entities responsible in whole or in part for the
27 wrongdoing alleged herein (“Doe Defendants”). Ivy Bridge is informed and believes, and based
28 thereon, alleges that each of the Doe Defendants participated in, ratified, endorsed, or was

1 otherwise involved in the acts complained of, and that they have liability for such acts. Ivy
2 Bridge will amend this Complaint if and when the identities of such persons or entities and/or the
3 scope of their actions become known.

4 47. Venue is proper in this District under 28 U.S.C. §1391 because a substantial part
5 of the events or omissions giving rise to these claims occurred in this District.

6 48. Intradistrict Assignment. Pursuant to Local Rules 3-5(b) and 3-2(c)-(d), this
7 action should be assigned to either the San Francisco Division or Oakland Division of this Court
8 because a substantial part of the events or omissions which give rise to the claims occurred in the
9 county of San Francisco.

10 49. During all relevant times, HLC maintained and maintains a substantial and
11 pervasive presence in California. Specifically, HLC conducts accrediting business and
12 operations throughout the state. That, on information and belief, includes many visits by HLC
13 representatives to campuses throughout the state, as well as a nearly constant stream of
14 communications and interactions with campuses in California. Examples of institutions
15 accredited by HLC with campuses in California include the University of Phoenix (29 campuses
16 in California), DeVry University (15 campuses in California), Everest College (12 campuses in
17 California), Argosy University (14 campuses in California), and many others.

18 50. HLC representatives visit every single one of these campuses on a regular basis to
19 conduct its accrediting processes and business. It also regularly communicates and conducts
20 reviews and other business with representatives from these universities and campuses in
21 California.

22 **First Claim For Relief**
23 **Intentional Interference With Contractual Relations**

24 51. Ivy Bridge realleges and reincorporates each of the preceding paragraphs as if
25 fully set forth herein.

26 52. Fully enforceable and valid contracts existed between Ivy Bridge on the one hand
27 and Tiffin, on the other, which are attached hereto as Exhibits A-D (the "Agreements").
28

1 53. Defendant was fully aware of and had full knowledge of the Agreements and the
2 concomitant Ivy Bridge venture.

3 54. Through its wrongful and unjustified actions described above and incorporated by
4 reference herein, Defendant intended to induce and cause Tiffin to breach the Agreements.

5 55. Through its actions described above and incorporated by reference herein,
6 Defendant did cause Tiffin to breach the Agreements.

7 56. Tiffin's breach of the Agreements, caused by Defendant, caused injury to Ivy
8 Bridge in the form of lost revenue, profits, enterprise value, among other injuries and damages.

9 **Second Claim For Relief**

10 **Intentional Interference With Prospective Business Interests**

11 57. Ivy Bridge realleges and reincorporates each of the preceding paragraphs as if
12 fully set forth herein.

13 58. Ivy Bridge and Tiffin were in an economic relationship in the form of the Ivy
14 Bridge joint venture, which would have resulted in a continued economic benefit to Ivy Bridge,
15 including revenue, profits, enterprise value, among other injuries and damages.

16 59. Defendant knew of and was fully aware of that economic relationship.

17 60. Defendant engaged in the wrongful and unjustified acts described above and
18 incorporated by reference herein with the intent to disrupt and destroy that economic relationship
19 and / or knew that as a result of its actions such disruption was certain or substantially certain to
20 occur.

21 61. The economic relationship between Ivy Bridge and Tiffin was disrupted as a
22 result of Defendant's wrongful and unjustified acts. That disruption harmed Ivy Bridge by
23 causing it to lose revenue, profits, enterprise value, among other injuries and damages.
24 Defendant's wrongful and unjustified acts therefore directly caused and / or were a substantial
25 factor in causing Ivy Bridge's harm.

26 62. Ivy Bridge had existing economic relationships with Concordia University and
27 Ohio Christian University that would have resulted in an economic benefit to Ivy Bridge,
28 including revenue, profits, enterprise value, among other things.

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Prayer for Relief

WHEREFORE, Ivy Bridge prays that judgment be entered in its favor and against Defendant, as follows:

1. An award to Ivy Bridge of restitution and damages, including, but not limited to, compensatory and punitive damages, and all other damages permitted by law;
2. For such relief as the Court deems just and proper.

DATED: May 14, 2015

PERKINS COIE LLP

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DEMAND FOR JURY TRIAL

Plaintiff hereby demands a jury trial of all issues in the above-captioned action that are triable to a jury.

DATED: May 14, 2015

PERKINS COIE LLP

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