

FILED UNDER SEAL

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

_____)	Civil Action No.: 1:11-CV-03523-rbk
PLAINTIFFS UNDER SEAL)	
)	FILED UNDER SEAL
v.)	
)	JURY TRIAL DEMANDED
DEFENDANTS UNDER SEAL)	
_____)	

**THIRD AMENDED COMPLAINT FOR FALSE CLAIMS ACT VIOLATIONS
UNDER 31 U.S.C. § 3729 ET SEQ.**

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA *ex rel.*)
 LAURA LAPORTE, ANGELA)
 DAVENPORT, PAMELA HONE, ROBERT)
 BIASELLI, KELLI J. AMAYA,)
 AMANDA KENNY, and DORIS MOODY,)
 and on behalf of the STATES of)
 DELAWARE, NEW JERSEY, NEW)
 NEW YORK and the COMMONWEALTH)
 OF MASSACHUSETTS,)
)
Plaintiffs,)
)
 v.)
)
 PREMIER EDUCATION GROUP, L.P. and)
 PREMIER EDUCATION GROUP,)
 G.P., INC. d/b/a HARRIS SCHOOL)
 OF BUSINESS, BRANFORD HALL)
 CAREER INSTITUTE, SALTER)
 COLLEGE, THE SALTER SCHOOL,)
 SEACOAST CAREER SCHOOLS,)
 SUBURBAN TECHNICAL SCHOOL,)
 SALTER SCHOOL OF NURSING)
 & ALLIED HEALTH; and JOHN DOES)
 NOS.1-50, FICTITIOUS NAMES,)
)
Defendants.)

Civil Action No. 1:11-CV-03523-rbk

FILED UNDER SEAL

**THIRD AMENDED COMPLAINT
FALSE CLAIMS ACT VIOLATIONS
UNDER 31 U.S.C. § 3729 ET SEQ.**

FILED BY HAND

JURY TRIAL DEMANDED

TABLE OF CONTENTS

I. INTRODUCTION1

II. JURISDICTION AND VENUE5

III. PARTIES6

 A. Plaintiffs/Relators6

 1. Laura LaPorte.....6

 2. Robert Biaselli7

 3. Pamela Hone7

 4. Angela Davenport8

 5. Kelli J. Amaya10

 6. Amanda Kenny11

 7. Doris Moody12

 B. Defendants13

 1. Premier Education Group, L.P. and Premier Education Group,
 G.P., Inc.13

 2. John Does Nos. 1-50, Fictitious Names.....19

IV. BACKGROUND19

 A. The False Claims Act and State False Claims Acts19

 B. Programs Under Title IV of the Higher Education Act of 1965.....22

 1. Federal Regulations Governing Title IV Funding22

 2. Program Participation Agreements24

 3. Claims For Payment Under Title IV, HEA Programs24

 4. Title IV Grant Programs25

 5. Title IV Loan Programs27

- C. PEG’s Participation in Title IV, HEA Programs28
 - 1. Program Participation Agreement(s)28
 - 2. Federal Funds Received from the Department of Education.....30
- D. Claims Related to Other Federal and Student State Financial Aid Programs.....30
 - 1. Other Federal Programs30
 - 2. Delaware Student Financial Aid Programs.....32
 - 3. Massachusetts Student Financial Aid Programs.....32
 - 4. New Jersey Student Financial Aid Programs.....33
 - 5. New York Student Financial Aid Programs34
- V. PEG’S FRAUDULENT SCHEME.....35
 - A. PEG Caused the Federal and State Programs to Award Financial Aid to Ineligible Students and It Fabricated Documents to Conceal Their Ineligibility.....44
 - 1. PEG Admitted Students Who Were Obviously Unqualified for Admission, and Who Were Incapable of Completing the Educational Program, and it Fabricated Test Results45
 - i. No High School Diplomas/GEDs45
 - ii. PEG Admitted Known Felons Who Were Either Ineligible for Federal and State Financial Aid or Could Not Obtain Licensure in Their Chosen Fields50
 - iii. Falsification of Wonderlic Test Scores.....52
 - iv. Learning Disabled, Non-English Speaking, and Illiterate Students.....56
 - 2. PEG Completed FAFSA Applications for Prospective Students Who Were Not Competent to Understand the Financial Obligations They Were Undertaking.....59
 - 3. PEG Altered Student Grades from Failing to Passing in Violation of Federal and State Law Requiring Financial Aid Recipients to Show They Are Making Satisfactory Academic Progress in Their Programs61

4. PEG Misled Prospective Students Regarding Their Ability to Transfer Course Credits to Other Institutions and Programs.....106

D. PEG Caused Applicants to Submit False FAFSA Forms to the Department of Education109

E. PEG Used Prohibited Incentive Compensation To Induce Employees to Participate in Its Fraudulent Scheme110

F. PEG Knowingly Made False Statements and Falsified Certifications in Order to Conceal Its Fraudulent Scheme115

VI. PEG’S FRAUDULENT SCHEME CAUSED THE SUBMISSION AND PAYMENT OF FALSE CLAIMS.....118

VII. PEG RETALIATED AGAINST RELATOR AMAYA FOR HER WHISTLEBLOWING ACTIVITY126

VIII. PEG RETALIATED AGAINST RELATOR MOODY FOR HER WHISTLEBLOWING ACTIVITY127

COUNT I (Violation of False Claims Act, 31 U.S.C. § 3729(a)(1)(A))128

COUNT II (Violation of False Claims Act, 31 U.S.C. § 3729(a)(1)(B))129

COUNT III (Violation of False Claims Act, 31 U.S.C. § 3729(a)(3); 31 U.S.C. § 3729(a)(1)(C)).....129

COUNT IV (Violation of False Claims Act, 31 U.S.C. § 3729(a)(7); 31 U.S.C. § 3729(a)(1)(G)).....130

COUNT V (Violation of False Claims Act, 31 U.S.C. § 3730(h) – Relator Amaya).....130

COUNT VI (Intentional Infliction of Emotional Distress – Relator Amaya).....131

COUNT VII (Violation of False Claims Act, 31 U.S.C. § 3730(h) – Relator Moody).....131

COUNT VIII (Intentional Infliction of Emotional Distress – Relator Moody)132

COUNT IX (Violation of Delaware False Claims and Reporting Act).....132

COUNT X (Violation of Massachusetts False Claims Act)133

COUNT XI (Violation of New Jersey False Claims Act)134

COUNT XII (Violation of New York False Claims Act).....135

**THIRD AMENDED COMPLAINT FOR FALSE CLAIMS ACT VIOLATIONS
UNDER 31 U.S.C. § 3729 ET SEQ.**

This is an action brought on behalf of the United States of America and the States of Delaware, New Jersey, New York, and the Commonwealth of Massachusetts (the “*Qui Tam* States” or “States”) by Laura LaPorte, Angela Davenport, Pamela Hone, Robert Biaselli, Kelli J. Amaya, Amanda Kenny and Doris Moody (“Relators”), by and through their attorneys, against Defendants Premier Education Group, L.P. and Premier Education Group, G.P., Inc. d/b/a Branford Hall Career Institute, Harris School of Business, Salter College, The Salter School, Salter School of Nursing & Allied Health, Seacoast Career Schools, and Suburban Technical School (collectively, “PEG”), and John Does #1-50, Fictitious Names (together with PEG, the “Defendants”), pursuant to the *qui tam* provisions of the Federal Civil False Claims Act, 31 U.S.C. § 3729, *et seq.* (“FCA”) and State law *qui tam* statutes (“*Qui Tam* statutes” or “False Claims Acts”).

I. INTRODUCTION

1. This is an action to recover damages and civil penalties on behalf of the United States and the *Qui Tam* States, arising from false statements and claims that PEG knowingly presented to, or caused to be presented to, the United States and to the *Qui Tam* States in violation of the FCA and the State False Claims Acts.

2. PEG knowingly presented and/or has made, or caused to be presented or made, the false claims and statements at issue, in order to participate in the Federal student financial aid programs and State student financial aid programs (collectively “Federal and State Programs” or “Federal and State Program”). Beginning at least as early as 2006, and likely much earlier, PEG knowingly submitted, or caused to be submitted to the Federal and State Programs, numerous false claims for payment arising from PEG’s fraudulent course of conduct.

3. In order to be eligible to receive Federal and State Program funding, PEG was required to adhere to a variety of regulations related to the operation of its for-profit, proprietary schools. *See, e.g.*, 34 C.F.R. Parts 600, 668. PEG entered into contractual agreements with the Department of Education and several States called Program Participation Agreements (“PPAs”), in which PEG specifically agreed to abide by these regulations. Execution of these PPAs was a condition precedent to PEG’s eligibility to receive Federal and State Program funding. PEG also certified each time it drew down student aid monies that the funds were being expended in accordance with the conditions of the applicable PPAs.

4. Among other things, PEG was required to maintain a license to operate in each state in which each of its campuses was located and to maintain accreditation by an accreditation agency recognized by the Secretary of Education for that purpose. PEG was further prohibited from making any false representations to prospective students regarding, among other things, the employability of its graduates upon graduation. PEG agreed that it would comply with these and other requirements in each PPA it executed.

5. Beginning in at least 2006, and likely much earlier, PEG engaged in a widespread scheme to defraud the governments in order to receive Federal and State Program funding it would not otherwise have been entitled to receive.

6. PEG made false statements and concealed material information from State agencies and the Department of Education in order to ensure that it would maintain its state license and/or continue to receive Federal and State Program funding. For example, New Jersey state rules required that a proprietary school maintain an acceptable percentage-based placement rate to remain licensed. PEG fabricated placement statistics for graduates at its campuses in order to make it appear that PEG had placed substantially more of its graduates in their fields of

study than it actually had. PEG reported and certified these false placement statistics as true and correct. By falsifying its placement statistics, PEG was able to maintain its state licensure and accreditation, and thus its eligibility to receive Federal and State Program funding.

7. PEG also engaged in false advertising in an attempt to induce students to enroll at its campuses, in violation of Federal and State Program regulations, and its PPAs. For example, PEG admissions representatives and managers misrepresented the accreditation status of certain of its programs, and they enrolled students into particular programs of study without disclosing that they likely would be effectively disqualified from employment in their chosen fields upon graduation (*e.g.*, because a “degree” from PEG would not qualify them to take necessary licensure examinations). And PEG admissions representatives misrepresented the nature and success of PEG’s career placement services. As a result of PEG’s misrepresentations, students expended significant time learning a trade, and incurred substantial debt, only to be effectively barred from employment in their fields upon graduation. PEG’s false advertising to prospective applicants, in violation of government regulations and its PPAs, was designed to (and did) induce students to enroll at PEG Schools who would otherwise not have enrolled had they been told the truth.

8. PEG engaged in other fraudulent conduct in an attempt to secure financial aid monies for students who, but for PEG’s conduct, would not have been eligible for assistance from the Federal and State Programs. For instance, PEG falsified records in order to make it appear that prospective students had either graduated from a recognized high school or received a GED in order to permit unqualified students to enroll at PEG; and PEG then improperly received and retained Federal and State Program assistance for those ineligible students.

9. PEG also engaged in a variety of fraudulent actions designed to ensure that prospective students passed the “Wonderlic Scholastic Level Exam,” which is designed to measure an applicant’s cognitive skills and likelihood of academic success, and which PEG utilized as a posted criteria for admission to certain of its programs. PEG’s actions included: (i) allowing applicants more than the prescribed amount of time to complete the test; (ii) allowing applicants to take the test unsupervised and with access to mobile communications devices; (iii) providing applicants with answers to test questions; and (iv) altering test scores in order to create a false record that the applicants had passed the test. Once admitted, PEG kept students on its rolls – and, as such, certified their Satisfactory Academic Progress (“SAP”) and its Federal and State Program financial aid recipient list – by falsifying attendance records and changing student grades from failing to passing. Moreover, PEG employees falsified financial aid records in order to secure more Federal and State Program funding than the students were eligible to receive.

10. Finally, PEG’s employee compensation system, both as designed and as implemented, at all times material hereto did not comply with the Incentive Compensation Ban or any (then existing) regulatory safe harbor. Title IV of the Higher Education Act (“HEA”) explicitly has required that schools “[w]ill not provide any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admission activities or in making decisions regarding the award of student financial assistance. . . .” 20 U.S.C. § 1094(a)(20) (“Incentive Compensation Ban”). Title IV expressly conditioned the initial and continuing eligibility of schools to obtain Program funding on the requirement that the schools comply with the Incentive Compensation Ban.

11. Not only as designed, but in practice, the sole factor that has determined changes to the compensation of PEG admissions personnel has been the number of students the admissions

employee recruited. As alleged herein, this created the very kind of predatory admissions and financial aid environment at PEG that the Ban was designed to prohibit. Despite knowing that its compensation system, as designed and implemented, did not comply with Title IV of the HEA and its regulatory safe harbors, PEG has falsely represented and certified to the Federal and State Programs, or caused PEG students to submit, false claims for payment. Accordingly, PEG's conduct has violated the FCA and the State *Qui Tam* laws.

12. As alleged herein, PEG's conduct has been knowing and material to its eligibility to participate in Federal and State Programs. As a result of PEG's fraudulent scheme and its false certifications of Federal and State Program eligibility, PEG has received hundreds millions of dollars of Federal and State Program financial aid that it would not have received but for its misconduct.

II. JURISDICTION AND VENUE

13. This Court has subject matter jurisdiction over claims brought on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729 *et seq.*, pursuant to 31 U.S.C. §§ 3730 and 3732. The Court has original jurisdiction of the State law claims pursuant to 31 U.S.C. § 3732(b) because this action is brought under State laws for the recovery of funds paid by the *Qui Tam* States, and arises from the same transaction or occurrence brought on behalf of the United States under 31 U.S.C. § 3730.

14. This Court has personal jurisdiction over the Defendants pursuant to 31 U.S.C. § 3732(a) because they transact business and are found in this judicial district, and acts proscribed by 31 U.S.C. § 3729 occurred in this judicial district.

15. Venue is proper in this judicial district under 31 U.S.C. § 3732(a), and under 28 U.S.C. §§ 1391(b) and 1395(a), because the Defendants own and operate campuses within this

judicial district, and certain acts that form the basis of this Third Amended Complaint occurred in this judicial district.

16. The causes of action alleged herein are timely brought because, among other things, of efforts by the Defendants to conceal their wrongdoing.

III. PARTIES

A. PLAINTIFFS/RELATORS

17. The Relators are original sources of the allegations in this Third Amended Complaint, and these allegations are not based upon publicly-disclosed information. Relators have provided the Government with material information prior to the filing of this Third Amended Complaint in accordance with 31 U.S.C. § 3730(b)(2) and similar provisions in the State *Qui Tam* statutes, including thousands of pages of documents and a preliminary disclosure statement.

18. Prior to filing this Third Amended Complaint, Relators brought their allegations to the attention of the named Defendants by raising their concerns as described herein.

1. Laura LaPorte

19. Relator Laura LaPorte is a citizen of the United States and a resident of Atlantic County, New Jersey. She worked as the Registrar at HSB-Linwood in 2006 and 2007, and her direct supervisor was the Director of Education, Craig Hennequant. Among other things, Relator LaPorte was responsible for administering the Wonderlic test to prospective applicants, tracking student attendance, and inputting student grades into the school's CampusVue computer system. Relator LaPorte resigned her employment with PEG voluntarily.

20. Relator LaPorte is an original source of the allegations in this Third Amended Complaint against Defendants, and the allegations are not based upon publicly disclosed information. She has provided the Government with information prior to the filing of this Third

Amended Complaint in accordance with 31 U.S.C. § 3730(b)(2) and similar provisions in the State *Qui Tam* statutes.

21. Relator LaPorte voluntarily provided the non-public information alleged herein to the Government prior to filing this action. Accordingly, Relator LaPorte is an “original source” of the non-public information alleged in this Third Amended Complaint within the meaning of 31 U.S.C. § 3730(e)(4)(A) and (B) and similar provisions in the State *Qui Tam* statutes.

2. Robert Biaselli

22. Relator Robert Biaselli is a citizen of the United States and a resident of Gloucester County, New Jersey. He worked as an Instructor at HSB-Linwood in 2006 and 2007, teaching anatomy, biology, phlebotomy, and EKG courses in its PMA program. Relator Biaselli often complained to his supervisors at HSB-Linwood about misconduct in their administration of the PMA program.

23. Relator Biaselli is an original source of the allegations in this Third Amended Complaint against Defendants, and the allegations are not based upon publicly disclosed information. He has provided the Government with information prior to the filing of this Third Amended Complaint in accordance with 31 U.S.C. § 3730(b)(2) and similar provisions in the State *Qui Tam* statutes.

24. Relator Biaselli voluntarily provided the non-public information alleged herein to the Government prior to filing this action. Accordingly, Relator Biaselli is an “original source” of the non-public information alleged in this Third Amended Complaint within the meaning of 31 U.S.C. § 3730(e)(4)(A) and (B) and similar provisions in the State *Qui Tam* statutes.

3. Pamela Hone

25. Relator Pamela Hone is a citizen of the United States and a resident of Atlantic County, New Jersey. She worked as an admissions representative at HSB-Linwood in 2006 and

2007. Before becoming an admissions representative at HSB-Linwood, Relator Hone worked as a receptionist at HSB-Linwood when it opened in 2005. As an admissions representative at HSB-Linwood, Relator Hone repeatedly complained to PEG's Regional Vice President, Nick Hastain, about misconduct in PEG's administration of the HSB-Linwood campus. In 2007, Relator Hone requested that she be "fired" from her employment with PEG.

26. Relator Hone is an original source of the allegations in this Third Amended Complaint against Defendants, and the allegations are not based upon publicly disclosed information. She has provided the Government with information prior to the filing of this Third Amended Complaint in accordance with 31 U.S.C. § 3730(b)(2) and similar provisions in the State *Qui Tam* statutes.

27. Relator Hone voluntarily provided the non-public information alleged herein to the Government prior to filing this action. Accordingly, Relator Hone is an "original source" of the non-public information alleged in this Third Amended Complaint within the meaning of 31 U.S.C. § 3730(e)(4)(A) and (B) and similar provisions in the State *Qui Tam* statutes.

4. Angela Davenport

28. Relator Angela Davenport is a citizen of the United States and a resident of Cape May County, New Jersey. She holds a Ph.D. in Educational Leadership from Seton Hall University, and worked as Director of Education for PEG's Harris School of Business during 2009. Among other things, Relator Davenport's position as Director of Education included all the responsibilities associated with meeting the educational needs of the students. She was responsible for part of the orientation for students; working directly with the HSB-Cherry Hill Registrar to provide numbers for scheduling of students; ordering and distribution of textbooks and supplemental classroom materials; curriculum oversight; supervision of classes; teacher evaluations; reconciliation of student problems and issues; follow-up on daily attendance; and

responsibility for preparation of HSB-Linwood personnel files (which had been in complete disarray) for PEG.

29. Relator Davenport repeatedly complained to PEG management, including HSB-Linwood Campus Director Tom O’Grady, regarding systemic failures in its operations. For example, she complained that the HSB-Linwood campus lacked adequate curricula and adequately qualified instructors to accomplish its stated mission, that many of its students were not academically qualified for enrollment, and that high rates of attrition for teachers and administrators were alarming. Relator Davenport also repeatedly complained about her observation that PEG’s admissions representatives frequently misrepresented HSB-Linwood’s accreditation status and course offerings in order to “sell” enrollments. When it became clear that PEG had decided to ignore her concerns, Relator Davenport voluntarily resigned her employment.

30. Relator Davenport is an original source of the allegations in this Third Amended Complaint against Defendants, and the allegations are not based upon publicly disclosed information. She has provided the Government with information prior to the filing of this Third Amended Complaint in accordance with 31 U.S.C. § 3730(b)(2) and similar provisions in the State *Qui Tam* statutes.

31. Relator Davenport voluntarily provided the non-public information alleged herein to the Government prior to filing this action. Accordingly, Relator Davenport is an “original source” of the non-public information alleged in this Third Amended Complaint within the meaning of 31 U.S.C. § 3730(e)(4)(A) and (B) and similar provisions in the State *Qui Tam* statutes.

5. Kelli J. Amaya

32. Relator Kelli J. Amaya is a citizen of the United States and a resident of New Castle County, Delaware. She holds a BA degree from the Gallatin School of Individualized Study at New York University. Relator Amaya worked as the Externship Coordinator at HSB-Linwood from September 2009 through June 2010, and she was responsible for supervising the medical assistant, pharmacy tech, legal technology, and dental assisting externship programs. She also taught clinical review, career development, resume writing, and interviewing skills, and she provided tutoring, mentoring, and clinical refresher courses as needed to HSB-Linwood students. In July 2010, Relator Amaya was promoted to Director of Education/Externship at HSB-Wilmington, where she worked to repair serious deficiencies in the HSB-Wilmington Education, Externship, Career, and Registrar departments. After complaining of the serious problems at the HSB-Wilmington campus, she was first demoted and then fired in January 2011 as a result of her whistleblowing activities.

33. Relator Amaya is an original source of the allegations in this Third Amended Complaint against Defendants, and the allegations are not based upon publicly disclosed information. She has provided the Government with information prior to the filing of this Third Amended Complaint in accordance with 31 U.S.C. § 3730(b)(2) and similar provisions in the State *Qui Tam* statutes. As a result of her lawful whistleblowing activities, Relator Amaya was unlawfully terminated from PEG.

34. Relator Amaya voluntarily provided the non-public information alleged herein to the Government prior to filing this action. Accordingly, Relator Amaya is an “original source” of the non-public information alleged in this Third Amended Complaint within the meaning of 31 U.S.C. § 3730(e)(4)(A) and (B) and similar provisions in the State *Qui Tam* statutes.

6. Amanda Kenny

35. Relator Amanda Kenny is a citizen of the United States and a resident of New Castle County, Delaware. Relator Kenny was hired in 2009 as a Financial Aid Administrator at HSB- Wilmington School. In January 2011, Relator Kenny was promoted to Director of Financial Aid. As Director of Financial Aid, Relator Kenny was responsible for the submission of FAFSA forms to the Department of Education, for scheduling financial aid disbursements, for drawing down Federal and State Programs funds for HSB-Wilmington students, for preparing and processing all internal and external paperwork and reports (*e.g.* Master Promissory Notes, Institutional Student Information Reports, and “Remaining Balances Scheduled” reports) and correspondence to the Department of Education relating to student financial aid, for collecting and depositing student payments, for monitoring each student’s eligibility (or lack thereof due to poor grades or attendance) for financial aid on an ongoing basis, for attending weekly manager meetings and financial aid conference calls with other PEG Schools, and for weekly meetings with the Director of Admissions and other PEG managers to monitor the financial aid process on a student-by-student basis, as well as to manage re-enrollments. Relator Kenny also conducted exit counseling for students prior to their externships. Relator Kenny voluntarily left HSB-Wilmington in October 2011 because of her concerns about school administrators’ unethical behavior, which is described more fully below.

36. Relator Kenny is an original source of the allegations in this Third Amended Complaint against Defendants, and the allegations are not based upon publicly disclosed information. She has provided the Government with information prior to the filing of this Third Amended Complaint in accordance with 31 U.S.C. § 3730(b)(2) and similar provisions in the State *Qui Tam* statutes.

37. Relator Kenny voluntarily provided the non-public information alleged herein to the Government prior to filing this action. Accordingly, Relator Kenny is an “original source” of the non-public information alleged in this Third Amended Complaint within the meaning of 31 U.S.C. § 3730(e)(4)(A) and (B) and similar provisions in the State *Qui Tam* statutes.

7. Doris Moody

38. Relator Doris Moody is a citizen of the United States and a resident of Delaware County, Pennsylvania. She was hired as the Registrar of HSB-Wilmington in October 2010 and she left voluntarily on August 2, 2012 because of her concerns about school administrators’ unethical behavior, which is described more fully below. Relator Moody’s job responsibilities as Registrar as HSB-Wilmington were grade and attendance records input, class scheduling, class roster preparation/dissemination, and generating reports relating to student grades and attendance. She was responsible for entering student attendance records and final course grades (and any changes thereto) for HSB-Wilmington into PEG’s computer system via a software program called CampusVue.

39. Relator Moody is an original source of the allegations in this Third Amended Complaint against Defendants, and the allegations are not based upon publicly disclosed information. She has provided the Government with information prior to the filing of this Third Amended Complaint in accordance with 31 U.S.C. § 3730(b)(2) and similar provisions in the State *Qui Tam* statutes. As a result of her lawful whistleblowing activities, Relator Moody was unlawfully constructively terminated from PEG.

40. Relator Moody voluntarily provided the non-public information alleged herein to the Government prior to filing this action. Accordingly, Relator Moody is an “original source” of the non-public information alleged in this Third Amended Complaint within the meaning of 31 U.S.C. § 3730(e)(4)(A) and (B) and similar provisions in the State *Qui Tam* statutes.

B. DEFENDANTS

1. Premier Education Group, L.P. and Premier Education Group, G.P., Inc.

41. Defendant Premier Education Group, L.P. (“PEG LP”), formerly known as “Connecticut Education Corporation,” is, upon information and belief, a Pennsylvania limited partnership with its principal offices located at 100 South Shore Drive, Suite 125, East Haven, Connecticut 06512-4691.

42. Upon information and belief, the partners/owners of PEG LP have included Andrew N. Yao, Premier Education Group, G.P., Inc. (“PEG GP”), and various members of the family of W. Roderick Gagné (including, among others, Robert L. Bast) and family trusts of which Mr. Gagné and others were the trustees (including, among others, various Elizabeth Brennan Trusts).

43. Defendant PEG GP is, upon information and belief, a Pennsylvania corporation with principal offices located at 100 South Shore Drive, East Haven, Connecticut 06512-4691.

44. Upon information and belief, at all times material hereto PEG GP has been the general partner of PEG LP. In addition to assuming the role of general partner, PEG GP assumed management control of PEG LP, including for the acts alleged herein.

45. Upon information and belief, the owners of PEG GP have included (and may still include) Andrew N. Yao, Robert L. Bast, the Elizabeth Brennan Trusts (W. Roderick Gagné, Trustee) and certain other trusts.

46. PEG LP and PEG GP are collectively referred to herein as “PEG” and each has been operated in all material respects as alter ego for the other.

47. PEG is a privately-owned career training organization that offers career education on a for-profit basis at twenty-seven campuses based in the northeastern United States, from

Delaware to Maine. Started in 1965, PEG now employs approximately 1,360 personnel at its campus locations, fifty at its corporate headquarters, as well as twenty others at a regional office in Springfield, Massachusetts. PEG is one of the fastest-growing for-profit school organizations in the United States, with more than 10,000 students.

48. PEG Schools received significant Federal and State Programs monies. For example, for the academic year 2010-2011 alone PEG Schools received *at least* \$48.3 million in Federal grants and \$93.7 million in Federal and State Program financial aid monies. PEG operates and does business in the following names:

- (i) **Branford Hall Career Institute (“Branford Hall” or “BHCI”)**. In 1965, Nelson Bernabucci founded Branford Hall as a business training institution located in Branford, Connecticut. In 1993, PEG (at the time known as Connecticut Education Corp) acquired the school. Branford Hall is a professional training school operating eight campuses located in Branford, Danbury, Southington, and Windsor, Connecticut; in Springfield, Massachusetts; and in Albany and Bohemia, New York. It offers courses for individuals seeking careers as chefs, computer networking managers, fitness trainers, health claims and medical billing officers, HVAC specialists, paralegals, and professional medical assistants. Branford Hall student financial aid revenues from the Federal and State governments have been substantial. For example, Branford Hall received \$17.7 million in Federal student grants and \$29.5 million in Federal student loan disbursements during the 2010-2011 academic year alone:

BHCI Campus	Pell Grants	Other Federal Grants	Total Federal Grants	Total Federal Student Loans
Albany	\$1,373,149	\$46,000	\$1,419,149	\$2,542,656
Bohemia	\$3,116,891	\$58,100	\$3,174,991	\$6,105,811

Branford	\$2,540,698	\$37,300	\$2,577,998	\$4,706,212
Southington	\$2,871,535	\$55,167	\$2,926,702	\$4,996,091
Springfield	\$4,213,446	\$119,750	\$4,333,196	\$5,616,640
Windsor	\$3,257,552	\$36,900	\$3,294,452	\$5,629,182
TOTAL			\$17,726,488	\$29,596,592

- (ii) **Harris School of Business** (“Harris School” or “HSB”), originally founded in 1959 and later purchased by PEG in 2003, is a professional training school that offers courses in the fields of allied health and business management. HSB campuses are located in Cherry Hill, Linwood, Hamilton, and Voorhees, New Jersey; in Dover and Wilmington, Delaware; and in Upper Darby, Pennsylvania. HSB offers eleven programs of study in Computerized Accounting Technology, Dental Assistant, Health Claims Specialist, Legal Office Technology, Massage Therapy, Medical Assistant, Professional Medical Assistant, Multi-Skilled Health Technician, Pharmacy Technician, Surgical Technology, and Phlebotomy. Harris School student financial aid revenues from the Federal and State governments have been substantial. For example, the Harris Schools received a total of \$13.5 million in Federal student grants and \$20.9 million in Federal student loans during the 2010-2011 academic year alone:

HSB Campus	Pell Grants	Other Federal Grants	Total Federal Grants	Total Federal Student Loans
Cherry Hill	\$1,569,759	\$25,700	\$1,595,459	\$2,575,065
Dover	\$2,553,052	n/a	\$2,553,652	\$3,932,141
Hamilton	\$1,625,708	\$54,700	\$1,680,408	\$2,729,522
Linwood	\$1,300,875	\$28,975	\$1,329,850	\$2,071,326
Upper Darby	\$2,236,744	\$24,092	\$2,260,836	\$3,181,862
Voorhees	\$1,388,892	n/a	\$1,389,192	\$2,353,538
Wilmington	\$2,671,053	\$48,050	\$2,719,103	\$4,146,660
TOTAL			\$13,528,500	\$20,990,114

- (iii) **Salter College.** Salter College was founded by Dorothy Lowell Salter in Worcester, Massachusetts in 1937 as a private school dedicated exclusively to the training of women as professional secretaries. In January 2002, Salter School was acquired by PEG. In February of 2007, Salter School was granted authority to change its name to Salter College: A Two-Year Private College, LLC and to award Associate in Science degrees in Accounting, Medical Assisting, and Office Administration under the purview of the Massachusetts Department of Higher Education. Salter College then separated from the Salter School and obtained approval from the Commonwealth of Massachusetts to become a two-year technical college offering associate degree and certificate programs at its West Boylston main campus as well as its Chicopee branch campus. Salter College student financial aid revenues from the Federal and State governments have been substantial. For example, Salter College received \$3.9 million in Federal student grants and \$6.8 million in Federal student loan disbursements during the 2010-2011 academic year alone:

Salter College Campus	Pell Grants	Other Federal Grants	Total Federal Grants	Total Federal Student Loans
West Boylston	\$3,796,620	\$108,558	\$3,905,178	\$6,812,396

- (iv) **Salter School (“Salter” or “SS”)** is a professional training school that offers programs in Accounting, Network Administration, Massage Therapy, Medical Billing & Health Claims Specialist, Medical Assisting, Culinary Arts, legal, executive, and Medical Office Administration on campuses in New Bedford, Malden, Tewksbury, and Fall River, Massachusetts. Salter School also previously operated a campus in Worcester, Massachusetts until 2008. Salter student

financial aid revenues from the Federal and State governments have been substantial. For example, Salter received \$7.1 million in Federal student grants and \$11.2 million in Federal student disbursements for the academic year 2010-2011 alone:

Salter School Campus	Pell Grants	Other Federal Grants	Total Federal Grants	Total Federal Student Loans
Fall River	\$1,595,708	\$54,050	\$1,649,758	\$2,469,199
Malden	\$2,855,038	\$67,500	\$2,922,538	\$4,670,122
New Bedford	\$1,350,485	\$40,200	\$1,390,685	\$2,055,820
Tewksbury	\$1,132,954	\$28,533	\$1,161,487	\$2,015,762
TOTAL			\$7,124,468	\$11,210,903

- (v) **Salter School of Nursing & Allied Health** (“Salter School of Nursing”) is a professional training school that offers five programs in nursing and patient care on a single campus in New Hampshire. The Salter School of Nursing student financial aid revenues from the Federal and State governments have been substantial. For example, Salter School of Nursing & Allied Health received \$438,495 in Federal student grants and \$1 million in Federal student loans during the 2010-2011 academic year alone:

Salter School of Nursing	Pell Grants	Other Federal Grants	Total Federal Grants	Total Federal Student Loans
Manchester	\$427,645	\$10,850	\$438,495	\$1,080,288

- (vi) **Seacoast Career Schools (“Seacoast”)**. Founded in 1995 by Kelly Michaud of Career Directions, Inc., the Seacoast Career Schools originally specialized in computer and business skills training. In August 2001, PEG purchased the school, moving its facilities from Wells, Maine to Sanford, Maine. A second Seacoast campus opened in Manchester, New Hampshire in 2003. Seacoast

student financial aid revenues from the Federal and State governments have been substantial. For example, Seacoast received \$3.7 million in Federal student grants and \$7.6 million in Federal student loans in the 2010-2011 academic year alone:

SCS Campus	Pell Grants	Other Federal Grants	Total Federal Grants	Total Federal Student Loans
Manchester	\$1,974,133	\$31,650	\$2,005,783	\$4,384,930
Sanford	\$1,688,192	\$26,400	\$1,714,592	\$3,243,807
TOTAL			\$3,720,375	\$7,628,737

- (vii) **Suburban Technical School (“Suburban Tech”)**. GTE Sylvania Corporation founded the Sylvania Technical School in 1970, and it became Suburban Technical School in 1976 when its campus moved to Hempstead, New York. PEG acquired the campus in 2001. Suburban Tech was until recently a professional training school that provided one or more professional training programs. On March 24, 2009, the New York State Education Department Bureau of Proprietary School Supervision (“BPSS”) levied fines on Suburban Tech for multiple violations, including for having an unlicensed instructor teaching students and a curriculum that was not being conducted as approved. According to its former website (www.suburbantech.edu), Suburban Tech closed on or about March 15, 2012. Suburban Tech student financial aid revenues from the Federal and State governments have been substantial. For example, Suburban Tech received \$1.9 million in Federal student grants and \$2.2 million in Federal student loans alone:

Suburban Tech	Pell Grants	Other Federal Grants	Total Federal Grants	Total Federal Student Loans
Hempstead	\$1,875,981	\$34,825	\$1,910,806	\$2,205,406

49. At all times material hereto, PEG has operated each of the PEG Schools, including student recruitment, admission, enrollment and financial aid management, attendance and grade record keeping in CampusVue, career placement, as well as licensure and accreditation in a similar manner.

50. As a result of PEG's actions in owning and operating the PEG Schools, the United States and the States have suffered significant financial harm.

2. John Does Nos. 1-50, Fictitious Names

51. John Does Nos. 1-50, Fictitious Names, are individuals, corporations, limited liability companies, partnerships, trusts, or other lawful business entities through which Defendants do business, and who are unknown co-conspirators who conspired with PEG to perpetuate the scheme described herein.

52. To the extent that any of the conduct or activities described in this Third Amended Complaint were not performed by PEG, but by the individuals or entities described herein as John Does Nos. 1-50, Fictitious Names, any reference herein to "PEG" or "Defendants" under such circumstances, and only under such circumstances, refers also to John Does Nos. 1-50, Fictitious Names, and/or other co-conspirators who conspired with PEG to perpetrate the scheme described herein.

53. As a result of actions of John Does Nos. 1-50, Fictitious Names, the United States and the States have suffered financial harm.

IV. BACKGROUND

A. THE FALSE CLAIMS ACT AND STATE FALSE CLAIMS ACTS

54. The False Claims Act, as amended by the Fraud Enforcement and Recovery Act of 2009 ("FERA"), Pub. L. 111-21, § 4(f), 123 Stat, 1617, 1625 (2009), provides in pertinent part that a person is liable to the United States government for three times the amount of damages the

government sustains because of the act of that person, plus a civil penalty, for each instance in which the person “knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval.” 31 U.S.C. § 3729(a)(1)(A) (2009). Prior to the FERA amendments, the FCA provided that a person is liable to the United States government for each instance in which the person “knowingly presents, or causes to be presented, to an officer or employee of the United States Government...[a] false or fraudulent claim for payment or approval.” 31 U.S.C. § 3729(a)(1) (2006).

55. The FCA defines the term “claim” to mean “any request or demand, whether under a contract or otherwise, for money or property and whether or not the United States has title to the money or property, that (i) is presented to an officer, employee, or agent of the United States; or (ii) is made to a contractor, grantee, or other recipient, if the money or property is to be drawn down or used on the Government’s behalf or to advance a Government program or interest, and if the United States Government (i) provides or has provided any portion of the money or property requested or demanded; or (ii) will reimburse such contractor, grantee, or other recipient for any portion of the money or property which is requested or demanded....” 31 U.S.C. § 3729(b)(2)(A) (2009).

56. As amended by FERA, the FCA also makes a person liable to the United States government for three times the amount of damages which the government sustains because of the act of that person, plus a civil penalty, for each instance in which the person “knowingly makes, uses, or causes to be made or used, a false record or statement material to a false or fraudulent claim.” 31 U.S.C. § 3729(a)(1)(B) (2009). The FCA, prior to the FERA amendments, provided that a person is liable to the United States government for each instance in which the person

“knowingly makes, uses, or causes to be made or used, a false record or statement to get a false or fraudulent claim paid or approved by the Government.” 31 U.S.C. § 3729(a)(2) (2006).

57. The FCA defines the terms “knowing” and “knowingly” to mean that a person, with respect to information: (1) “has actual knowledge of the information”; (2) “acts in deliberate ignorance of the truth or falsity of the information”; or (3) “acts in reckless disregard of the truth or falsity of the information.” 31 U.S.C. § 3729(b)(1)(A) (2009). The FCA further provides that “no proof of specific intent to defraud is required.” 31 U.S.C. § 3729(b) (2006); 31 U.S.C. § 3729(b)(1)(B) (2009).

58. Each of the State *Qui Tam* statutes is similar, if not identical, to the FCA.

59. Relators allege that, beginning at least as early as 2006, Defendants violated the FCA by “knowingly” submitting and/or causing the submission of false claims for payment to the Department of Education in the form of Free Applications for Federal Student Aid (“FAFSA”) and the resulting drawdowns of Title IV funds related to each approved FAFSA. Relators also allege that Defendants violated the State *Qui Tam* statutes by “knowingly” submitting and/or causing the submission of false claims for payment to the State student financial aid programs. These Federal and State Program claims for payment were false because PEG: (1) fraudulently maintained its state licensure (and, in turn, its eligibility to receive Federal and State funding) by making false statements and misrepresentations to State regulators and accreditors about its placement rates, among other things; (2) made knowingly false statements and promises in PEG’s PPAs, and in certifications accompanying PEG’s drawdowns of Federal and State Program aid, that it was complying with, and would continue to comply with, applicable laws and regulations governing the award of Federal and State Program funding;

and/or (3) made, or caused to be made, false representations in grant and loan applications that the students seeking Federal and State Program financial aid were eligible to receive such aid.

B. PROGRAMS UNDER TITLE IV OF THE HIGHER EDUCATION ACT OF 1965

60. Under Title IV of the Higher Education Act of 1965, 20 U.S.C. § 1070 *et seq.*, Congress established various student loan and grant programs, including but not limited to, the Federal Pell Grant Program (“Pell”), the Federal Family Education Loan Program (“FFELP”), and the Federal Direct Loan Program (“FDLP”) in order to financially assist eligible students to obtain a post-secondary education. In 2008, Congress reauthorized the HEA, as amended, through its passage of the Higher Education Opportunity Act, Pub. L. No. 110-315 (“HEOA”).

61. The Department of Education, which administers the Title IV Federal Student Aid (“FSA”) programs, delineates between institutional eligibility and student eligibility. In order to participate in the FSA programs, an institution such as PEG must (1) establish *institutional and program eligibility*, and then (2) ensure *student eligibility* prior to disbursing FSA program funds. As described herein, PEG engaged in fraud related to its institutional and program eligibility and also with respect to student eligibility to receive Title IV, HEA funds.

1. Federal Regulations Governing Title IV Funding

62. There are a variety of Federal statutes and regulations that govern the award of Title IV, HEA program funds. First, only “eligible” students are permitted to receive Federal financial aid under Title IV of the HEA. In order to qualify as an eligible student, a student must meet the requirements of 34 C.F.R. § 668.32. Among other things, the student must be enrolled or accepted for enrollment in an eligible program at an eligible institution; must have a high school diploma or its recognized equivalent, unless an enumerated exception applies (such as, during the relevant time period, having “obtained a passing score specified by the Secretary on an independently administered test”); and must be maintaining Satisfactory Academic Progress

in his or her course of study according to the school's published standards, and in accordance with Federal guidelines. 34 C.F.R. §§ 668.32, 668.34.

63. An institution may only retain Title IV funds that it earns. When a student withdraws without completing a program of instruction, an institution must calculate the amount of Title IV funds that it can retain and refund to the Department of Education and the student any excess funds that it has not earned. 34 C.F.R. § 668.22.

64. Institutions wishing to participate in Title IV, HEA Programs also must comply with other Federal requirements. A school must be accredited and licensed to operate in each state in which it is doing business in order to be eligible to receive Title IV funding. 20 U.S.C. § 1001; 34 C.F.R. § 600.5(a)(4), (6).

65. Federal regulations also prohibit institutions from making substantial misrepresentations to prospective applicants about, among other things, the nature of the institution's educational programs or the employability of its graduates. 34 C.F.R. Part 668, Subpart F. During the relevant time period, a misrepresentation consisted of "any false, erroneous or misleading statement" that an institution made to a student or prospective student, and a substantial misrepresentation consisted of "any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment." 34 C.F.R. § 668.71.

66. Misrepresentations that are explicitly prohibited by Federal regulation include, among other things, misrepresentations regarding the employability of an eligible institution's graduates, 34 C.F.R. § 668.74, and misrepresentations concerning "the nature of an institution's financial charges," 34 C.F.R. § 668.72.

67. The Department of Education has the authority to revoke or terminate an institution's PPA if it is found to have engaged in substantial misrepresentation. 34 C.F.R. §§ 668.13(d); 668.86(a)(1)(ii)(A).

2. Program Participation Agreements

68. All post-secondary educational institutions must enter into PPAs with the Department of Education in order to become eligible to receive payment of Title IV funds under programs such as Pell, FFELP, or FDLP, or to have their students receive Title IV funding. 20 U.S.C. § 1094; 34 C.F.R. § 668.14. "A program participation agreement conditions the initial and continued participation of an eligible institution in any Title IV, HEA Program upon compliance with the provisions of this part, the individual program regulations, and any additional conditions specified in the program participation agreement that the Secretary requires the institution to meet." 34 C.F.R. § 668.14(a)(1).

69. By signing a PPA, an educational institution agrees that its participation in Title IV, HEA programs, including receiving payment of Title IV funds, is "subject to the terms and conditions set forth in [the PPA]."

70. Each PPA expressly conditions a school's initial and continuing eligibility to receive payment under Title IV, HEA Programs on compliance with specific statutory requirements that include the proper determination of student eligibility for these funds, and compliance with all institutional eligibility requirements, such as those set forth herein.

3. Claims For Payment Under Title IV, HEA Programs

71. After a school becomes eligible to receive Title IV funding by entering into a PPA, claims for payment of those funds can be made in various ways. Under Pell and FDLP, for example, students submit requests for funding directly to the Department of Education, or to the Department of Education with the assistance of schools. Under the FFELP, students and schools

jointly submit requests to private lenders for loans that are then guaranteed by state agencies and are, in turn, insured by the Department of Education and paid in the event of a default.

72. With respect to all Title IV, HEA Programs, the disbursement of Federal funds rests on required statements of eligibility. Schools must make such statements for payment requests to be considered.

73. For all Title IV, HEA Programs, students who are interested in receiving Federal student aid must complete a FAFSA.

4. Title IV Grant Programs

74. Under the Pell Grant program, which provides Federal funds to assist post-secondary school students in financial need, 20 U.S.C. § 1070a; 34 C.F.R. § 690.1, the student initiates the process by submitting a FAFSA to the Department of Education to have her expected family contribution (“EFC”) calculated in order to receive an accurate amount of Pell funds. 34 C.F.R. § 690.12(a). The student either sends the FAFSA directly to the Department of Education or provides it to a school for the school to transmit to the Department of Education on the student’s behalf. 34 C.F.R. § 690.12(b).

75. The Department of Education sends the student’s application information and EFC to the student on a Student Aid Report (“SAR”) and sends each school the student has designated an Institutional Student Information Record (“ISIR”) for that student. 34 C.F.R. § 609.13.

76. The school uses the above-described information, including the EFC, to calculate the student’s eligibility for all aid and to assemble a “financial aid award package” for the student borrower. The financial aid package may include Pell Grants, FDLP Direct Loans, or Campus-Based Aid (which, in turn, includes Federal Supplemental Educational Opportunity

Grants, Federal Work-Study, and Federal Perkins Loans), as well as other scholarships or aid for which the student may be eligible.

77. The student can accept all or part of the financial aid award package.

78. If the student accepts a Pell Grant, an FDLP Direct Loan (for which the Department of Education is both lender and guarantor), or both a Pell Grant and a Direct Loan, the school creates an electronic “origination” record that the school submits to a Department of Education computerized database called “COD,” the Common Origination and Disbursement system. The origination record includes student demographic data, the award or payment period, the award amount, and disbursement dates and amounts. The COD database, in turn, links the information in the origination record to another Department of Education database, called “CPS,” the Central Processing System, which compares the information in the origination record to the information on the student’s SAR and ISIR.

79. Provided that the information submitted by the school is consistent with the information possessed by the Department of Education, the Department of Education makes funds available for the school to electronically draw down from a computerized system known as “G5.”

80. Schools must electronically certify in G5 prior to drawing down the funds that “by processing this payment request . . . the funds are being expended within three business days of receipt for the purpose and condition[s] of the [Program Participation] agreement.”

81. In addition to the Pell Grants themselves, the Department of Education also pays to the school an annual administrative cost allowance of \$5.00 for each student who receives a Pell Grant, to be used to pay the costs of administering the Pell Grant and other Title IV, HEA Programs. 20 U.S.C. § 1096; 34 C.F.R. § 690.10.

5. Title IV Loan Programs

82. Under the FFELP, which includes subsidized and un-subsidized Stafford Loans, a guaranty agency makes the eventual claim for payment by the United States. No new loans were made under FFELP after July 1, 2010. Prior to that date, the school and student submitted an application to a private lender for a loan on behalf of the student. If a student defaults in repaying a loan under the FFELP program, a state or private guaranty agency reimburses the lender or subsequent holder of the loan for the outstanding balance and takes assignment of the loan for collection action. 34 C.F.R. § 682.401(b)(14). If the guaranty agency is unable to collect from the borrower, the Department of Education reimburses the guaranty agency for the loss it incurred in honoring the defaulted claims, 20 U.S.C. § 1078(c)(1)(A), and the Department of Education may, in its discretion, take assignment of the loan. 20 U.S.C. § 1078(c)(8). In this way, the government is ultimately called upon to satisfy claims for payment.

83. In order to participate in the FFELP or any other Title IV loan program, as opposed to a grant program, a student completes a Master Promissory Note (“MPN”) and submits the MPN to the educational institution. The institution, in turn, completes a “School Certification,” in which it certifies the accuracy of the information it provided to the Department of Education and the student’s eligibility for the loan. 34 C.F.R. § 682.102. While the MPN itself is valid for ten years, the educational institution determines the student’s ongoing eligibility for aid and completes the School Certification annually.

84. Under the FFELP, the educational institution submits the MPN to the lender. Upon approval by the lender, the lender obtains a loan guarantee from a guarantee agency. 34 C.F.R. § 682.102. The loan is made in reliance upon the accuracy of the information provided by the educational institution.

85. The lender transfers the FFELP funds directly into the educational institution's account. Upon receiving the FFELP funds, the educational institution credits a student's account for education-related expenses, such as tuition, fees, books, and supplies.

86. For subsidized Stafford Loans, the government pays the interest on the student's behalf during the time the student is enrolled in school on at least a half-time basis, and during the student's grace period before repayment commences. 34 C.F.R. § 682.102(d)(2).

87. In the event of default on the loan, the Department of Education pays to the guarantee agency all or part of the unpaid principal and accrued interest, as well as a variety of administrative costs. 34 C.F.R. § 682.404.

C. PEG'S PARTICIPATION IN TITLE IV, HEA PROGRAMS

1. Program Participation Agreement(s)

88. PEG has, since at least 2006 annually signed and submitted, PPAs to the Department of Education on behalf of all of its educational institutions throughout the United States, including each of the PEG Schools.

89. The PPAs signed by PEG state that the execution of the PPA by PEG and the Secretary of Education is a prerequisite to PEG's initial or continued participation in any Title IV, HEA Program.

90. By signing the PPAs, PEG certified that it would comply with Title IV of the HEA and implementing its regulations. All of the PPAs signed by PEG state that PEG understands and agrees that it is subject to and will comply with the program statutes and implementing regulations for institutional eligibility as set forth in 34 C.F.R. Part 600 and for each Title IV, HEA Program in which it participates, as well as the general provisions set forth in Part F and Part G of Title IV of the HEA, and the Student Assistance General Provisions regulations set forth in 34 C.F.R. Part 668.

91. PEG also certified in each PPA that it would comply with all statutory provisions of, or applicable to, Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA.

92. PEG also agreed in the PPAs to meet all state licensure and accreditation requirements, including all requirements established pursuant to Part H of Title IV of the HEA by the Secretary of Education, state authorizing bodies, and nationally recognized accrediting agencies.

93. Each of the PPAs signed by PEG further states that in the case of an institution that advertises job placement rates as a means of attracting students to enroll in the institution, PEG would make available to prospective students, at or before the time that those students apply for enrollment:

- (i) the most recent available data concerning employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements; and
- (ii) relevant state licensing requirements of the state in which the institution is located for any job for which an educational program offered by the institution is designed to prepare those prospective students.

94. All of the PPAs described above were signed either by PEG's CEO, Gary Camp, or by his designee.

95. As described in greater detail below, PEG knowingly made false statements, false certifications, and false claims regarding its compliance with Department of Education regulations and the terms of its PPAs. Beginning in at least 2006, PEG violated Federal

regulations by repeatedly lying to students about, among other things, the opportunities they would have as PEG graduates, in order to induce them to enroll at PEG Schools. In order to secure greater Federal funding, PEG also enrolled and maintained enrollment for students who were not eligible, and then concealed their ineligibility by fabricating documents.

96. PEG nevertheless executed the PPAs and certified that it would comply with applicable Federal regulations and the terms of the PPAs. PEG then drew down Federal grant funds and again certified that the funds were being used in accordance with the conditions of the PPAs. PEG's statements were false when made, and caused the Department of Education to pay various claims under Title IV, HEA Programs that it would not have paid but for PEG's fraud.

2. Federal Funds Received from the Department of Education

97. PEG has claimed and received substantial sums in Title IV funding from the Department of Education as a result of its fraudulent conduct described herein.

D. CLAIMS RELATED TO OTHER FEDERAL AND STUDENT STATE FINANCIAL AID PROGRAMS

98. In addition to the student financial aid through Title IV funding, PEG has claimed and received substantial monies as a result of its fraudulent conduct from the numerous other Federal and State Programs.

1. Other Federal Programs

99. Among the Federal Programs through which PEG offered (and received) student financial aid (other than those through the Department of Education) are the Department of Defense DoD Tuition Assistance (TA) Program; Department of Veterans Affairs GI Bill Educational Benefits and Veterans Benefits; the Social Security Administration Work Incentives Planning and Assistance ("WIPA") grant program under The Ticket to Work and Work Incentives Improvement Act of 1999; the Department of Labor Trade Adjustment Assistance

(“TAA”) Program; Department of Health & Human Services Temporary Assistance to Needy Families (“TANF”) Grants (under which the Federal government gives states a block grant and requires states to contribute a certain spending level); and Internal Revenue Service Taxpayer Credits.

100. Each of these other Federal Programs required similar certifications by PEG in its PPAs regarding its agreement to comply with Federal laws and regulations. For example, at all times material hereto, PEG offered (and then received) veterans and dependents of veterans financial aid through various programs offered by the United States through the Department of Veterans Affairs (“VA”). In doing so, PEG agreed to maintain a written bulletin containing its standards of academic progress (which define the grading system, minimum grades considered satisfactory, conditions for interruption for unsatisfactory grades or progress, description of probationary periods and conditions for dismissal and readmittance); student attendance policy; student conduct policy; and progress records to be furnished to students. PEG agreed it would maintain a written record of a veteran’s previous education and training clearly indicating that appropriate credit for prior learning has been given and training shortened proportionately; cumulative individual records containing the results of each enrollment period, including all courses and grades; adequate records showing the progress of each veteran, including notices of course withdrawals and last dates of attendance; attendance records of veterans enrolled in courses not leading to standard college degrees; evidence that tuition and fees charged to and received from veterans are the same as those for other students; complete records and copies of all advertising, sales and enrollment materials used by or on behalf of the school for the preceding 12 months; and veteran certification files for three years after the veteran leaves the institution. In addition, PEG certified it would agree to enforce all VA policies; notify the VA

when veterans do not achieve satisfactory academic progress; notify the VA within 30 days of all changes in hours of credit or attendance, including interruption or termination; notify the Department of Higher Education of any changes affecting approved programs, including changes to location, course offerings, degree requirements and academic regulations; and make available during regular business hours all required records outlined above to representatives of the Department of Higher Education and veterans' officials during periodic on-site visits.

101. As alleged herein, PEG's misrepresentations concerning its entitlement to student financial aid through these Federal Programs were false when made, and caused these Federal Programs to pay claims that they would not have paid but for PEG's fraud.

2. Delaware Student Financial Aid Programs

102. PEG also offered (and then received) its students financial aid assistance provided by the State of Delaware.

103. As alleged herein, PEG's misrepresentations concerning State of Delaware student financial aid were false when made, and caused the State to pay claims under its programs that it would not have paid but for PEG's fraud.

3. Massachusetts Student Financial Aid Programs

104. PEG also offered (and then received) its students financial aid assistance provided by the Commonwealth of Massachusetts, including the Massachusetts Assistance for Student Success Program ("MASSGrant"), a grant assistance program funded by appropriations from the Massachusetts State Legislature in accordance with Massachusetts General Laws, Chapter 15, Section 19A. The MASSGrant program provides need-based financial assistance to undergraduate students who reside in Massachusetts and who are enrolled in and pursuing a program of higher education in any approved public or independent college, university, school of nursing or any other approved institution furnishing a program of higher education.

105. Eligible MASSGrant institutions are defined as a state-approved public, private, independent, for profit or nonprofit, institution in the Commonwealth of Massachusetts authorized to offer undergraduate degrees, certificates or diploma programs and that is also approved by the U.S. Department of Education to administer Title IV programs. Massachusetts state-approved public, private, independent and non-profit institutions located in states (New Hampshire, Maine, Connecticut, Vermont, Rhode Island, Pennsylvania, and the District of Columbia) that have reciprocity agreements with and approved by the Commonwealth and award Associate and Bachelor's Degrees are also eligible to participate.

106. In accepting MASSGrant and other Commonwealth monies, PEG was required to make a number of certifications, including that recipients were making satisfactory academic progress as required by the school and Federal regulations.

107. As alleged herein, PEG's misrepresentations concerning Commonwealth of Massachusetts student financial aid programs were false when made, and caused the Commonwealth to pay claims under its programs that it would not have paid but for PEG's fraud.

4. New Jersey Student Financial Aid Programs

108. PEG also offered (and then received) its students financial aid assistance provided by the State of New Jersey, including the New Jersey Workforce Development Act, Vocational Rehabilitation, New Jersey Foster Care Scholars, and the Trade Assistance Act.

109. As alleged herein, PEG's misrepresentations concerning State of New Jersey student financial aid were false when made, and caused the State to pay claims under its programs that it would not have paid but for PEG's fraud.

5. New York Student Financial Aid Programs

110. PEG also offered its students financial aid assistance provided by the State of New York, including the Tuition Assistance Program (“TAP”). TAP, the largest student financial aid program the State of New York offers, is an entitlement program designed to provide tuition aid to eligible full-time students who are enrolled in a variety of eligible programs.

111. The State of New York requires all schools to be licensed, and that its instructors are credentialed. Each school receiving TAP student financial aid must sign a Program Participation Agreement with the New York Higher Education Services Corporation (“HESC”). Under the terms of the Agreement with the HESC, the school management is responsible for complying with all HESC Law and Regulations.

112. For example, pursuant to Article 14, Section 665 (3) (b) of the New York State Education Law, TAP recipients must be in good academic standing to qualify for TAP monies. To maintain such standing, a student is required by Section 145-2.2 of the New York Department of Education regulations to maintain satisfactory academic progress toward completion of a program and to pursue the program of study in which the student is enrolled. To maintain satisfactory academic progress, a student must accrue a certain minimum number of credits and earn a specified minimum cumulative grade point average as required on the chart of satisfactory academic progress published by the school and approved by New York State Education Department (“SED”). A student is pursuing the approved program of study if, during each term of study for which an award is received, the student receives a passing or failing grade in a predetermined percentage of the minimum full-time course load required to qualify for the appropriate level of TAP payment.

113. As alleged herein, PEG's misrepresentations concerning State of New York student financial aid were false when made, and caused the State to pay claims under its programs that it would not have paid but for PEG's fraud.

V. PEG'S FRAUDULENT SCHEME

114. PEG is a privately-owned, for profit, career training organization that provides vocational training in a variety of career fields, including, but not limited to, the career fields of "medical assisting," "massage therapy," "computerized accounting technology," "dental assistant," "HVAC," "health claims specialist," and "legal office technology."

115. At all times material hereto, PEG has operated twenty-seven campuses in Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, and Pennsylvania. During the relevant time period, PEG has maintained a corporate office and team located in Connecticut and Massachusetts that was responsible for the overall management of PEG and its various campuses. The corporate team is responsible for setting overall corporate goals and strategies, and overseeing the operations at each of PEG's campuses. PEG's campuses are managed at the individual level in a similar manner by a campus director, as well as by directors of education, admissions, career placement, and financial aid, among others. Each campus also has a number of other employees who focus on running the operations of the specific campuses, including admissions representatives, financial aid counselors and career placement employees.

116. Across all the PEG Schools, PEG management employed a corporate strategy focused on increased admission and profits above all else. PEG's main priority was increasing its enrollment numbers and, hence, its revenues. In furtherance of that strategy, PEG employed an army of admissions representatives and put intense pressure on them to enroll as many students as possible, often by misrepresenting PEG and its programs to prospective applicants.

They were told to make their sales goals no matter what, and that if they did not meet PEG's aggressive goals, they would be fired.

117. To meet those sales goals, PEG's admissions representatives enrolled students regardless of whether those students were qualified for enrollment or whether PEG was the right fit for them. As discussed in detail below, these admissions representatives fabricated admissions exams to enroll unqualified students. In some cases, as explained below, admissions representatives enrolled students in programs even though they knew the students would not be able to sit for certification examinations upon completion of the PEG programs that were functionally necessary to obtain employment in their chosen field. Once enrolled, students were pressured to attend classes for at least the first five days, at which point PEG could draw down the first installment of Federal and State Programs funds on their behalf.

118. PEG's admissions representatives lured students to PEG Schools with promises of first-rate technical training and job placement upon graduation. But when students arrived at the PEG School, the reality was far different, and they found that their employment prospects after graduation from PEG were not as promised. Despite spending thousands of dollars for training in a new career field, many students found that they were not any better off after graduating from PEG than they were prior to enrollment, yet many of them were then burdened with substantial debt they could not pay off.

119. Many PEG students found its career placement departments were woefully understaffed, and thus unhelpful and/or unsuccessful in placing them in their fields of study after graduation. Students were thus unable to find quality jobs and often returned to jobs similar to those they held prior to enrolling at PEG. Indeed, some students discovered that PEG's reputation was so poor in the local business community that a diploma from a PEG school was a

detriment to obtaining future employment. However, to keep up the appearance of operating successful schools – and to remain eligible for Federal and State Program funds – PEG management directed its schools to falsify placement statistics and then continued to lie to students about the opportunities available to them with a diploma from a PEG School.

120. In keeping with PEG’s intense desire for profit above all else, corporate management pressured school administrators to meet unreasonable profit goals. For example, PEG Schools were required to meet unrealistic admissions targets, and to bring in at least 82 percent of the total funds then available from students and Federal and State financial aid sources. On regular conference calls and in meetings with other PEG School directors and senior staff, CEO Gary Camp, President Bill Anjos, Vice President Patricia (“Pat”) Martin, Vice President Nick Hastain and others berated and abused underperforming PEG Schools’ administrators about their failure to meet admissions quotas (which changed on a regular basis) and profitability numbers – both numeric and percentage based. Even though the goals were unreachable and the Schools were quite profitable nevertheless (*e.g.*, HSB-Wilmington profits were approximately \$3 million to \$4 million per year), President Camp and other executives routinely ridiculed attendees on these conference calls, calling them “stupid” and “retards.”

121. The only way to avoid what PEG employees described as verbal “beatings” from executive management was to cheat. For example, in order to meet the unreachable (and arbitrary) quotas, school directors and admissions representatives were forced to find ways (often illegal) to do so. In the face of such pressure to “get it done” or “make it happen” (as CEO Camp and others regularly insisted), (i) admissions representatives used high pressure tactics (described in detail below) to increase the “new starts”; (ii) school directors and others changed numerous “F” grades to passing grades (described below) and altered attendance records from absent to

present (described below) in order to draw down Federal student financial aid monies; and (iii) career placement employees falsified placement numbers (described below) to make schools appear more successful than they were.

122. PEG School staff were required to work long hours for minimal pay (generally without any benefits). Not surprisingly, given the extraordinary hours and constant pressure, PEG employee and instructor turnover rates were significant. For example, the Salter School in Tewksbury, Massachusetts employed 12 different school directors in just eight years (2003-2011).

123. Given the high turnover and deplorable working conditions, PEG frequently has been unable to attract qualified employees, and was forced to hire employees who have little or no relevant experience. Many of those hired to key School administrator positions (*e.g.*, campus directors, directors of education, program directors) were then offered little (or no) training on how to perform their jobs or to ensure compliance with Federal and State Program regulations or accreditation requirements. And when (as has often been the case) PEG Schools were caught by regulators or accreditors, failing to comply with such regulations and requirements, PEG's corporate management reacted by placing blame on the PEG School administrators and firing those involved.

124. In other instances, PEG has chosen to hire employees with proven records of *noncompliance* with Federal and State regulations. In 2011, for example, PEG hired as the Director of Education for Salter-Tewksbury a person who had been fired from two prior for-profit schools as a consequence of alleged embezzlement and fraud relating to job placement and retention statistics. PEG also often rehired employees who it previously fired for their active

noncompliance. Essentially, PEG fired the employees to create the appearance of concern, and then rehired them several months later, often to work at a different PEG campus.

125. In another example, BHCI-Branford Director of Admissions Celine Carnevale was allegedly fired in the summer of 2010 after one of her coworkers complained to the School Director (Witness #1) that she was falsifying Wonderlic test results. However, PEG re-hired Ms. Carnevale within a few months, rewarding her with a promotion to Director of Outreach job in PEG's corporate office.

126. Most alarming is that PEG has lacked any semblance of an internal compliance function. Those few compliance efforts that do exist clearly are intended as pro forma gestures, which senior PEG management expressly ignores. Even in the present environment of reports of civil and criminal fines levied on many other for-profit education companies, PEG's egregious compliance violations remain particularly flagrant and pervasive throughout the organization.

127. Despite operating a business in a highly-regulated environment, PEG employees receive little (or no) training with regard to compliance with Federal and State law. PEG's two page "Code of Ethical Conduct Policy" states, among other things, merely that "[d]ishonesty, i.e., falsifying information" is considered "Inappropriate Professional Conduct." There is no apparent effort to make clear the heightened obligations PEG employees had to conduct the enterprise honestly as a condition to receive Federal and State Program funding.

128. In a January 2008 memorandum to all PEG employees on the subject of "Compliance/Employee Relations Hotline," CEO Gary Camp stated:

As always, our goal at Premier Education Group is to be beyond reproach and exceed compliance standards set for us by the various bodies (government, accrediting, etc.) that regulate our business. The delivery of our educational programs requires integrity and compliance at every level of our organization. I want to know if you feel there is an area of non-compliance.

In addition, we want all of our employees to work in an environment where they feel respected, are treated fairly, and have opportunity to communicate any concerns regarding their employment with PEG.

To that end we have established a HOTLINE where employees can bring forward any issues about the above areas. You can leave your name, or you can be anonymous – but all issues will be evaluated, without reprisal to the individual who brought the concern forward. (emphasis in original)

129. Notwithstanding the company's no reprisal policy, PEG employees who complain about violations are invariably harassed, intimidated, and (if they are not pressured to leave the company) eventually fired on various pretexts. During her time as an Admissions Representative at HSB-Linwood, Relator Hone was forced routinely to work long hours without overtime pay or benefits, and she regularly was harassed when she complained about the illegal activities she witnessed. To coerce her into silence, she regularly was taken into the HSB-Linwood library, where the Regional Manager of Admissions, Sam Hutkin, would (literally) scream at her for reporting fraudulent conduct. It did not take much for Hutkin to lose control of his demeanor. Once, after Relator Hone had refused to grant admission to an obviously unqualified student ■■■■■, Hutkin badgered her to admit the student regardless of the lack of qualifications. PEG Vice President Hastain ignored Relator Hone's complaints about the way she was treated by Hutkin.

130. When Relator Amaya complained that HSB-Linwood students' attendance records and grades had been improperly changed, Vice President Hastain warned her not to intervene. After she was transferred to HSB-Wilmington, Relator Amaya soon discovered that illegal grade and attendance record changing was widespread. When she confronted Program Director Brigitte Morgan about grade changing in the Nursing Assistant program, Morgan fabricated five student "complaints" against Relator Amaya, which PEG then used as a basis to demote Relator Amaya from her position. And after Relator Amaya sent a letter on January 12,

2011 to Vice President Hastain which detailed numerous PEG violations, she was summarily fired three days later.

131. When Relator Moody was interviewed in July 2012 during an internal “audit” of improper grade changing at HSB-Wilmington, she told Vice President Hastain that the orders to change student grades came from both Director of Education Sue Bitters and Program Director Anita Benson. In reprisal for naming Bitters as one of the culprits, Relator Moody was summoned two weeks later to a “counseling session” with Vice President Hastain, HSB-Wilmington Campus Director Ruthann Wolverton, and Bitters, during which she was told about charges that student start records did not match the admissions records (discrepancies that were not Relator Moody’s fault). At the conclusion of the session, Relator Moody was asked to sign an Employee Warning/Suspension/Termination letter that stated she was being warned and could soon be fired. Clearly, this was a pretext engineered by PEG to retaliate against Relator Moody for having (honestly) named Bitters as having ordered her to change student grades improperly.

132. The Director of Career Services at BHCI-Windsor from April 2012 to November 2012 (Witness #2), was fired for “underperformance” when she refused to participate in the falsification of job placement records. Mistakenly believing that PEG senior management valued ethical conduct in its employees, Witness #2 had informed PEG’s Empire Division Senior Vice President, Patricia (“Pat”) Martin, that she would not continue her predecessors’ practice of falsifying placement records. (BHCI-Windsor had been fined by ACICS in mid-2012 for falsifying at least 50 placements). Directly after she made this statement to SVP Martin, Witness #2 received a warning letter for her supposed underperformance, and was summarily fired two weeks later.

133. The Director of Education at SS-New Bedford (Witness #3) was fired for “insubordination” in February 2012, after she admonished coworkers for their fraudulent and unethical practices, including falsification of Wonderlic Exam results, the admission of students who were so mentally challenged that they could not possibly complete the educational program, and the falsification of grade and attendance records. PEG never told Witness #3 exactly how it was she had been insubordinate, but she was told that the decision to fire her had come directly from PEG’s corporate office.

134. Despite PEG’s lip service for having a culture of integrity, the opposite has been the reality. Those employees who speak out against impropriety are intimidated into silence and/or fired outright, while those who choose to capitulate and participate in the fraud (which is designed to increase revenue at the expense of Federal and State Programs) are promoted and provided hefty bonuses.

135. Likewise, students who complain are ignored and bullied into dropping their complaints. For the few students that persist in complaining, PEG offers them jobs in exchange for their silence. When students complained about misrepresentations made to them during the admissions process at HSB-Linwood and HSB-Wilmington (*i.e.*, misrepresentation that the Medical Assisting programs at those schools were accredited by the AAMA), school administrators were told by PEG management that they should instead obfuscate and lie about the schools’ accreditation status.

136. When HSB-Voorhees dental assisting students complained about misrepresentations concerning the fact that their program was *not* state-approved or accredited, or licensed to provide x-ray training, PEG President Anjos and Vice President Hastain responded

by closing the program and threatening to call the police if the students did not leave the campus immediately.

137. In February 2010, HSB-Wilmington rolled out a new Patient Care Technician (“PCT”) program funded by the Department of Labor for persons on unemployment benefits. As described further in detail below, current and former PCT students became very upset when they learned that they could not be certified to become Certified Nursing Assistants (“CNAs”) or trained to perform EKGs. Five students who could not find jobs were particularly upset because they had been told by the PEG Admissions staff that they *would* receive CNA certification and that they *would* be EKG trained. When student ██████ complained to Vice President Hastain about the false representations concerning the PCT program, he placated her with an offer to become a receptionist at HSB-Wilmington in exchange for her silence.

138. Likewise, when HSB-Wilmington student ██████ threatened to sue the school for not following through on what she had been promised by PEG’s Admissions staff, Vice President Hastain directed attendees at a PEG managers’ meeting to find ██████ a job in order to “shut her up.”

139. Following PEG’s receipt of an anonymous complaint in July 2012 that (i) grade records at HSB-Wilmington were being changed on CampusVue from failing to passing without instructor approval or any justification other than a desire to retain students so that PEG could continue to draw down their Federal and State Program student aid, and (ii) students were being admitted with essentially bogus high school diplomas they had purchased from so-called “diploma mills,” PEG Vice President Hastain and President Bill Anjos arrived on campus to conduct an impromptu grade audit and investigation. Shortly thereafter, investigators from the State of Delaware and the U.S. Department of Education arrived on campus to conduct their own

review. In the midst of this, on August 14, 2012, President Anjos sent an email to all PEG Directors (copying senior PEG management), stating:

Today, there is nothing more important to the future success of our organization than **Compliance**. If you ever feel that we have a policy or practice that may [be] contrary to State, Accreditation, or Federal regulations we want you to call Jane Parker, Michele Sinusas, Gary Camp or me to discuss the issue. You should deliver a similar message to your employees at the campus. Employees sometimes misunderstand a regulation or a requirement and it leads to mistakenly believe that we are out of compliance. (emphasis in original)

This self-serving “paper trail” of a desire to comply with applicable rules and regulations was both new and utterly inconsistent with actual practice and direction from PEG management.

140. Lip service aside, PEG’s real focus on putting profits ahead of students’ needs and quality of education has led it to engage in a host of fraudulent practices designed to extract as much Federal and State Program funding as possible. PEG’s conduct, as explained below, has thus violated the Federal False Claims Act and the State False Claims Acts.

A. PEG CAUSED THE FEDERAL AND STATE PROGRAMS TO AWARD FINANCIAL AID TO INELIGIBLE STUDENTS AND IT FABRICATED DOCUMENTS TO CONCEAL THEIR INELIGIBILITY

141. In order to receive funding, Federal and State law requires that a prospective student at a PEG School have a valid high school diploma or its recognized equivalent. Federal and State law also require that only a student maintaining Satisfactory Academic Progress (“SAP”) in his or her course of study, according to the school’s published standards and accreditation guidelines, and in accordance with Federal and State guidelines, is eligible for financial assistance under the Federal and State Programs. By signing its PPAs, PEG certified that it agreed it would comply with these regulations.

142. PEG engaged in various fraudulent schemes in order to ensure that the Federal and State Programs continued to provide funding to PEG on behalf of students who were not qualified to receive such funds. PEG engaged in these schemes so that it could increase its

enrollment numbers and receive Federal and State Program financial aid on behalf of those students, regardless of whether the students were actually benefitting from PEG's instruction. PEG then fabricated documents, or caused students to do so, to cover up its fraudulent practices. PEG's conduct caused the Federal and State Programs to award funding to students who would not otherwise have been eligible to receive such funding.

1. PEG Admitted Students Who Were Obviously Unqualified for Admission, and Who Were Incapable of Completing the Educational Program, and it Fabricated Test Results

143. PEG enrolled students who did not satisfy its published criteria for admission, and it thereby violated regulations that imposed conditions precedent to institutional eligibility to receive Federal and State Program financial aid dollars.

i. No High School Diplomas/GEDs

144. PEG's published admissions criteria stated that, in order to enroll, a prospective student must possess a high school diploma or equivalent, and that merely passing an Ability-to-Benefit ("ATB") test was not sufficient for admission to full programs.

145. However, in order to increase revenues, PEG often enrolled students who did not possess either a high school diploma or a GED. For example:

- (i) Student █████ enrolled in PEG's PMA program at its HSB-Linwood campus in September 2006. Prior to enrolling, █████ told Director of Admissions Sam Hutkin that she did not have either a high school diploma or GED. So as not to lose out on the financial aid for which █████ would be eligible, Hutkin falsely told her not to "worry about that" because she could get her GED while she was attending the PEG program. █████ matriculated without having obtained a high school diploma or GED.

- (ii) Student ██████ enrolled in PEG's PMA program at its HSB-Linwood campus in 2009, at the age of 17. Prior to enrolling, she told admissions representative B.J. Torres that she did not have either a high school diploma or GED. So as not to lose out on the financial aid for which ██████ would be eligible, Torres falsely told her not to "worry about that" because she could obtain a GED "online" for only \$200. ██████ did not obtain an online GED, but she was permitted to enroll and remain a student at PEG.

146. The admission and enrollment of students who did not possess either a GED or high school diploma was common at other PEG schools as well. At SS-New Bedford Director of Education (Witness #3) discovered that two such students were attending the school. When she reported this fact to School Director Diane Owens (who previously had worked at PEG as a corporate employee), Owens blamed Witness #3 for the students' admission, and ordered her to review student files. Upon doing so, she found numerous other student files that did not include documentation of GEDs or high school diplomas.

147. An admissions representative at BHCI-Springfield who later became Director of Admissions at SS-Tewksbury (Witness #4) personally admitted at least 20 students to those schools although these students did not have either a GED or a high school diploma. Indeed, while working at Salter School from 2009-2010, Witness #3 learned that the admission of students without proper secondary school credentials was routine practice.

148. In one audit of students *reenrolling* at BHCI-Branford, the Registrar (Witness #5) and the Director of Education (Witness #6) discovered two inconsistent admissions forms for a Computer Management program student named ██████. One form stated that ██████ had a GED, and the other form stated that the student did not have a GED. When the Registrar and

the Director of Education contacted the student, they learned that she had not completed high school, that she did not have a GED, and that she had not provided evidence of either during the admissions process.

149. Likewise, admissions representatives at HSB-Upper Darby were instructed that prospective students did not need to have a high school diploma, nor have a completed GED. This was important to PEG because its HSB-Upper Darby campus had a high percentage of immigrant candidates, most of whom did not have a copy of a high school diploma. Accordingly, PEG instructed its admissions representatives to tell (and they did tell) prospective students that they could sign an attestation form that they would produce the diploma within thirty (30) days, although in practice the admissions representatives never followed-up to ensure that evidence of a high school diploma or GED was provided. The result of this policy was that enrollment at HSB-Upper Darby shot up 200 students, attributable for the most part to students who had no high school diploma or GED.

150. While PEG's official policy has been to require that students' high school diplomas must issue from a recognized high school, at least two of its schools, HSB-Linwood and HSB-Wilmington, have regularly accepted diplomas from so-called "diploma mills." A "diploma mill" (also known as a degree mill) is an organization that awards academic degrees and diplomas with substandard or no academic study, and without recognition by official educational accrediting bodies. These diploma mills are motivated by profit alone, and the purchasers of such "diplomas" claim to hold academic degrees.

151. When student [REDACTED] enrolled in HSB-Linwood's PMA program on May 31, 2011, she was not asked to provide evidence of a high school diploma or GED. However, she later voluntarily provided the school with what purported to be a diploma and a transcript that she had

purchased online for \$300 from “Nation High School” – a so-called “diploma mill.” Nation High School claims to be accredited by “Distance Education Accreditation Body,” an accrediting agency not recognized by the Department of Education. PEG utilized this bogus paperwork to award █████ a financial aid package worth \$8,010 (including a \$2,775 Pell Grant; a \$3,500 Subsidized Stafford Loan, a \$1,710 Unsubsidized Stafford Loan, and a \$25 registration fee paid by the student). During the limited period of █████ enrollment (May 31, 2011 through July 21, 2011), HSB-Linwood dropped down \$3,943 of Federal funds on █████ behalf.

152. At HSB-Wilmington, Campus Director Ruthann Wolverton directed staff to accept applications from the following students with high school “diplomas” from diploma mills:

- Student █████ was admitted to HSB-Wilmington with a high school diploma from the “Cornerstone Christian Correspondence School” of Townsend, Georgia – a correspondence-style diploma mill that is “accredited” by the unrecognized “Accrediting Commission International” – and she received Federal financial aid.
- Student █████ was admitted to HSB-Wilmington with a high school diploma from the “Continental Academy” of Miramar, Florida – an online diploma mill that is “accredited” by the “National Association for the Legal Support of Alternative Schools” – and she received Federal financial aid.
- Student █████ was admitted with a high school diploma from the “Stone Coast Academy” of Miami, Florida – an online diploma mill that is “accredited” by the “National Commission of Independent and Private Schools” – and she received Federal financial aid. She attended HSB-Wilmington from March 21, 2011 to December 16, 2011, and she received Federal loans for some 702 hours of classroom work.

- Student [REDACTED] was admitted with a diploma from the Jefferson High School Online of Georgetown, Delaware – an unaccredited, online diploma mill that advertises on its website: “Take our Online Test, Pass it and Have This Diploma in Your Hands Quickly for Only \$199.” [REDACTED] received Federal financial aid, and she graduated from HSB-Wilmington.

153. When, on February 1, 2012, student [REDACTED] applied for financial aid using a FAFSA that listed an invalid high school diploma, PEG’s Candace Moore contacted PEG headquarters via email, and confirmed that the “school” identified on the application was a diploma mill. When Moore alerted Campus Director Wolverton to this, Wolverton reprimanded her, telling her that she was “not a news reporter or private investigator” and that she should process the FAFSA regardless.

154. In June 2012, student [REDACTED] was admitted to HSB-Wilmington with a diploma from “Bedford High School” of Humble, Texas – another diploma mill. When [REDACTED] submitted her completed FAFSA, it stated that she had graduated from Bedford High School, but it failed to identify the school’s city and state. When PEG Financial Aid Assistant Candace Moore asked her to identify the city and state, [REDACTED] told her she did not recall either, but that they were “online” and that she would try to “look it up.” When Moore was alerted that “Bedford High School” likely was a diploma mill, she raised the issue with the Director of Financial Aid, who told her that Campus Director Wolverton had directed the staff no longer to blacklist diploma mills. In a June 25, 2012 email, Wolverton circulated the following directive to HSB-Wilmington staff (and PEG’s Mid-Atlantic VP Nick Hastain): “Any online diploma where a student can produce a copy of an official transcript can be considered for admission to the Wilmington campus” (emphasis in original). The Director of Financial Aid then directed Moore

to submit the FAFSA package for the student with the diploma mill diploma, and that if there were a problem, “Ruthann [could] deal with it.”

155. Following a July 2012 “anonymous” complaint to PEG President Anjos (an email actually sent by DeYonna Mathena and Relator Kenny) concerning PEG’s practice of allowing prospective students to rely on diploma mills in preparing and submitting their FAFSA forms, in September 2012 HSB-Wilmington ceased this practice.

156. PEG’s policy of enrolling students who did not possess either a valid high school diploma or a GED rendered false and materially misleading its Annual Institutional Reports for submission to its accrediting bodies (and as a result its PPA), in which it certified that no persons were enrolled without a high school diploma or equivalent.

157. By admitting ineligible students which it then qualified for receipt of Federal and State financial aid, PEG falsely certified the students’ eligibility – resulting in material misrepresentations to the Department of Education, State licensing agencies, and its accrediting organizations. PEG engaged in this course of conduct in order to preserve its Federal and State Program financial aid revenue stream attributable to the ineligible students.

ii. PEG Admitted Known Felons Who Were Either Ineligible for Federal and State Financial Aid or Could Not Obtain Licensure in Their Chosen Fields

158. PEG Schools on a number of occasions have admitted convicted felons and concealed the fact that they were not eligible for financial aid and/or that they were ineligible to practice the careers for which they were receiving training.

159. Students who have been convicted of a drug-related offense are ineligible to receive Federal financial aid pursuant to Title IV, HEA Programs. For example, students who have been convicted (when prosecuted as an adult) of *possession* of illegal drugs under state or Federal law are ineligible to receive Federal financial aid for one year following conviction on a

first offense, two years following conviction on a second offense, and indefinitely following a third offense. And students who have been convicted (when charged as an adult) of *selling* illegal drugs under state or Federal law are ineligible to receive Federal financial aid for two years following conviction on a first offense and indefinitely following a second offense.

160. Likewise, many states do not permit convicted felons to become licensed in certain fields of endeavor. In Delaware, for example, no person may be licensed as a massage therapist who (i) has been convicted of a crime substantially related to the practice of massage (unless he/she receives a waiver); or (ii) has been convicted of a felony sexual offense. 24 Del. Code § 5308.

161. PEG routinely admitted students notwithstanding the fact that their criminal backgrounds should have barred them from receiving Federal and State financial aid and/or becoming licensed for their careers. While she was at HSB-Linwood and later at HSB-Wilmington, Relator Amaya found there were many students who were convicted felons who either should have been ineligible to receive financial aid or who would have been unable to become licensed in their field. On one occasion, a PEG School was put on “lock-down” while U.S. Marshals and agents of the U.S. Drug Enforcement Agency arrested a massage therapy student with a pedophilia-related conviction in class and at gunpoint.

162. Another evening student at HSB-Linwood’s professional medical assistant program was an active drug dealer and a convicted murderer, but had been qualified to receive Federal financial aid nonetheless. In November 2009, the student was involved in the killing of another student in HSB-Linwood’s professional medical assistant program (whose funeral was attended by most of his class).

163. And HSB-Linwood Director of Education Kelly Doherty-Smith directed Relator Amaya to find an externship for a Pharmacy Technician student [REDACTED] despite the fact that he was a convicted felon on active house arrest who was not eligible to sit for New Jersey Pharmacy Technician certification examination. [REDACTED] received Federal financial aid to attend HSB-Linwood despite his ineligibility to work in his field of study. [REDACTED] did not finish the program.

164. Student [REDACTED] was enrolled for massage at HSB-Wilmington despite the fact that he had been convicted of domestic violence, and could not become a licensed massage therapist.

165. Likewise, SS-Tewksbury admitted multiple students to its Massage Therapy program even though they had felony convictions. This is significant because Massachusetts law requires that all massage therapists be licensed by the Commonwealth, and explicitly *precludes* persons with felony convictions within the last ten years from obtaining a license. A Massage Therapy instructor (Witness #7), who worked at Salter School for eight years, complained to her Program Director that PEG was knowingly enticing these students to invest considerable time and money (including Federal financial aid dollars) in an education that was essentially worthless to them after graduation. These complaints were ignored.

166. PEG administrators at BHCI-Branford placed considerable pressure on its Director of Career Services from April 2012 to November 2012 (Witness #2) to find jobs for multiple students despite their criminal records. Witness #2 found this task to be impossible because employers refused to hire students with criminal records, but still PEG threatened to fire her if she did not achieve her job placement quotas (which would have required placing the students with criminal records). When she continued to complain, she was fired.

iii. Falsification of Wonderlic Test Scores

167. As part of its admissions requirements and its accreditation requirements, and thus as certified in its PPA, PEG Schools require that students be competent enough to succeed in its

program and must be able to speak, read, and write fluently in English. At most of its schools (and as part of its requirements for accreditation, and thus by its PPA), PEG determines its applicants' abilities through passage of the Wonderlic placement test, an admissions interview, and completion of necessary documents. However, it is clear that many PEG Schools have routinely falsified passage of the Wonderlic test in order to admit marginal students and then collect their Federal and State Program student aid monies.

168. For example, PEG's published requirements for admission to programs at its HSB-Linwood campus stated that all applicants would be required to pass the Wonderlic Scholastic Level Exam, published by Wonderlic, Inc. (the "Wonderlic Test") during their initial visit to the campus.

169. PEG engaged in fraudulent conduct in connection with its administration of the Wonderlic Test in order to receive and award Federal and State Program funds to ineligible students. Specifically, PEG did not administer the Wonderlic Test with proper controls to prevent cheating, and it routinely granted admission to students who failed the Wonderlic Test.

170. The Wonderlic Test consisted of 50 questions, and the minimum number of correct answers required to achieve a passing grade for admission at a PEG school was only 13. The test was supposed to be administered in a controlled, proctored environment under strict time limits.

171. In practice, PEG allowed prospective students to take the Wonderlic Test in a private room, with access to their personal mobile communication devices (*e.g.*, smart phones), and in pencil. Results were hand-graded, often by an admissions representative who was highly motivated to "pass" the applicant, and PEG instructed its admissions representatives to notify their supervisor if a prospective applicant failed the Wonderlic Test. When this occurred, the

supervisor often changed the applicant's test answers in order to create a document that falsely indicated the prospect had "passed" the test and thus was eligible to enroll. Other times, the applicant was permitted to retake the test as many as three times, often with extra time.

172. Relator Hone personally observed several of her supervisors – Steve Strong, Peter Karas and Sam Hutkin – change multiple failing applicants' answers on the Wonderlic Test in order to make it appear that the applicants had passed the test and were eligible to enroll at HSB-Linwood.

173. For example, when prospective HSB-Linwood student [REDACTED] took and failed the Wonderlic Test, the HSB-Linwood admissions representative expressed concern that his scores had been changed so that he could be enrolled in the medical assisting program. Relator Hone's supervisor, Sam Hutkin, told her that "[m]ost of the students will not make it, but if that's the program they want to go into, let him do it."

174. Student [REDACTED] was a medical assistant student at HSB-Linwood in 2009-2011. When she enrolled, she took the Wonderlic test in pencil, answered only 20 out of the 50 questions posed, and did not believe she had passed. She was told she passed the test, but she never saw her graded test.

175. Student [REDACTED] was a medical assistant student at HSB-Linwood. When she enrolled at the school, she took the Wonderlic Test only once, and was told by PEG Regional Director of Admissions Hutkin that she had failed the test. However, Hutkin told her: "Okay, I'll let you go. I know you can do it."

176. Furthermore, PEG school and corporate staff have been informed of fraudulent practices regarding the administration and scoring of the Wonderlic test, but have chosen to ignore the wrongdoing, and/or reward participating admissions representatives with promotions.

177. In order to create a façade of compliance, SS-New Bedford instituted a rule that only the front desk assistant administering the Wonderlic exam could be present with students in the testing area. But the school blatantly disregarded that rule, repeatedly allowing Director of Admissions Duane Robertson to enter the testing area while the Wonderlic test was being administered. Several teachers and the Director of Education (Witness #3) complained about Robertson's practice, but School Director Diane Owens (a former corporate employee) did not respond to their concern that Robertson was falsifying test results.

178. Admissions representatives from SS-Tewksbury initiated a complaint against one of their coworkers, Kim Kellan, who was openly falsifying students' Wonderlic test results. Salter School administrators knew about Kellan's misconduct, but they did not fire her for it. Instead, Kellan was promoted. She currently works for PEG as a Regional Director of Admissions.

179. At the BHCI-Branford campus, Director of Admissions Celine Carnevale (who started working there in January 2010) also falsified Wonderlic exam results, either by giving students the answers or by changing their results. She also changed the Wonderlic testing protocol to require that the test be taken in pencil, and to require that she be permitted to enter the testing area. When one of her coworkers brought these practices to the attention of the School Director (Witness #1) in the summer of 2010, Ms. Carnevale was fired following a corporate investigation. However, PEG re-hired Ms. Carnevale within a few months, and she was rewarded with a position in PEG's corporate office as the Director of Outreach.

180. During Carnevale's tenure at BHCI-Branford, the Admissions Department employed inappropriate Wonderlic testing procedures in an attempt to enroll non-English speaking students. Non-English speakers were allowed to take the Wonderlic test twice: if they

failed the first time, they were permitted to retake the same test again immediately, and on the second attempt they were given a full hour to take the test (as opposed to the standard 12 minutes).

181. Frank Bonilla, who was School Director at BHCI-Branford from 2004 to 2011, actively participated in Wonderlic fraud. One front desk receptionist (Witness #8), who administered the Wonderlic test, noted one prospective student who had failed the exam with a score of 13. Bonilla asked Witness #8 what score was necessary to pass the test, and when she replied that the minimum passing score was 18, Bonilla changed the student's score on the spot by converting the "3" into an "8." During the time that Witness #8 worked at BHCI-Branford, she was instructed to ignore the exam timer and give prospective students more than the allotted twelve minutes.

iv. Learning Disabled, Non-English Speaking, and Illiterate Students

182. PEG has breached the accreditation requirements that its students be fluent in English and sufficiently competent to succeed in its program. Indeed, PEG routinely has admitted persons with mental and learning disabilities, as well as students with minimal (if any) English language skills, despite knowing that such students were not competent to succeed in their academic programs. PEG has required its administrators and instructors to employ unethical means to ensure that these unqualified students pass their courses and graduate notwithstanding their incapacity. By breaching its accreditation requirements in this regard, PEG also breached its PPA certifications.

183. This particular pattern is widespread across PEG campuses. For example, at HSB-Linwood, PEG admitted a student [REDACTED] to its PMA program despite the fact that she failed the Wonderlic Test and appeared to Relator Hone to be significantly mentally challenged. And while she was Director of Education at HSB-Linwood in 2009, Relator Davenport saw a number

of students who she believed would not be able to complete the necessary coursework, and who she believed would not be able to obtain gainful employment in their field of training.

184. While one admissions representative (Witness #9) worked at HSB-Linwood, his coworkers in the admissions department admitted multiple students who could not speak English. Witness #9 also heard teachers complain that these students could not function properly in the classroom.

185. PEG instructed its SS-Tewksbury Director of Education (Witness #10), who worked there from 2010-2011, to supervise certain students who “should not have been enrolled” to make sure that they progressed through their programs. One particular student named [REDACTED] had extreme learning and behavioral disabilities, and could not speak any English. The situation was so extreme that Witness #10 was required to counsel [REDACTED] on her first day of school that she was not permitted to peek under the doors of bathroom stalls. Despite failing her courses, [REDACTED] was reenrolled multiple times, and PEG made it clear that the Director of Education and her teachers were expected to push [REDACTED] through the program, regardless of her serious disabilities.

186. BHCI-Branford admitted at least one student to its Professional Fitness Trainer program with a learning disability and another who did not speak English. When the latter student failed a class, the Director of Education (Witness #6) changed his grade to enable him to graduate.

187. While she was enrolled at HSB-Linwood as a PMA student from 2009 to 2011, student [REDACTED] had a severely learning disabled classmate named [REDACTED] whom PEG administrators pushed through the PMA program with the collaboration of [REDACTED] teachers. [REDACTED] and her classmates observed that [REDACTED] was so learning disabled and cognitively impaired that he was unaware of what was going on in *any* of his classes.

188. Likewise, SS-New Bedford admitted two severely learning disabled students with behavioral problems in November 2011. Instead of participating in their programs, these students provoked fights so regularly that the Director of Education (Witness #3) had them removed from class. This earned her a stern rebuke from School Director Diane Owens, who instructed her to keep the students in school at any cost.

189. Employees of the Career Services Department at PEG schools, including BHCI-Windsor's Director of Career Services (Witness #2), discovered that finding gainful employment for mentally and severely learning disabled students was almost impossible. Nevertheless, PEG required that they do so, and it threatened to fire them if they were not successful.

190. At HSB-Wilmington, Relator Kelli Amaya dealt with a Health Claims Specialist student named [REDACTED] whose learning disabilities were so severe and obvious that he was not only unqualified for admission, but also incapable of comprehending the enrollment and Federal and State financial aid paperwork he was asked to sign. In fact, his externship site ultimately rejected him, telling Relator Amaya that his mental disabilities made him impossible to work with. Nonetheless, PEG Vice President Nick Hastain instructed Relator Amaya to reenroll [REDACTED] in order to secure further financial aid disbursements for him.

191. PEG also enrolled candidates who were illiterate, and therefore plainly incapable of reviewing the enrollment and Federal and State financial aid documents they signed. PEG thereby committed a clear violation of the PPA certifications it made to secure Federal and State funds.

192. Relator Davenport, who was Director of Education at HSB-Linwood in 2009, was told to work with a student who had dropped out of PEG's Pharmacy Tech program, but who later was reenrolled. The student's teacher told Relator Davenport that the student was not

capable of completing her course requirements. When Relator Davenport met with the student, she realized that the student suffered from severe learning disabilities, and that she could neither read nor write at a level to complete any of the assigned work.

193. HSB-Linwood instructor Robert Biaselli, who worked at the school from 2006 to 2007, also encountered many students who were enrolled at HSB-Linwood despite the fact that they appeared to be functionally illiterate. He discovered this when he asked students to read aloud during class, and at least fifteen of them could not do so.

194. By admitting students who had failed the Wonderlic Test, who could not speak English, who were functionally illiterate, or who suffered from severe learning disabilities, and by qualifying these students to receive Federal and State Program financial aid, PEG falsely certified the students' eligibility – causing material misrepresentations to be made to the Department of Education, State agencies, and PEG's accrediting organizations. PEG engaged in this course of conduct in order to preserve its Federal and State Program financial aid revenue stream attributable to the ineligible students.

2. PEG Completed FAFSA Applications for Prospective Students Who Were Not Competent to Understand the Financial Obligations They Were Undertaking

195. PEG's financial aid directors regularly took FAFSA applications from students who could not read or write English, and who had little (or no) understanding of either the FAFSA or the financial obligations they were proposing to undertake. PEG knew that these students could not comprehend the questions posed to them concerning their eligibility to receive Federal and State Program financial aid.

196. PEG's financial aid personnel also took FAFSA applications from applicants who clearly were mentally incompetent to complete the application. In one instance, for example, Relator Kenny complained to Director of Admissions Mark Hamilton that an applicant named

█████ could not read and could not spell his own name. The Director of Admissions responded that PEG could not discriminate against any applicant, even a clearly incompetent applicant who had no understanding of the financial obligations he was entering into, and on that basis directed Ms. Kenny to complete and submit █████ application.

197. In another instance, prospective student █████ (an immigrant) was pushed by the HSB-Wilmington admissions representative to enroll in the Health Claims Specialist program despite the fact that she spoke only a very little English and had never used any sort of computer. █████ came through Financial Aid on four separate occasions, each time leaving frustrated because she did not understand the process, but had been coerced by PEG's admissions representative to enroll nonetheless.

198. And HSB-Wilmington admissions representatives routinely coach students how to falsify their FAFSA forms in order to create a false appearance that they are eligible for more financial aid than the law allows. For example, PEG's admissions representatives coached students to list as "dependents" persons who were ineligible for dependent status under applicable IRS regulations and for whom they provided no financial support whatsoever.

199. By submitting FAFSA applications of students who could not read or write English and/or students it knew were not competent to understand the financial obligations they were undertaking, PEG falsely certified the students' eligibility – resulting in material misrepresentations to the Department of Education, State agencies, and its accrediting organizations. PEG compounded this misconduct by submitting FAFSA applications that it knew contained inaccurate information regarding applicants' dependent care expenses. PEG engaged in this course of conduct in order to preserve and expand its Federal and State Program financial aid revenue stream attributable to these students.

3. PEG Altered Student Grades from Failing to Passing in Violation of Federal and State Law Requiring Financial Aid Recipients to Show They Are Making Satisfactory Academic Progress in Their Programs

200. PEG is required by school accreditation standards, and thus by its PPA, to maintain policies and procedures to monitor and ensure students' Satisfactory Academic Progress. Failure to comply constitutes a breach of the PPA, compliance with which is a condition precedent to maintaining institutional eligibility to receive Federal and State Program financial aid dollars as well as a condition to receipt of Federal and State Program financial aid payments.

201. PEG engaged in various fraudulent conduct, including altering students' grades from failing to passing, in order to preserve the enrollment status of students who were not benefitting from PEG and, accordingly, to preserve the flow of Federal and State Programs dollars to PEG (ostensibly for the benefit of those students).

i. PEG Pressured Administrators and Instructors to Change Grades from Failing to Passing

202. PEG routinely pressured its administrators and instructors to ensure that students received passing grades regardless of the students' actual performance and mastery of the material. Through its well-known pattern of blaming instructors, and harassing them, when students failed courses, PEG preempted the submission of failing grades and created a culture that discouraged accurate reporting of academic progress.

203. For example, SS-Tewksbury's Director of Education (Witness #10) was told that her responsibilities included working with instructors to ensure that students did not fail their classes. She was required to challenge any instructor who submitted a failing grade for a student, and to dispute the failing grade. PEG implemented a policy of siding with students against their instructors in such circumstances, and of blaming the instructor (and not the student) when

students did fail their courses. PEG corporate representatives, including Deborah Kirsch-Ferrari and Vice President of Accreditation and Regulatory Affairs Jane Parker, routinely would interrogate Witness #10 regarding students who failed one or more courses, demanding to know what she had done to prevent the students from failing.

204. Similarly, at PEG's BHCI-Southington campus, a Computer Information Technology instructor (Witness #11), who was employed by the school between 1999-2003 and 2004-2011, and his fellow instructors routinely were asked to change student grades from failing to passing. Witness #11 made multiple complaints to School Director Andy Tierney that compelling teachers to change grades was unethical, but Tierney responded that Branford Hall was a business, and that the instructor was responsible for keeping students enrolled. Indeed, in staff meetings, Witness #11 and his colleagues were told not to drop students under any circumstances.

205. At BHCI-Branford, PEG administrators pressured Witness #6, the Director of Education from 2009-2011, to work with teachers to change failing students' grades. Following the direction of her administrative superiors, she pressured instructors to allow students who failed their tests to re-take those tests, and to allow students who failed due to attendance problems to make up missed class time. In Witness #6's experience, Branford Hall's instructors typically refrained from submitting failing grades for students because they knew that doing so would lead to verbal reprimands by PEG administrators, who uniformly sided with students in such circumstances.

206. PEG retaliates against instructors who fail to comply with its demand that they change grades from failing to passing. For example, SS-Worcester School Director Charlene Keefe instructed her Director of Education (Witness #12) to fire instructors who repeatedly

failed students – not because the students did not deserve to fail, but because failing the students was not in PEG’s financial interest. Keefe personally berated instructors for failing students – not because the students did not deserve to fail, but because failing the students was not in PEG’s financial interest.

204. PEG’s intense pressure on instructors to pass students at all costs led them to renounce all academic standards and to facilitate cheating in order to pass students. Moreover, not only were teachers frequently unqualified to teach the assigned materials, the high faculty turnover rate negated any effort to maintain an effective teaching environment. The result has been that PEG teachers cared little about actual learning, and they turned a blind eye to cheating (e.g. allowing students to use smart phones during exams, leaving exams unproctored, and giving makeup tests to students to complete at home) because they were more concerned about keeping their jobs.

205. For example, at HSB-Linwood teachers regularly gave students the answers to test materials before they took the test. In one instance, HSB-Linwood PMA student [REDACTED] instructor provided an exact copy of the final exam the day before the exam was administered, and [REDACTED] classmates told her they did not read the exam questions, but merely memorized the answers (which included 23 true or false questions in exact order). Likewise, HSB-Linwood instructor Ron Irwin also gave student [REDACTED] class copies of tests with the answers on them several weeks before the test was administered.

206. In bowing to PEG’s pressure to pass unqualified students, teachers became complicit in the systemic academic dishonesty that pervaded PEG Schools. In doing so, they allowed PEG to falsely certify students’ Satisfactory Academic Progress in order to draw down Federal and

State financial aid dollars. The complete breakdown of academic integrity was a betrayal of both students and taxpayers.

ii. PEG Overrode the Judgment of Instructors by Changing Student Grades from Failing to Passing

207. For those instructors who insisted that their grades, PEG administrators routinely then changed grades from failing to passing, ordering Registrars to falsely certify students' SAP – all in order to preserve the students' eligibility to receive Federal and State funds.

208. During her tenure as Registrar at PEG's HSB-Linwood campus, Relator LaPorte was responsible for inputting students' grades into the school's computer system. She regularly was instructed by Campus Director Steve Strong and Director of Education Craig Hennequant to request that instructors change the grades of failing students in each of the programs of study offered at HSB-Linwood. On dozens of additional occasions, Strong and Hennequant specifically instructed Relator LaPorte (by handwritten note, by email, or by verbal communication) to change students' grades from failing to passing. When Relator LaPorte voiced her concerns about this practice, Hennequant responded: "Just do as I tell you." Ultimately, Relator LaPorte resigned her employment with PEG due to her disagreement with this practice.

209. Sundy Bellezza, an instructor at PEG's PMA program at the HSB-Linwood campus in 2006-2007, used both email and an MS-Excel spreadsheet to report to the Registrar that multiple students had failed her courses. Director of Education Hennequant instructed that multiple students' grades in Bellezza's courses be changed from "failing" to "passing" and that the students be permitted to take the next course in sequence. When Bellezza asked Hennequant about the grade changing, she was told to accept things as they are or leave. He further told her

that PEG was in the business of making money, and that it would continue to change grades because if it allowed students to fail, it would not get financial aid money from the government.

210. Two of Bellezza's students who failed her course but were permitted to take the next sequential course (without retaking the course they had failed) were named [REDACTED] and [REDACTED]. Both [REDACTED] and [REDACTED] advanced through their course of study despite the fact that they failed one or more required courses.

211. [REDACTED] was a student in the PMA program at PEG's HSB-Linwood campus, and received the Director's Award for having attained the highest grade point average in the program. [REDACTED] was a teacher's assistant for Relator Biaselli and, as such, she was entrusted to input her fellow students' test and quiz grades into the MS-Excel spreadsheet on Relator Biaselli's computer. [REDACTED] regularly inputted failing grades for students, including grades of "F" on final examinations, yet she observed those same students would be present the following term in the next sequential course. When she asked Relator Biaselli why failing students were progressing through the curriculum, Relator Biaselli (who as the instructor had never approved the grade changes) relayed the same question to his PEG supervisors, who told him that the issue was none of his concern.

212. [REDACTED] was a student in the PMA program at PEG's HSB-Linwood campus in 2008. [REDACTED] failed the "Medical Law and Ethics" course, yet was given a (passing) "D" as a final grade. She withdrew from the "Medical Assisting and Clinical Procedures A" course; yet she still received an "A" for the course.

213. [REDACTED] was a student in the PMA program at PEG's HSB-Linwood campus. [REDACTED] failed Anatomy and Physiology A, and Anatomy and Physiology B. She recalls not being able to keep up with the classes due to working full time and not comprehending the material. She was

not required to repeat the classes. Instead, her final transcript noted she received passing grades of “C” in Anatomy and Physiology A, and a passing grade of “D” in Anatomy and Physiology B.

214. ██████ was a student in the PMA program at PEG’s HSB-Linwood campus in 2008. Although ██████ failed the course entitled “Medical Assisting and Clinical Procedures” (Course Code 41 OMCA), she was not required to repeat the course, and her final transcript showed that her grade had been changed (without her instructor’s consent) from an “F” to a (passing) “D”.

215. ██████ was a student in the PMA program at PEG’s HSB-Linwood campus in 2009-2010. Although ██████ failed the course entitled “Medical Assisting & Clinical Procedures C” (Course Code 431 MCC40HB), her grade was changed to passing without her instructor’s consent, and she was permitted to progress to the next sequential module – “Medical Assisting and Clinical Procedures D” (Course Code 441 MCC40HB) – without having to repeat the prerequisite class.

216. ██████ was a medical assistant student at HSB-Linwood in 2006-2007. ██████ and a number of other students failed the “Law and Ethics” course, but they were called into the office of the teacher, Keeya Taylor, who told them that despite having failed they would all receive a (passing) grade of “B”.

217. When Relator Amaya began as the Externship Coordinator at HSB-Linwood in September 2009, she discovered the school had falsified numerous students’ grades so that the students would be permitted to begin externship programs (which were required for graduation). She also discovered that many externship time sheets were being forged – by the students and by the prior externship coordinator and her assistant. Relator Amaya discovered this pattern of misconduct when several externship employers called her to complain that students had not

reported for work at their externships. Relator Amaya called numerous externship employers to confirm student attendance, and she learned that many other students either had never appeared for work at all, or that their attendance was not as indicated on their forged attendance forms.

218. When Relator Amaya was promoted to Director of Education at HSB-Wilmington in July 2010, she concluded that the campus' record-keeping was in disarray and that there was no integrity to the manner in which grades were awarded. She immediately tried to correct these issues by reviewing the records of all enrolled students. In the course of this review, she discovered that the Registrar, Melissa Bombico, regularly had changed student grades without any legitimate basis to do so. For example, Relator Amaya learned that Bombico had changed the grades of at least five dental students who were supposed to get placed for externships although they had not passed their prerequisite classes.

219. Relator Amaya performed grade audits and discovered that teachers had changed student grades with the help of the Program Directors, Anita Benson and Brigitte Morgan, and with the help of Registrar Bombico. Bombico was reprimanded by Relator Amaya on several occasions for changing grades without authorization, and for providing failing students with "special schedules" – essentially private, off-the-record and non-sequential tutoring – in order to assist them to "pass" prerequisite courses they had failed while simultaneously allowing them to take next level courses. This practice was rampant in all programs at HSB-Wilmington, but especially in the Dental Assistant and PMA programs.

220. For example, Relator Amaya discovered that Morgan and Bombico had approved a Dental Assisting student named [REDACTED] to take the "Chairside Assisting V" course even though she had failed the prerequisite course, "Chairside Assisting IV" (which was not scheduled to be taught during the next module), so that she would not have to be dropped and experience a

disruption in financial aid funding. Relator Amaya knew that the student would have to pass *both* courses before she could begin her externship, and so she was surprised to find an externship timesheet for [REDACTED] approximately three weeks into the next module. She then looked into the student's file in CampusVue and discovered that [REDACTED] original grade in "Chairside Assisting IV" had been changed from failing to passing.

221. Similarly, Relator Amaya discovered that PEG altered both grade and attendance records for three Dental Assisting students – [REDACTED] [REDACTED] and [REDACTED] – in CampusVue in order to make it appear the students were passing their courses (and thus remain eligible for continued Federal and State Program financial aid) when their actual attendance and performance was so sub-standard that they should have been failing. The students' instructor, Jean Hovanec, told Relator Amaya that PEG's written rules and procedures routinely were violated by the Dental Assisting program, and that Program Manager Brigitte Morgan had instructed her (Instructor Hovanec) to pass students even though they lacked merit and to record their attendance inaccurately to prevent the students from being dropped from the program.

222. Similarly, the Lead Instructor for the Health Claims Specialist Program, Michelle Draughn, brought to Relator Amaya's attention the case of student [REDACTED] who was attempting to pass Instructor Draughn's class a second time and was in jeopardy of failing due to poor grades and low attendance. Draughn was concerned because she refused to pass [REDACTED] because [REDACTED] already had failed several of Draughn's classes in the past. When Relator Amaya looked into these circumstances, she discovered that [REDACTED] had been permitted to attend and fail the same classes more than four times and yet had never been reviewed for failure to meet Satisfactory Academic Progress (SAP) requirements, and in fact should have been permanently dismissed from the program. When Relator Amaya reported this particular issue to Vice President Hastain

and Director Wolverton, she received a call from Tim James, who was the Campus Director at HSB-Upper Darby and HSB-Cherry Hill (and also VP Hastain's nephew), who directed her to overlook the violation of the SAP policy and simply put [REDACTED] on "academic probation" instead.

223. When Relator Amaya reported the foregoing issues to the Campus Directors (Ella Cain and Ruthann Wolverton) and Vice President Hastain, advising them that she thought PEG's conduct was illegal, she was demoted and reprimanded.

224. By November 2010, Relator Amaya had placed 61 students (or 14 percent of the HSB-Wilmington students) on academic probation due to poor grades and/or attendance problems. And she was given a directive by Campus Director, Ella Cain, to drop 20 HSB-Wilmington students from the program altogether due to either failing grades or poor attendance. These included students who PEG administrators had otherwise, improperly, cleared to begin their externships in violation of written policies requiring minimum levels of academic performance. When PEG Vice President Hastain discovered she had done this, he ordered both Relator Amaya and the externship coordinator, Robert Starkey, to stay late for a face-to-face meeting, during which he insisted they were immediately to reverse the drops and re-enroll the dropped students. During the meeting Vice President Hastain provided this instruction not because the students were academically qualified for continued admission, but because those students still had Federal and State Programs funds available to them that had not yet been "dropped down" to PEG by the financial aid department. Moreover, a decision to drop the students, for whatever reason, would have a negative impact on HSB-Wilmington's enrollment and retention statistics, threatening its ACICS accreditation and thus its eligibility to receive additional Federal and State Programs funds. Vice President Hastain reprimanded Relator

Amaya, stating: “You know what's going to happen to me if this gets up the chain.” Relator Amaya followed his direction to reverse the drops, and the ineligible students were re-enrolled.

225. During Relator Moody’s time as Registrar at HSB-Wilmington, it was routine practice at the conclusion of each module (akin to a “term”) to run an “F Report” to determine which students had failed particular courses. When Relator Moody shared these “F Reports” with Director of Education Sue Bitters and Program Director Anita Benson, they routinely gave her “Grade Change Request” forms directing Relator Moody to countermand “F” grades given by instructors to passing grades, without consulting with the instructors. For example:

- PMA student [REDACTED] instructor gave her an “F” in the “Pharmacology C” course in February 2012. When Relator Moody contacted the instructor, Maureen Alfieri, to discuss the grade, Alfieri told her that the failing grade would stand because [REDACTED] had failed to turn in all her work. Bitters then wrote a note to Alfieri stating that [REDACTED] was going to bring in the work late, and that Alfieri was to prepare a new grade sheet which they would hold until [REDACTED] turned in the work. On February 17, 2012, Relator Moody received a Grade Change Request form initialed by Bitters changing [REDACTED] grade to an 82 percent (which equated to a “B”). On February 21, 2012, Alfieri wrote a note explaining that the grade should not be changed because [REDACTED] still had not turned in the missing work. However, [REDACTED] grade was changed, and she was allowed to advance.
- Student [REDACTED] instructor gave her an “F” (reflecting a grade of 29 percent) in the course (Course No. C0110). Relator Moody received a Grade Change Request form signed by the instructor, Tammy Watson, directing her to change the “F” to a “C” with the explanation that [REDACTED] had missed class time due to a pregnancy,

but had turned in her class work late. When Relator Moody asked Watson about this change, Watson protested that her signature had been forged, and she (Watson) wrote on the form: “This is not me! I will not authorize this. Tammy A. Watson.” Relator Moody reported this to Bitters, and that afternoon Bitters gave her a revised grade sheet that still changed the student’s grade from failing to passing. Because Watson was a night teacher, and thus not on campus at the time this occurred, her signature was forged a second time. Nevertheless, at Bitters’ instruction, the student’s grade was changed to a “C” and she was allowed to advance.

- Student [REDACTED] instructor gave her an “F” in the course (Course No. DA109) in June 2012. Relator Moody received a Grade Change Request form, initialed by Anita Benson and Sue Bitters, changing the grade to a 76 percent (a “C”), [REDACTED] grade was changed, and she was allowed to advance.
- PMA student [REDACTED] failed both the MCC course and the PHC course in June 2012 because her instructor, Cyreeta Smith, concluded that [REDACTED] had cheated. Nonetheless, and without the instructor’s approval, Anita Benson turned in a Grade Change Request form dated June 19, 2012 and initialed by Sue Bitters changing both failing grades (66 percent in MCC and 46 percent in PHC) to identical passing grades of 83 percent. Upon this instruction, the grades were changed, and [REDACTED] was allowed to advance.
- When Relator Moody emailed Bitters and Benson on June 21, 2012 (12:21 PM) about the fact that PMA student [REDACTED] had failed both the PHB course and the MCB course, she received Grade Change Request forms initialed by Bitters and

Benson (but not the instructor) *the same day*, in both cases changing the student's grade from failing to identical passing grades of 76 percent. Later, the instructor, Pam Tate, told Relator Moody that she was not aware of the change. The student was allowed to advance.

226. At BHCI-Branford, PEG told its Director of Education from 2009-2011 (Witness #6) that PEG expected her to change student grades from failing to passing or she would lose her job. Witness #6 followed this instruction by (i) pressuring instructors to change student grades, and (ii) by personally changing between 10-20 grades from failing to passing despite the fact that there was no legitimate basis to do so other than to allow PEG to continue receiving these students' tuition.

227. Witness #11, a Computer Network Management instructor at BHCI-Southington (1999-2003; 2004-2011), observed that if students failed a class twice, PEG administrators would change their grades from failing to passing, thereby circumventing the instructors' judgment and ensuring the students would remain eligible for Federal and State Program funding regardless of their academic performance.

228. A SS-Tewksbury Massage Therapy instructor (Witness #7) complained to Program Director Serena Champagne about PEG's decision to change a particular Massage Therapy student's grade from failing to passing, even though the student failed after missing more than a week of school. Program Director Champagne upheld the changed grade, and refused to require that the student repeat the course.

229. By altering grades in order to allow failing students to pass through sequential courses in lieu of failing out of its programs, PEG falsely certified its students' progress and graduation rates – resulting in material misrepresentations to the Department of Education, State

agencies, its accrediting organizations, and future prospective students. PEG engaged in this course of conduct in order to preserve the Federal and State Programs revenue stream attributable to its failing students, and in order to avoid having to return payments it already had received for the accounts of withdrawing students.

4. PEG Altered Student Attendance Records in Order to Make it Appear that Students Were Eligible to Receive Federal and State Financial Aid

230. Pursuant to 34 C.F.R. 668.22(b) and similar State law regulations, PEG was obligated to track its students' attendance, and thus their continued eligibility to receive Federal student aid. In this regard, PEG based a student's withdrawal date on that student's "last date of attendance" ("LDA") at an academically-related activity.

231. Further, accreditation guidelines require accredited schools to ensure that students are maintaining proper in-class clock/credit hours for their particular programs by taking attendance, and to ensure they are attending their externships by receiving externship timesheets. For example, ACICS requires accredited schools to report attendance at the end of each fiscal year in order to maintain certification/accreditation. *See, e.g.,* ACICS Accreditation Criteria Policies, Procedures, and Standards, No. 2-2-503(a).

232. Under PEG's LDA tracking system, if a student had not been in a PEG building for fourteen (14) days, the student would have to be dropped/failed, and any unused Federal and State student aid returned. PEG engaged in various fraudulent conduct to manipulate its LDA reports, including altering students' attendance records, in order to ensure that students not benefitting from instruction at PEG would maintain their enrollment and, accordingly, their eligibility for Federal and State Program financial aid, notwithstanding the fact that they were not attending class.

233. While Relator Amaya was the Director of Education at HSB-Wilmington, PEG placed considerable pressure on all its schools to keep students off the LDA list. Vice President Hastain required that all LDA reports be sent directly to him on a daily basis, and that PEG staff do anything possible to get students back to class.

234. During the course of auditing HSB-Wilmington student attendance records, Relator Amaya discovered that the attendance records of numerous students had been falsified to make it appear they were attending class when that was not actually the case. Relator Amaya learned it was rampant practice at the HSB-Wilmington campus for instructors to mark students “present” when they were not in class. Instructors were told to do this by PEG supervisors so the students’ names would not appear on the LDA list. This practice helped to fraudulently boost attendance records for PEG’s poorly performing campuses and it enabled instructors to avoid management reprisal or termination.

235. During one particular period, Vice President Hastain introduced an initiative to re-enroll at least 100 dropped students who still had Federal and State Programs funds available to them. The initiative, nicknamed the “Re-Enters Campaign,” was headed by PEG employee Keya Hackett. Hastain told Relator Amaya that PEG would lose government financial aid monies unless the students were re-enrolled, and he directed her to assist Jennifer Moseley (who was the HSB-Wilmington Financial Aid Director) to implement the Re-Enters Campaign by re-enrolling students who had left the school. During this process, Relator Amaya learned that Moseley had been directed to provide payment plans to any student who returned, whether or not the student qualified to meet Satisfactory Academic Progress (“SAP”) or other re-entry requirements.

236. Pursuant to PEG’s published attendance policy, students who missed more than three consecutive days in a module (PEG’s version of a “term”), would automatically fail that

module. Because failure would potentially result in a reduction of Federal and State Programs revenues, it was critical to PEG that students' records reflect they had been attending classes (even if they were not).

237. During her tenure as Registrar at PEG's HSB-Linwood campus, Relator LaPorte was responsible for keeping the school's student attendance records on the CampusVue computer application. She regularly was instructed by Campus Director Steve Strong and Director of Education Craig Hennequant to alter student attendance records in order to avoid "failing" a student for lack of attendance in class. When Relator LaPorte voiced her concerns about this practice, Hennequant responded: "Just do as I tell you."

238. ██████ attended the PMA program at the HSB-Linwood campus in 2009-2011. While enrolled, ██████ missed two consecutive weeks of class due to her service requirements with the U.S. Army Reserve. Upon her return to school, ██████ was permitted to take midterm exams and continue in the program without having to repeat any classes and without any notation that she had failed due to absence.

239. ██████ was a medical assistant student at the HSB-Linwood campus in 2010. Towards the end of her curriculum, her attendance dropped off and her grades declined. She did not have enough hours to complete her academic requirements and she received a school printout documenting the number of hours she was lacking. She discussed the matter with her instructor, Ron Irwin, who told her "don't worry about it" and he completed a form showing (falsely) that she had made up all her missing hours.

240. PEG maintained a "policy" that students who missed class were required to make up the missed class within the same academic module. However, PEG routinely falsified these

students' attendance records to certify that they were meeting Satisfactory Academic Progress requirements when, in fact, they were not.

241. For example, at SS-New Bedford, the Director of Education (Witness #3) was responsible for reviewing make-up time attendance, and in that context she discovered that Director of Admissions Duane Robertson had falsified up to 20 of these attendance records. When she confronted Robertson and told him to stop falsifying records, Robertson reported her to PEG Vice President Jon Coover, *who admonished Witness #3 instead of Robertson*.

242. By altering attendance records in order to allow students to pass through sequential courses in lieu of failing out of its programs, PEG falsely certified its students' Satisfactory Academic Progress and their continued eligibility to receive Federal and State student financial aid – resulting in material misrepresentations to the Department of Education, State agencies, and its accrediting organizations. PEG engaged in this course of conduct in order to preserve its Federal and State Programs revenue stream, and in order to avoid having to return payments received for the accounts of withdrawing students.

5. PEG Used Third Parties to Falsify Attendance Records in Order to Falsely Certify Students' Eligibility for Federal and State Financial Aid

243. Afraid that their own jobs were on the line, SS-Tewksbury admissions representatives participated in a scheme to harass students and falsify attendance records in order to secure Federal and State Program funds for PEG. Specifically, if an enrolled student did not show up for the first day of school, admissions representatives were expected to drive to the student's home and persuade the student to attend school, even if only for the five days. PEG placed special emphasis on the five-day threshold because PEG would then be able to claim its first disbursement of Federal and State Program funds once a student had signed in for five consecutive days.

244. If a student refused to appear for class, Salter School admissions representatives recruited the student's friends or family members to appear in class instead for five consecutive days, pose as the absent student, and forge the student's signature on the sign-in sheet in order to create a bogus paper trail to support a claim for the initial Federal and State Program financial aid disbursement on the student's behalf.

B. PEG USED HIGH PRESSURE TACTICS TO ENROLL STUDENTS UNDER FALSE PRETENSES

245. Federal law and state regulations forbid proprietary schools such as PEG from making misrepresentations to students to induce them to enroll at PEG. *See, e.g.*, 34 C.F.R. § 668.71 *et seq.* Among other things, PEG is forbidden from making misrepresentations to prospective students about its schools' accreditation (34 C.F.R. § 668.72(a)) and students' employability after graduation (34 C.F.R. § 668.74). The making of substantial misrepresentations is grounds for revocation or termination of an educational institution's PPA (34 C.F.R. § 668.75(c)(1)).

246. Demonstrating enrollment growth was critical to the business success of PEG, and so it employed a "win at all costs" approach to enrolling new students. The pressure to recruit as many students as possible originates with investors, who demand consistent revenue growth, and thus PEG's executives are held accountable for enrolling as many students as possible. They, in turn, pressure management and front-line employees at each campus to demonstrate consistent enrollment growth.

247. This business strategy/objective led PEG to routinely make substantial misrepresentations to prospective students in order to encourage as many of them to enroll as possible.

1. PEG Imposed Rigid Sales Quotas on Admissions Representatives

248. Reflecting that the true nature of its admissions function was that of sales, PEG preferred to hire persons with prior sales experience to serve as its admissions representatives.

249. PEG instructed its admissions representatives to enroll every prospective student, and they were specifically instructed that if they did not enroll at least five new students (called “starts”) each week, they would be fired. PEG managers specifically, and repeatedly, advised Relator Hone and other admissions representatives that they would be fired if they did not enroll at least five (5) new students each week. In addition, representatives were required to set at least four (4) appointments each day, interview at least three (3) prospective students each day, interview at least forty (40) percent of all their inquiries, enroll at least fifty-six (56) percent of their interviews, start at least sixty-five (65) percent of their enrollees, and start at least fifteen (15) percent of their leads.

250. PEG’s quotas were conveyed to the various Campus Directors and admissions representatives during weekly conference calls and in quarterly meetings with CEO Gary Camp and others. The sales goals did not take into account local market conditions (such as the demand for graduates of PEG’s programs in different areas), but rather were geared toward creating positive returns for PEG’s investors. Management staff at each campus allocated the sales goals among the various admissions representatives.

251. PEG communicated its minimum sales quotas and overall sales goals to admissions representatives both verbally and in written memoranda from the corporate headquarters. Often, sales goals were written on white “dry erase” boards that were located in the Admissions Director’s office, in conference rooms, and in the admissions representatives’ work space. These dry erase quotas would disappear before accreditation auditors’ visits.

252. Consistent with its quota-based sales system, and in order to achieve what often were unrealistic sales goals, PEG managers closely monitored the number of calls that its admissions representatives made to prospective candidates each day, the number of appointments they set with prospective candidates each day, the ratio of lead-calls-to-appointments-set, the ratio of appointments-to-applications, and the ratio of applications-to-starts.

253. Admissions representatives who failed to enroll a sufficient number of students were put through a disciplinary process that routinely resulted in termination.

254. The pressure on admissions representatives to increase enrollment numbers was intense. PEG managers routinely harassed admissions representatives – through micro-management, verbal abuse, and explicit threats of termination – to improve their daily and weekly performance in generating enrollments and starts, reminding them that their continued employment and any pay raises were contingent on achieving their minimum quota and meeting aggressive, often unrealistic, sales goals.

255. In practice, admissions representatives' performance reviews and salaries were directly tied to their progress against PEG's arbitrary sales goals – rising and falling depending on whether the representative exceeded or failed to meet those goals. Indeed, supervisors did not describe to the admissions representatives any other criteria (*e.g.*, contributing ideas to improve operations, being a team player, displaying a positive attitude) for advancement or salary increases. In fact, Relator Hone was told by Director of Admissions Peter Karas and Regional Director of Admissions Sam Hutkin that her performance was based *solely* on her progress against PEG's sales goals, and that the *only* factor that mattered in determining her continued employment was her success in meeting her sales goals.

256. In order to achieve PEG's essentially arbitrary sales goals, managers played admissions representatives off against each other, such as by withholding "leads" (the industry term for contact information for potential students) from underperforming representatives, and by frequently publishing representatives' comparative enrollment statistics. These tactics were intended to, and did, create intense competition among admissions representatives and an ethical race to the bottom among them as they competed to enroll as many students as possible.

257. PEG's improper sales quotas and unethical sales environment resulted in an exceptionally high rate of turnover among the admissions representatives, as PEG regularly fired under-performing representatives, while many others simply succumbed to the harassment and resigned.

2. PEG Trained Its Admissions Representatives to Pressure Students to Enroll

258. PEG's admissions representatives were trained to meet their sales quotas by applying high-pressure sales tactics, using company-approved sales pitches, to an ill-informed and vulnerable body of prospective students.

259. During weekly meetings and less frequent admissions "rallies," PEG trained its admissions representatives to meet their sales quotas by validating prospective students' feelings of despair with respect to their current employment status, and by providing seemingly helpful information to promote the PEG Schools as a way to reverse that condition.

260. PEG trained its admissions representatives to create "urgency" in persuading prospective students to enroll, for example, by stating that they must enroll immediately to reserve a seat, even though many spots were readily available and most PEG campuses had scheduled career programs which started every few weeks.

261. PEG trained its admissions representatives to “close” a sale on the spot, instead of allowing prospects to carefully consider their decision or to speak with a financial aid employee. In fact, PEG even enforced a policy of preventing or discouraging prospective students from speaking to a financial aid employee (who could answer questions about cost and financial aid eligibility) before the prospective student had signed an enrollment agreement.

262. Admissions representatives were trained to “[b]uild excitement” about the PEG school, to “[l]ight a fire” in the candidate, and to ask the candidate to “visualize success” and then to create a “[p]artnership in problem solving with the prospective student.” Admissions representatives were to conduct “Career Guidance Sessions” to help candidates “map out a successful career path.” During these sessions representatives were instructed to (and did) get candidates to talk about her “[g]oals,” “[h]opes,” and “[d]reams,” to show “empathy and understanding,” and to paint PEG as the “vehicle” for success. They were trained to portray the lack of a PEG degree as the difference between failure (the prospect’s current condition) and success (the prospect’s hoped-for condition). As part of the sales pitch, PEG representatives were to use a “good news publication from career services” concerning the candidates’ prospects for their careers following graduation.

263. PEG management regularly rehearsed with admissions representatives how to deal with candidates’ “objections.” They were given a script to handle objections which deflected any financial aid questions over the phone until the face-to-face appointment. The script directed them to tell callers that “being that we are an ‘accredited’ school, there are certain guidelines and standards that I need to adhere to” and thus convey the (false) impression that these standards would not allow them to discuss over the phone the costs of attending PEG. No such accreditation standards existed to bar admissions representatives from answering program

cost questions over the phone. And even when candidates did travel to a PEG campus, admissions representatives were directed to persuade candidates to sign enrollment forms *before* discussing the costs of attending the school.

264. During the interview with the student, representatives were trained to “[f]ind[] the real reason” for the prospective student’s reluctance to enroll, and to “[h]old[] them accountable while being their advocate.” They were trained that the admissions representative’s “relationship with [the candidate] is the difference.” The PEG admissions script called for admissions representatives to “close” by asking the candidate: “Have we proven that this career will help [you] accomplish the goals most important to [you]?”

265. These high-pressure sales tactics were applied to many prospects that may have had no real interest in attending the PEG School program about which they were contacted by an admissions representative, but who had been identified as “leads” by companies that specialize in gathering contact information and selling those contacts to schools such as PEG. These companies advertise themselves as providing a free, safe, and reliable way to get information about college, but they mislead prospects with promises of how quickly they can earn a degree and increase their take-home pay, and they generally direct students only to schools and programs, like PEG, that pay them for leads. As a result, many prospective candidates who were subject to PEG’s high-pressure sales tactics may not have had any real interest in any of PEG’s programs.

266. PEG admissions representatives regularly lied to students to persuade them to enroll by telling them that there were limited openings available when in fact there were no such limits. For example, admissions representatives at HSB-Wilmington regularly made this

representation, and would moreover tell prospective students that they needed to be selected for admission based on PEG's criteria for admission. No such criteria existed.

267. These high pressure sales tactics were (and are) commonplace at PEG. Indeed, during weekly conference calls with admissions representatives, PEG's CEO, Gary Camp, told them they were to "do whatever is necessary to go above and beyond the call of duty" to get candidates enrolled.

C. PEG MADE MATERIAL MISREPRESENTATIONS TO INDUCE PROSPECTIVE STUDENTS TO ENROLL

268. The Higher Education Opportunity Act, enacted August 14, 2008 (reauthorized the Higher Education Act of 1965), requires that institutions make available to students, applicants, parents and others, comprehensive and accessible consumer information, including but certainly not limited to: academic programs, accreditation information, cost of attendance, graduation rates, job placement rates for graduates, and retention rates.

269. Federal and State law forbids proprietary schools such as PEG from making misrepresentations to students to induce them to enroll. Among other things, PEG is forbidden from making misrepresentations to prospective students about its accreditation, the transferability of course credits to another school, the ability to receive certifications as a pre-condition for employment or to perform certain job functions, the qualifications of its instructors, that its placement services would secure or otherwise assist graduates to obtain employment, and their employability after graduation. The making of substantial misrepresentations is grounds for revocation or termination of an educational institution's PPA.

270. In each PPA that PEG executed, PEG represented that it would comply with Federal and State regulations governing the award of funding, including the requirement that it not make false statements or misrepresentations to prospective students regarding employability

upon graduation. PEG also certified when it drew down Federal and State grant funds that it was expending the funds in accordance with the PPAs. PEG's agreement to comply with regulations and its execution of its PPAs was a requirement for PEG to be eligible to receive Federal and State Program funding. PEG's statements were false when made and material to the Department of Education's and the States' decision to allow PEG to participate in Federal and State Program funding programs.

271. Secondary institutions like PEG, which have signed PPAs, are required to disclose detailed consumer information to students, prospective students, and others, including their accreditation status. 34 C.F.R. §§ 668.141-145; §§ 668.14(b)(9)-(11). Misrepresentation or failure to disclose required information can result in fines, an action to limit, suspend, or terminate the participation of the institution in Title IV programs, or termination of the PPA. 34 C.F.R. §§668.71-75. In violation of Federal and State law and regulations, PEG admissions representatives made a variety of substantial misrepresentations to induce students to enroll at PEG.

1. PEG Misled Prospective Students Regarding Its Accreditation Status

272. PEG deliberately misrepresented its accreditation status to students and prospective students in order to induce them to enroll in many programs which required an additional professional certification (*i.e.*, PEG's dental assistant and professional medical assistant ("PMA") programs) and to enable PEG to draw down Federal and State financial assistance dollars for its benefit.

i. Background on Accreditation of For-Profit Schools

273. In the context of higher education, there is a difference between *institutional* accreditation and *programmatic* accreditation.

274. Institutional accreditation reflects that a membership organization approved by the Department of Education has conducted a peer review of the institution and has certified that the institution (*e.g.*, the PEG Schools) meets specified standards of quality on a school-wide basis. Institutional accreditation is critical for all colleges and universities because it is a prerequisite to participation in Federal and State Programs. HSB's Cherry Hill, Linwood, and Hamilton/Trenton campuses are accredited by the Accrediting Council for Independent Colleges and Schools ("ACICS"). Its Wilmington campus is accredited by the Accrediting Council for Continuing Education & Training ("ACCET"). Its Dover, Upper Darby, and Voorhees campuses are accredited by Accrediting Commission of Career Schools and Colleges ("ACCSC"). The ability of these accrediting organizations to effectively monitor and enforce minimum standards of quality repeatedly has been called into question. *See, e.g.*, For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success, Prepared by the Committee On Health, Education, Labor, and Pensions, United States Senate, 112th Cong., 2d Session, Vol. 1, July 30, 2012, pp. 141-146 (July 30, 2012), *available at* <http://www.Gpo.Gov/Fdsys/>.

275. Programmatic accreditation is quite different. Programmatic accreditation typically is conferred by industry groups, and it certifies only that a specific degree or certificate program offered by a school meets standards expected within a particular field or profession. Different professions and states place different degrees of emphasis on programmatic accreditation, which in some cases will qualify graduates for special titles and distinctions that are particularly valued by industry. Thus, although programmatic accreditation is more limited than institutional accreditation, it can have far-reaching consequences for graduates.

276. For example, the American Association of Medical Assistants (“AAMA”), which is affiliated with the American Medical Association, is an industry organization that grants the “Certified Medical Assistant” (“CMA”) certificate to students who pass its CMA exam. Many employers in the health care industry seek to hire only *Certified* Medical Assistants (*i.e.*, persons who have passed the CMA exam), and thus a person who does not possess that designation faces a significant obstacle to gaining employment in the field.

277. For example, Relator Amaya was told by Lillian Smith, hiring coordinator at AtlantiCare, that AtlantiCare had agreements with the local two-year community colleges (ACCC and DelTech) to place their graduates in externships and to offer them jobs precisely because they were eligible to sit for the CMA exam. In contrast, many employers (including AtlantiCare) refused to hire PEG graduates because they lacked CMA certification. In Relator Amaya’s experience at both HSB-Linwood and HSB-Wilmington, employers who refused to hire PEG graduates due to their lack of CMA certification included all local hospitals in Delaware and New Jersey (including their affiliated groups and specialty practices), outpatient surgical centers, nursing homes, dialysis centers, hospital phlebotomy departments and other medical facilities where blood was routinely drawn or medications or injections were administered (*e.g.*, AtlantiCare, Christiana Care, and their associated outpatient doctors’ offices and clinics). Relator Amaya simply could not place students in externships or jobs with these employers, and it was commonly known among PEG executives that the obstacle was HSB’s accreditation status, which precluded CMA certification.

278. Only graduates of programs that have received programmatic accreditation by either the Accrediting Bureau on Health Education Schools (“ABHES”) or the Commission on Allied Accrediting Health Education Professionals (“CAAHEP”) are eligible to sit for the CMA

exam. Graduates of other PMA programs may not sit for the CMA exam, and thus they cannot become *Certified* Medical Assistants. Instead, they are eligible to sit only for the *Registered* Medical Assistant exam, which carries substantially less industry recognition, prestige, and credibility with employers. Thus, for a prospective student who wishes to work as a professional medical assistant, a school's programmatic accreditation for its medical assisting program is critical.

ii. PEG Misled Prospective Students Regarding the Accreditation Status of its PMA Programs

279. HSB-Linwood's Professional Medical Assistant ("PMA") program has not received programmatic accreditation from either ABHES or CAAHEP; thus, its graduates are not eligible to sit for the CMA exam and they cannot describe themselves as *Certified* Medical Assistants. Recognizing that the lack of programmatic accreditation would substantially limit career opportunities for graduates of its medical assisting program – placing PEG at a significant competitive disadvantage with schools having such accreditation – HSB-Linwood admissions representatives routinely misled prospective students into believing that its medical assisting program had received all the accreditations necessary for graduates to succeed. Prospective students relied on these misrepresentations to their detriment, amassing substantial student debt only to learn upon graduation that their career prospects were limited by PEG's lack of programmatic accreditation.

280. Numerous students in HSB-Linwood's PMA program complained to Relator Biaselli that (i) they had been told during the admissions process that upon completion of PEG's PMA program they would *automatically* be certified as a CMA, and (ii) that they were being denied an opportunity to sit for the CMA exam due to PEG's lack of accreditation. Although Biaselli knew that only a person who passes the CMA exam could wear the CMA title, he was

surprised that his students were not permitted to sit for the CMA exam because he, too, had understood they would be permitted to do so.

281. On October 24, 2006, HSB-Linwood PMA students [REDACTED] [REDACTED] [REDACTED] and [REDACTED] wrote a memorandum regarding the misrepresentations made to them during the admissions process, explaining:

- “We were told that when graduating from Harris School of Business as Medical Assistants that we would be able to obtain a position as phlebotomists. We have found this to be untrue as phlebotomy requires a certification that the school does not provide.
- “We were told that we could obtain a job as a medical biller and coder. We have found out that this position also needs a certification, which the school does not have credentials to provide.
- “At the time of interview by admissions we were informed that we could look at a starting salary of \$15 - \$16 per hour; and that in this area we probably would get more. We have also found this not to be true.
- “We were informed that the credits we earned were college credits and as thus could be transferred to a college. This is also not true as we have found out that the credits are hourly credits and not college credits.
- “We were told that the Harris Business School campus in Linwood was an approved testing sight for the RMA. This is also not true. They have not been certified as a testing site.
- “We were not informed that registering for the ‘RMA’ testing was our responsibility and that the cost of the testing was not included in the tuition.
- “We were led to believe that upon graduation our diploma would state certified medical assistant. This is not true as we come out of this program with no type of certification of any kind.
- “We have also found out that we are not eligible to take the CMA exam as the school is not accredited for students to take this exam.
- “The only certification that we will have is CPR and First Aid certification which consisted of 8 hours of training.”

282. Relator Biaselli raised similar concerns he had heard from students with HSB-Linwood Director of Admissions Samuel Hutkin, whose curt response was: “That doesn't

concern you.” When Relator Biaselli brought his concern to HSB-Linwood Campus Director Steve Strong, he was told that PEG was applying for accreditation so that the students could qualify to take the CMA exam. (In fact, PEG *never* applied to ABHES or CAAHEP for accreditation.)

283. Similarly, ten PMA students at PEG’s HSB-Linwood campus complained to instructor Sundy Bellezza that they were being denied an opportunity to sit for the CMA exam despite the fact that PEG Vice President Hastain and HSB-Linwood Director of Admissions Hutkin specifically told them during the orientation and admission process that they *would* be eligible to sit for the CMA exam.

284. Multiple PMA students at PEG’s HSB-Linwood campus also complained to instructor Gina Hannon that they were being denied an opportunity to sit for the CMA exam although they had been told by PEG’s admissions representatives and other school officials that they would be able to sit for the CMA exam upon graduation. When Hannon told her supervisor, HSB-Linwood Director of Education Keeya Taylor, that the school was giving prospective students incorrect information, Taylor assured her (falsely) that the students were simply confused, and that they were eligible to sit for the CMA exam upon graduation. On March 2, 2006, Taylor confirmed this either mistaken or willfully inaccurate statement in a handwritten note to Hannon, even going so far as to state that HSB-Linwood offers the CMA exam at the school for a fee of \$90.

285. When Bellezza, Biaselli, and other instructors in the PMA program met with Vice President Hastain and HSB-Linwood Director of Education Craig Hennequant to discuss the issue, Hastain told them: “If we weren’t following the curriculum, we could go ‘F’ ourselves

and walk out the door and lose our jobs.” Bellezza and Biaselli understood this to be an instruction to lie to the students and tell them they could sit for the CMA exam.

286. In 2009, HSB-Linwood Campus Director Tom O’Grady told Relator Amaya (who at the time was the Externship Coordinator for the campus) that she should not discuss with students any details regarding differences in testing standards between the RMA and the CMA, or differences between ACICS and CAAHEP accreditation, because the students “wouldn’t understand.” He told her to just “stick to the script to push for them to take the RMA” and emphasize PEG’s ability to help get them jobs afterwards.

287. Relator Amaya met with a number of externship students in September 2009 when the students were summoned from their externship sites due to attendance and performance issues. Applications to take the RMA certification exam began to soar, as many externs and unemployed PMA “graduates” requested the applications from to the HSB-Linwood Career Services office, believing it would help increase their chances to find jobs after graduation. Each of these students paid approximately \$190 to sit for the RMA certification exam.

288. Relator Amaya worked with one PMA student in particular, [REDACTED] to help her find employment following her externship. [REDACTED] had passed the RMA exam, but she became disgruntled when she learned that having the RMA certification would not increase her chances of being hired at Quest Diagnostics Laboratory. [REDACTED] was not hired, and she remained unemployed months after her externship.

289. Many more students complained to Relator Amaya when the PEG pre-enrollment sales pitch did not match their experience. They began to complain again to PEG’s corporate office, stating that they obviously had been misled by PEG’s admissions representatives, as doctors’ offices were telling them that they only would hire as medical assistants applicants who

were CMA-certified, and that many offices had never heard of RMA certification. Relator Amaya personally found that many hiring managers would not hire HSB students because they did not carry CMA credentials. This made it more difficult for Relator Amaya to place HSB's poorly-trained PMA students in externships, and more difficult yet to convert those externships into employment.

290. While she was the Director of Education at HSB-Linwood, Relator Davenport found that PEG's admissions representatives had made numerous misrepresentations to prospective students about the courses offered at the school. For example, Admissions Representative Ethel Waters told prospective PMA students that they could learn phlebotomy, even though phlebotomy was not included in the curriculum. When Relator Davenport learned students were actually improperly being taught phlebotomy by doing "live sticks" on each other in the classroom, she intervened immediately to stop this practice. Not only was the school unlicensed by the State of New Jersey to teach phlebotomy, students and instructors were not properly disposing of their waste. When Relator Davenport (wisely) shut the phlebotomy "instruction" down, students complained that Waters had (falsely) told them they would become licensed phlebotomists.

291. Similarly, at SS-New Bedford, Witness #3, the Director of Education from 2010 to February 2012, received numerous complaints from PMA students that admissions representatives had misrepresented the students' ability to obtain the CMA credential upon graduation. (However, this was a lie. Salter School-New Bedford did not gain ABHES programmatic accreditation for its PMA program until 2012.)

292. PEG's demonstrably false statements to prospective students about its schools' accreditation status were materially and substantially misleading when made because they

induced students to enroll under the mistaken belief they were enrolling in accredited programs and/or that upon graduation they would (or at least could) attain the highest level of professional certification in their chosen field. Although this helped PEG to increase revenues – including revenues from Federal and State Program financial aid programs – it left students at a substantial competitive disadvantage in their efforts to secure post-graduation employment.

293. The inability of a PEG graduate to sit for the CMA exam would result in significant lost wages during the student's career of between \$124,039 and \$206,069.

iii. PEG Misled Prospective Students Regarding Accreditation of its Dental Programs

294. Under New Jersey law, in order to become a licensed dental assistant, an applicant must pass the Dental Assisting National Board, Inc. ("DANB") national Certified Dental Assistant ("CDA") or Certified Orthodontic Assistant ("COA") exam, and graduate from a New Jersey Dental Board-approved, accredited dental assisting program. The HSB-Voorhees dental assistant program has not received either State of New Jersey approval, nor was it certified by the National Commission for Certifying Agencies ("NCCA"), the accrediting body of the Institute for Credentialing Excellence. Other than attending an approved and accredited training program, the only other way a prospective dental assistant can become licensed in New Jersey is for the candidate to work for two years as an unregistered dental assistant, after which time he or she can sit for the DANB CDA or COA exam and then seek licensure.

295. Recognizing that the lack of programmatic accreditation would substantially limit career opportunities for graduates of its dental assisting program – placing PEG at a significant competitive disadvantage – PEG misled eleven (11) prospective HSB-Voorhees dental assisting students into believing that its program had received all the accreditations necessary for graduates to become licensed.

296. For example, in July 2011, HSB-Voorhees admissions representative Linda Goldberg told prospective dental assisting student [REDACTED] (and ten others) that the program had all the accreditations necessary for her to become a New Jersey licensed dental assistant. During an admissions open house held at the HSB-Voorhees campus that month for the express purpose of enrolling students in its dental assistant program, Goldberg even showed prospective students the school's x-ray room (which was under construction) and told them that it would be completed in time for the radiography part of their coursework.

297. Likewise, during the enrollment process, Goldberg told prospective students (including [REDACTED] that there were only five seats remaining (out of the thirty originally available) in the next dental assisting program, and that they needed to enroll as soon as possible to guarantee themselves a space. However, when the students attended their first class, they learned this was a lie, as there were only eleven new students in the program.

298. At the time [REDACTED] and the other dental assistant students enrolled, they signed a document that indicated they would be eligible to obtain a dental certificate from the National Center for Competency Testing ("NCCT").

299. After she enrolled in the HSB-Voorhees campus dental assisting program, [REDACTED] and her fellow dental assisting students began to uncover the scope of the misrepresentations made to them during the admissions process. When [REDACTED] called the NCCT, she was informed it had not offered any kind of dental assistant testing for many years.

300. Likewise, in late July 2011, [REDACTED] contacted Albert V. Orlandi, Secretary of the Radiologic Technology Board of Examiners for the State of New Jersey, to determine whether the Board had approved the radiology portion of the HSB-Voorhees dental assistant program. Mr. Orlandi told her the school had not received this approval.

301. [REDACTED] inquiry triggered an investigation by Secretary Orlandi into what representations PEG had made about teaching radiology to its dental assistant students. After visiting the school, Orlandi confirmed that HSB-Voorhees' advertising had included representations that the school was teaching dental radiography. In response to student concerns, both the HSB-Voorhees Campus Director Barbara Uniatowski and Program Director Altoveese Hollimon-Hill explained that the school intended to obtain the necessary approval from the Radiologic Board of Examiners. However, Orlandi stated that no application had been submitted to the Board. Accordingly, Orlandi directed HSB-Voorhees to revise its advertising to include the following disclaimer:

The Dental Assisting Program at Harris School of Business; Voorhees Campus is currently not approved by the New Jersey Radiologic Technology Board of Examiners (Board) to teach Dental Radiology. The school plans to submit an application to the Board for consideration at its meeting on October 26, 2011. If the application is approved, Dental Radiology will be taught and will replace the Dental Reimbursement course.

To date, the New Jersey Radiologic Board of Examiners has not approved the teaching of radiology as part of the HSB-Voorhees dental assisting program.

302. On September 14, 2011, [REDACTED] the other dental assistant students, and many of their parents met with school administrators and PEG Vice President Hastain to discuss their concerns. Hastain and other administrators tried to reassure the students that they would be able to get jobs without the DANB certification or the ability to take x-rays. However, [REDACTED] and the other dental assisting students confronted Hastain about the fact that the school had misrepresented its accreditation status and could not offer radiography training for dental assistants. [REDACTED] also explained she had contacted Secretary Orlandi, who had advised her that HSB-Voorhees was late in filing its application and payment. Hastain told those present that he would look into this and get back to them.

303. On September 15, 2011, [REDACTED] received a text message that Vice President Hastain wanted to meet with her and several other dental assisting students that day. When [REDACTED] and her fellow students arrived at the HSB-Voorhees campus, Hastain told them that the daytime dental assisting program was closing indefinitely, that the school was taking steps to refund any monies they had spent, and that the school would stop any financial aid obligations they might have incurred.

304. The following day, September 16, 2011, PEG convened a meeting with the HSB-Voorhees dental assisting students to tell them (officially) that the program was being cancelled. PEG President William Anjos told the students the dental assisting program was being cancelled “until further notice” and he gave each of them a check for \$25, representing their registration fees, telling the students that their tuition would be refunded to all original sources, including Federal and State Program financial aid. [REDACTED] asked him: “What else are you going to do?” Anjos responded, “I can’t answer this question. This meeting is over.” [REDACTED] then called PEG CEO Gary Camp and insisted that she be reimbursed the \$50 she had spent for her scrubs (*i.e.*, special clothing required for her to participate in the program). Camp asked her to hand her cell phone to Anjos so that they could speak privately. When Anjos hung up the phone, he told [REDACTED] and the other students to leave the premises or he would call the police.

305. For these eleven students, cancellation of the HSB-Voorhees dental assisting program meant that they had lost the time they had invested in starting their new careers, and that their careers would be delayed, perhaps indefinitely. For many of them, because all of the other available dental assisting programs offered in the area had already begun, this meant that they would have to wait at least another year before re-enrolling in an approved, accredited dental assisting program.

306. When she arrived at HSB-Wilmington in July 2010, Relator Amaya found that the school's Dental Assistant students could not get hired without DANB certification. Indeed, Externship Coordinator/Placement Director Rafiah Wilson repeatedly complained to Relator Amaya that she could not place students because they were not allowed to perform x-rays.

307. Relator Amaya and the Dental Assistant Program Manager actively lobbied Vice President Hastain to allow HSB students to prepare for the DANB certification test at the HSB-Wilmington campus. He repeatedly declined, without explanation, although they later learned it was because HSB-Wilmington lacked radiology accreditation such that its students could not take that portion of the DANB test or perform x-rays in offices where films were being taken (*i.e.*, virtually every dental office in the area). This meant that HSB-Wilmington students could be placed only in a very limited number of jobs at dental labs where they would not encounter patients or perform x-rays.

308. In October 2010, HSB-Wilmington was fined \$1,000 by the New Jersey Dental Board because the school had placed three Dental Assistant students (██████████, ██████████ and ██████████) at New Jersey externship sites where they were illegally performing x-rays.

309. PEG's demonstrably false statements to prospective students about its schools' dental programs' accreditation status were materially and substantially misleading when made because they induced students to enroll at PEG under the mistaken belief they were enrolling in accredited programs and/or that upon graduation they would (or at least could) attain the highest level of professional certification in their chosen field. Although this helped PEG to increase revenues – including revenues from Federal and State Program financial aid programs – it left students at a substantial competitive disadvantage in their efforts to secure post-graduation employment.

iv. PEG Misled Patient Care Technician Students That They Could Become Certified Nursing Assistants and Would Be Certified to Conduct EKGs

310. In February 2010, HSB-Wilmington rolled out a new Patient Care Technician (“PCT”) program funded by the Department of Labor for persons on unemployment. During the admissions process, PEG’s admissions representatives told prospective students (including [REDACTED], [REDACTED], [REDACTED] and [REDACTED] that the program would allow them to become certified as Certified Nursing Assistants (“CNAs”) and PCTs, and that they would receive training as phlebotomists and to perform EKG’s. However, what the students were not told was that Campus Director Barbara Uniatowski had failed to obtain approval for the program with the State of Delaware.

311. The Delaware Division of Long Term Care Residents Protection is responsible for the training and testing program for CNAs and for the CNA Registry. To work as a CNA in a nursing home in the State of Delaware, either as facility staff or as contract/agency staff, individuals must meet the CNA requirements established by State of Delaware law and regulations. The requirements include successful completion of required training courses in an approved program, and passing a test. In addition, program instructors must be approved by the State of Delaware. *See* <http://www.dhss.delaware.gov/dhss/dlcrp/cnareg.html>

312. Among other things, Delaware law required that a PCT program be taught by a Registered Nurse. However, a portion of the HSB-Wilmington program was taught from April 16, 2010 through May 2, 2010 by Tammy Watson, who is a CNA, but not a Registered Nurse.

313. Following completion of their coursework, from June 17, 2010 through July 15, 2010, PCT students at the HSB-Wilmington campus were sent out on 75 hours of orientation and internship at Foulk Manor North (1212 Foulk Road, Wilmington, Delaware), a long-term care facility that only will hire CNAs.

314. After they completed the program, the PCT students on August 23, 2010 contacted Elise McEwen of the Delaware Division of Long Term Care, and learned for the first time that the HSB-Wilmington PCT program was not approved by the State of Delaware. McEwen told the students that neither the PEG curriculum nor its instructors met state law requirements. She also told them that some months earlier (*i.e.*, before the PCT program began on March 1, 2010) School Director Barbara Uniatowski had come to the Delaware Division of Long Term Care's offices to attempt to gain approval for the program, and that she had provided a photo of the cover of the textbook that PEG proposed to use. McEwen stated that she told Uniatowski that this would not be sufficient for the program to be approved. McEwen also told the aggrieved PCT students that HSB-Wilmington had not made any further effort to contact the Division of Long Term Care until just a few hours before they (the students) had called themselves. McEwen also told them that they could not sit for the CNA test, and that they would need continuing education in order to become EKG certified. As a result, when the PCT students sat for the NCCT exam, they were only permitted to test for PCT and phlebotomy, not EKG or CNA.

315. These PCT students were very upset when told that they would not have CNA certification nor be EKG trained, and they threatened to sue the school. To assuage their concerns, then HSB-Wilmington Director Ella Cain filed the application and qualifying programmatic documents with the Division of Long Term Care in an attempt to obtain "back-dated" approval so that students could qualify to sit for the EKG and CNA examinations, but the request was rejected.

316. Although HSB-Wilmington Director of Career Services DeYonna Mathena was directed by Vice President Hastain and Director Wolverton to find jobs for all these students,

██████ was the only PCT student who obtained a job (albeit as a front desk receptionist at HSB-Wilmington itself). The other PCT students did not find work, but were placated by partial refunds, flowers and a private graduation ceremony.

317. PEG's demonstrably false statements to prospective students about its schools' PCT programs' accreditation status were materially misleading when made because they induced students to enroll at PEG under the mistaken belief they were enrolling in accredited programs and/or that upon graduation they would (or at least could) attain the highest level of professional certification in their chosen field. Although this helped PEG to increase revenues – including revenues from Federal and State Program financial aid programs – it left students at a substantial competitive disadvantage in their efforts to secure post-graduation employment.

v. PEG Misled Prospective Students Regarding the Content and Accreditation of Its CNM Program

318. At BHCI-Southington, admissions representatives routinely misrepresented the content of the school's Computer Network Management ("CNM") program (f/k/a Computer Information Technician) in order to persuade prospective students to enroll.

319. For example, admissions representatives routinely told prospective BHCI-Southington students that the CNM program would include instruction on video game design – experience that was highly sought by many prospective applicants. However, during CNM instructor Witness #11's tenure at the school (1999-2003; 2004-2011), video game design *never* was a part of the curriculum, yet he routinely encountered students who had been told by the admissions staff that instruction in video game design would be included. It was not.

320. Admissions representatives at BHCI-Southington also misled prospective students regarding the certifications they could obtain as PEG graduates. Representatives promoted the school by telling prospective students that their tuition included eligibility to sit for a particular

Microsoft certification exam, when the truth was that there were no particular accreditation requirements to sit for the exam – *i.e.*, anybody who paid the exam fee was eligible to sit for it.

2. PEG Misrepresented Its Loss of Institutional Accreditation and Lied to Accreditation Agencies

321. Not only did PEG misrepresent its programmatic accreditation, it misrepresented its institutional accreditation as well. For example, when HSB-Voorhees lost its ACCSC accreditation after an audit in 2011, the school Director, Rosemary Parker, instructed Director of Admissions Nicole Gentles to lie about the school's lack of accreditation to admissions representatives as well as enrolling students. Unbeknownst to HSB-Voorhees admissions representatives and students alike, the school was operating without any accreditation. Not only were they lying to students but they were also certifying that the school was eligible for Federal and State funding when it had lost its eligibility.

322. During the accreditation/reaccreditation process, schools such as the PEG Schools must provide their accrediting bodies with detailed information regarding their faculty and administrative staffing so that the accrediting bodies will be able to evaluate the competence of the instructional and administrative staff and identify problems based on high turnover/low attrition. Thus, the PEG Schools must submit to the accrediting agencies the names and roles of their instructors and administrative staff. However, due to extremely difficult and abusive working conditions, unrealistic quotas, and intense pressure, the PEG Schools experience very high rates of employee turnover among both instructional and administrative staff. Thus, for example, HSB-Voorhees was placed "on notice" by its accrediting body, ACCSC, that its employee turnover rate was an issue of concern. In order to mollify (and mislead) ACCSC accreditors, PEG opted to falsify the information it provided to accreditors. For example, Vice President Hastain told Barbara Uniatowski, who was Assistant School Director at HSB-

Voorhees, to leave one former employee *off* the list it submitted to ACCSC (ostensibly because the employee had left HSB-Voorhees after only a short time) because truthfully reporting the employee's hiring and departure would skew attrition rates in the wrong direction, and to leave another former employee *on* the list it submitted to ACCSC in order to boost the school's retention rate. This was an example of how VP Hastain directed staff to "Make it Happen."

3. PEG Misled Prospective Students Regarding Its Career Placement Performance

323. PEG is required to disclose detailed consumer information to students and prospective students, including the job placement rate for its students after graduation. *See* 34 C.F.R. §§ 668.141-145; §§ 668.14(b)(9)-(11). Misrepresentation or a failure to disclose this information can result in fines, an action to limit, suspend or terminate the participation of the institution in the Title IV, HEA Programs, or termination of applicable PPAs. 34 C.F.R. §§ 668.71-75.

324. In 2006 and 2007, the retention benchmark set by the ACICS (the accreditation agency for most of the PEG Schools) was 60 percent, and the placement benchmark was 70 percent. In other words, during 2006 and 2007 those PEG Schools which were accredited by ACICS (most of the PEG campuses) had to retain 60 percent or more of their enrolled students, and 70 percent of their graduates had to obtain employment in the field of the students' study (or in a related field), in order for PEG to maintain accreditation and avoid being subject to accreditation agency outcomes reporting.

325. PEG is supposed to monitor its compliance with placement requirements through its collection and review of employment verification forms in which employers certify that PEG graduates have, in fact, started employment in their fields of training (or in related fields). These forms are supposed to be kept in PEG's Career Services Department. In addition to verifying

that each PEG graduate has received a job, PEG is supposed to verify periodically at thirty (30), sixty (60), and ninety (90) days post-graduation that each graduate still has his/her job.

326. PEG reports its student retention and student placement rates annually to the applicable accrediting body. For example, during the 2007 Reporting Period (*i.e.*, July 1, 2006 through June 30, 2007), PEG reported to ACICS that it had 180 students enrolled in the HSB-Linwood PMA Program in addition to 62 students already enrolled as of July 1, 2006, for a total of 242 students overall. Given the class module schedule of the PMA Program (*i.e.*, students start in the program every five weeks), however, not all of those students would have completed their classes and been eligible for graduation by June 30, 2007. PEG reported that during the 2007 Reporting Period, 51 of these students graduated, of which 38 had been placed upon graduation in employment in the medical assisting field; 1 was not available for job placement due to a health-related situation; and 1 was not available for job placement due to continuing education. In other words, of the 51 students who actually graduated during that period, PEG reported that 49 were available to work in their field of study at the time of graduation. On that basis, PEG reported to ACICS that 77.6 percent of students (*i.e.*, 38 students out of 49 eligible) were placed in employment in their field of study. This figure was materially misleading because it did not accurately reflect the vast number of students who never would be placed for employment due to their inability to graduate and/or due to PEG's falsification of placement records.

327. The disclosure of accurate job placement statistics is not only required by Federal and State law, it is important because students who attend a for-profit school like PEG typically do so in order to gain the skills necessary to embark on new career paths. Thus, they choose PEG based *precisely* on its ability to place them in new jobs in new careers. For example, PEG

disclosed to prospective HSB-Linwood students the following placement rates for ACICS Reporting Year 2009: PMA 75.8 percent; Health Claims Specialist 42.4 percent; Legal Office Technology 64.3 percent; Massage Therapy 97 percent; Pharmacy Technician 68.8 percent; and Computer Accounting Technology 92.3 percent.

328. PEG recognizes that job placement success is critical to attracting new students for enrollment. Thus, it presents itself during the admissions process as offering career-oriented, skill-focused programs that will assist students to get the jobs they want after graduation.

329. In truth, however, PEG used misleading criteria to create a false impression of its job placement success, and it did little to assist students to win jobs in their fields of study, and is focused instead only on meeting the minimum requirements for accreditation. Instead, PEG used various “tricks of the trade” to report misleadingly its alleged placements.

330. For example, PEG counted any and every job as a successful placement, even if the placement bore no relation to the student’s field of study. At HSB-Linwood, for example, the Director of Career Services (“DCS”) Belinda Maldonado was directed by her PEG boss, then Regional Director of Career Services Ruthann Wolverton, to call students from previous cohort years and harass them about disclosing their current employment status. Maldonado was directed to then *retroactively* credit that information in order to boost HSB-Linwood’s poor placement rates in the current year regardless of whether the job was during the prior year or whether it was in the student’s field of training. The same was true at HSB-Wilmington, which had a 37 percent placement rate when Relator Amaya arrived in 2010.

331. Wolverton’s instructions were not unusual. PEG’s various Directors of Career Services were pressured to improve placement numbers by calling former students to learn whether they had started paid employment. To that end, for example, PEG counted as

“successful” the placement of HSB-Linwood and HSB-Wilmington PMA students who worked as receptionists at doctors’ offices, Accounting students who worked at McDonald’s cash registers, and Accounting students who worked as sales associates at Payless Shoes and GameStop.

332. At BHCI-Branford, the Career Services Department placed a Medical Billing and Coding student in the Customer Service Department of a Shop Rite grocery store and counted this as a successful placement. Also, a Fitness Training graduate was “successfully” placed as a GMC car sales associate.

333. Witness #5 was a Paralegal program student at BHCI-Branford, who was unable to find a job when she graduated in June 2008. To artificially inflate PEG’s statistics, the campus Career Services Coordinator hired her to manage Branford Hall’s front desk, and then fraudulently counted it as a placement in a “related field” (which it plainly was not).

334. PEG’s Seacoast Career School employed a similarly unscrupulous approach to what it would consider to be a successful placement. The 2007 Director of Education at the Manchester, New Hampshire campus (Witness #13) regularly heard jokes about how the Career Services Department would place students in a “related field” that had nothing to do with the student’s area of study.

335. Accrediting agencies require schools to track, and maintain records concerning, the institutional success of student placement. For example, ACICS accreditation requires schools to track students for 30, 60, and 90 days after graduation (*see* ACICS Accreditation Criteria 3-1-441(c)). Employment is supposed to be confirmed by written verification and employer survey evaluations that are supposed to be kept in a binder in the Career Services office, and placements were supposed to be logged in PEG’s CampusVue database after the

student had been verbally confirmed at the job for five (5) days (this latter confirmation to be made via telephone call by the Director of Career Services to the hiring manager, and documented on the student's evaluation if hired from his/her externship). Relator Amaya discovered that HSB-Linwood's former Director of Career Services, Merv Yeatman, regularly falsified this documentation.

336. For example, during weekly Career Services conference calls, DCS Yeatman had reported as successful placements students who held jobs for fewer than ninety days, and he did so without receiving confirming paperwork from the placement employers. DCS Yeatman *never* obtained the necessary documentation for many of these placements.

337. PEG also counted as successful placements students who were hired at jobs that were not in their field of training, as was required by accreditation standards. For example, the ACICS Accreditation Criteria state:

Institutions shall provide employment assistance and document activity. An institution shall not guarantee employment or the starting salary of its graduates. Follow-up studies on graduates and employer satisfaction shall be conducted by all institutions at specific measuring points following placement of the graduate. All institutions that use placement percentages or salary projections as part of their recruiting activities shall maintain data on all graduates, including the percentage receiving jobs **and the percentage receiving jobs in the career field for which they were trained.** Institutions also should keep data on students who do not graduate but who become employed on their own or with the institution's assistance."

See ACICS Accreditation Criteria § 3-144(c) (emphasis added). PEG regularly violated this rule by manipulating placement data and by deliberately failing to categorize graduates correctly.

338. For example, Director Wolverton approved counting as "placements" graduates of the HSB-Linwood Legal Office Technology program who became secretaries in *any* office (*i.e.*, not law offices), and the placement of PMA and Health Claims Specialist students at banks on the theory that they would be working with money.

339. PEG fabricated and falsified its placement records. For example, Relator Amaya and HSB-Linwood Career Placement Director Belinda Maldonado discovered in 2009 that the prior DCS at the campus, Merv Yeatman, had recorded more than 200 placements (spanning several years) in PEG's CampusVue software despite the lack of documentation to verify those placements. Maldonado was then required by Director Wolverton and PEG Vice President Hastain to obtain written verifications from all impacted employers within two weeks, and to promptly assist students who were not actually placed with employment, to secure employment. Maldonado was, in turn, forced to retroactively fabricate paperwork for many of these 200 students, using as placements numerous highly questionable jobs.

340. Particular PEG programs had especially terrible placement rates that were never disclosed to prospective students. For example, the Dental Assisting and PMA programs at HSB-Wilmington had low placement rates because the students were so poorly trained. Vice President Hastain and Campus Director Wolverton directed Relator Amaya to delay pulling five students from their dental assistant externship sites in order to prevent the students from filing complaints with the New Jersey Dental Board. When Hastain and Wolverton learned the students (██████████) were intent on filing a complaint nonetheless, they attempted (unsuccessfully) to head off the process, but they were unable to do so before the HSB-Wilmington campus was fined \$1,000 and instructed to remove the students immediately because it did not have the licensure to allow students to operate x-ray equipment.

4. PEG Misled Prospective Students Regarding Their Ability to Transfer Course Credits to Other Institutions and Programs

341. PEG's admissions office employees also have routinely misled students regarding the transferability of credits earned while enrolled at PEG schools. Vocational school credits that can be transferred from one institution to another are significantly more valuable than credits

that cannot be transferred, because the former permits students a greater degree of flexibility in the completion of an academic program. Flexible transfer rules can enable students to save a considerable amount of money should they transfer schools. Thus, the ability to transfer credit for courses earned at PEG schools toward programs at other institutions would (if it existed) be a material incentive to pursue coursework at PEG.

342. PEG has been keenly aware of the fact that transferability of course credit is a material selling point for prospective students, and thus its admissions representatives routinely mislead students into believing that credits earned at PEG schools would transfer to other institutions. In fact, as PEG is aware, Federal guidelines provide that the transferability of credit is left to the discretion of the receiving institution, and many (if not most or all) receiving institutions will not grant credit for courses completed at PEG. Accordingly, PEG's representations to prospective students that their PEG credits would transfer to other institutions was at least materially misleading to the extent the representatives did not explain that the matter is left to the discretion of the receiving institution, and that in many cases the credits would not transfer.

343. At HSB-Linwood, Director of Admissions Sam Hutkin instructed admissions representative Jennifer Williams during her initial training that HSB credits were transferable to other institutions and that she should advise prospective students accordingly. At one point during her employment at HSB-Linwood, a dean of Atlantic Cape Community College ("ACCC") contacted Williams regarding a HSB student who enrolled under the misapprehension that her PEG credits would transfer to an ACCC program. The dean informed Williams that she was misleading students by promising them that their PEG credits would transfer. Although Williams brought this problem to the attention of Admissions Director Hutkin, Hutkin continued

to mislead candidates by telling them that the school was “accredited” when they asked about credit transferability.

344. Beginning at least in 2006, numerous prospective students at HSB-Linwood received assurances from admissions representatives (*e.g.*, Admissions Director Sam Hutkin, Assistant Director of Admissions Peter Karas, and Director of Career Services Merv Yeatman) that credits earned at HSB would be:

- (i) transferable to *any* other college or university; or
- (ii) transferable to other institutions as part of another degree program (*e.g.*, a Licensed Practical Nurse (“LPN”) or Registered Nurse (“RN”) program).

Only when these students attempted to transfer their credits were they informed that transferability was in the discretion of the receiving institution, which typically would *not* accept HSB credits. Many students complained about this to HSB-Linwood administrators, but their concerns were not addressed.

345. When Relator Kelli Amaya was hired as Externship Coordinator at HSB-Linwood in September 2009, she discovered that the campus was routinely lying to students about their ability to transfer PEG credits to other institutions. Relator Amaya and Director of Career Services Belinda Maldonado were told to intercede with angry students and “unteach” all of the misrepresentations that admissions representatives had made.

346. This problem was not limited to HSB-Linwood. Witness #4, who worked as an admissions representative at BHCI-Springfield and later as Director of Admission at SS-Tewksbury from 2007 and 2010, routinely answered prospective student’s questions about the transferability of credits by nodding her head to indicate that PEG credits would transfer to other institutions.

347. A BHCI-Branford graduate who worked as PEG's Corporate Registrar for several years, Witness #14 also served as Student Ombudsman for the company in 2012. In that capacity, she frequently received complaints (via the PEG complaint "hotline") from students at many different PEG schools that admissions representatives had falsely assured students that credits earned at PEG could be transferred to public colleges or universities.

348. These intentionally deceptive misrepresentations have been profitable for PEG and highly detrimental to students. By representing that PEG credits would be accepted by other institutions and/or could be counted toward other academic programs, PEG admissions representatives persuaded prospective students to enroll under false pretenses. Many enrollees incurred considerable costs (funded in part by Federal and State Program financial aid dollars), believing that their credits would have the added value of automatic transferability. Instead, students found that the time and money they spent on their PEG "educations" were essentially worthless, as other institutions frequently refused to accept their credits.

349. Despite receiving student complaints about the misrepresentation of credit transferability beginning at least as early as 2006, PEG has continued its deceptive practices. In this respect, PEG has paid mere lip service to the requirement that it not misrepresent itself to students during the admissions process.

D. PEG CAUSED APPLICANTS TO SUBMIT FALSE FAFSA FORMS TO THE DEPARTMENT OF EDUCATION

350. PEG's admissions and financial aid employees also engaged in a variety of fraudulent practices that caused the Government to award more financial aid dollars than students (and thus PEG) were entitled to receive. For example, PEG employees were directed by PEG management to, and they did:

- (i) encourage all prospective students to apply for Federal and State Program financial aid to attend PEG Schools, and actively assist applicants to complete and present false FAFSAs (requesting Federal and State financial assistance) to the Department of Education and State agencies (including false representations concerning high school diplomas and eligibility);
- (ii) execute certifications on behalf of PEG that falsely stated that it and the student borrowers were eligible to receive financial assistance as part of Federal and State Programs;

351. Through its conduct above, PEG caused students to submit applications for Federal and State Program financial aid that contained materially false statements, including false statements regarding the students' eligibility for financial aid. Those false statements were material to the decision to award Federal and State aid to those students. PEG also falsely certified, in its PPAs and each time it drew down Federal and State Program monies, that it was complying with Federal and State regulations governing the eligibility and award of Federal and State Program funding. PEG's false statements and fraudulent conduct resulted in PEG receiving Federal aid dollars that it would not otherwise have been entitled to receive but for its fraud.

E. PEG USED PROHIBITED INCENTIVE COMPENSATION TO INDUCE EMPLOYEES TO PARTICIPATE IN ITS FRAUDULENT SCHEME

352. Section 487(a)(20) of the Higher Education Act of 1965, as amended by the Higher Education Amendments of 1992, bans institutions like PEG from paying commissions, bonuses or other forms of incentive compensation that are *directly or indirectly* based on success

in securing enrollments or financial aid. This restriction is included in all the PPAs that PEG signed.

353. Since 2002 (until these regulations were changed in 2010), the regulations, 34 CFR 668.14(b)(22)(ii), provided a set of twelve safe harbors for activities that were deemed to not violate the restrictions on incentive compensation. PEG established a fraudulent incentive compensation scheme to pay bonuses to its employees, ostensibly designed to take advantage of the safe harbors, by providing bonuses for students who “successfully” completed vocational programs at PEG schools.

354. However, in violation of the Incentive Compensation Ban, PEG has offered (and paid) bonus payments to induce admissions personnel and other employees throughout the organization to participate in its scheme. PEG used the promise of bonuses to incentivize its personnel first to enroll as many students as possible (regardless of the prospective students qualifications), and then to keep them enrolled (regardless of actual performance or attendance, often based on falsified grade and attendance records) for as long as possible in order to milk as much Federal and State Program funding as possible.

355. When Relator Hone became an HSB-Linwood admissions representative in 2006, PEG Regional Vice President of Admissions Sam Hutkin promised her a bonus of \$50 per student she enrolled who graduated from the school. He promised her that this bonus would amount to \$5,000 – a 16% premium over her base salary of \$30,000 per year. Relator Hone’s fellow admissions representative Jennifer Williams was also promised the same bonus for graduating students she enrolled.

356. Witness #15, who worked as an admissions representative at BHCI-Branford from February 2009 to August 2010, was promised a graduation bonus of \$50 per student.

357. Witness #13, who was Director of Education at SCS-Manchester, was promised a bonus package based solely on student enrollments – *i.e.* approximately \$7,000 if the school achieved 90% of its enrollment goal, and \$10,000 if the school achieved 100% of its enrollment goal. When he questioned his superiors about the legality of this compensation arrangement, he was told that these bonuses were legal because the school was a “regional” school.

358. At all times material hereto, PEG admissions representatives have executed the form Premier Education Group LP Admissions Representative Compensation Plan, offered to all PEG admissions employees. The Plan offered a bonus of \$40 per graduate for admissions representatives and \$60 per graduate for senior admissions representatives. The Plan, as designed, used language making lip service to what was intended to appear a legitimate desire on PEG’s part to provide employee bonuses based only on student success:

This plan is structured and introduced formally to do our utmost to motivate and assist our students in the pursuit of success. When a student graduates, doors open to them regarding their career opportunities. Never, never, should we motivate or encourage a student to something that for one reason or another is not good for them. The company objective is to encourage only those students to start programs when the student is truly motivated and capable. Be a ‘motivator of success’ by helping students, all students achieve their goal.

359. However, nothing in the design of the Plan made the award of incentive compensation measured by anything related to student “success,” nor was the Plan designed in any way to reward the admission of qualified graduates based on honest representations concerning the PEG Schools. Instead, it was clear that, far from admitting students who it intended would succeed, the sole goal for the Plan was that sales representatives would simply admit as many students as possible. Moreover, as designed, the Plan is silent about how it would measure bonuses for employee performance for PEG School admissions, administration, program accreditation or career placement success.

360. Even if its design does not violate the Ban (which Relators deny), PEG's Plan (which rewarded bonuses not just to admissions representatives, but to employees throughout the organization) as implemented paid bonuses not for student academic success, but rather as an incentive to reward:

- (i) high pressure admissions representatives, who admitted students who were not qualified (*e.g.*, they did not have diplomas or lacked minimum intellectual capabilities);
- (ii) unscrupulous admissions representatives who made false promises about program certification, admissions requirements, and the transferability of credits to induce enrollment;
- (iii) dishonest admissions representatives who changed failing Wonderlic test scores in order to admit students who would not qualify under PEG's albeit negligible admissions criteria;
- (iv) complicit teachers, registrars, and other administration officials, who falsified student attendance records to make it appear students were making satisfactory academic progress;
- (v) teachers and administrators who allowed students to cheat on examinations in order to pass their courses and thereby allow PEG to report they were making satisfactory academic progress;
- (vi) administrators who illicitly changed grades from failing to passing without any justification so that PEG could certify the students were making satisfactory academic progress and in order to advance students to graduation;

- (vii) career services employees who falsified externship records to make it appear that students were receiving the on-the-job training required to graduate, when in fact they were not; and
- (viii) school directors, directors of education, and program chairs who falsified accreditation materials and allowed widespread failures of even PEG's modest education standards.

361. In no sense was the PEG Plan implemented to award employees' bonuses measured upon students' success. Instead, as implemented, the Plan rewards employees who were complicit in PEG's fraud. That is, PEG's Plan rewarded employees throughout its Schools who were complicit in the enrollment of unqualified students and then pushing students through without regard to their having actually received an education and skills that would qualify them for job placement.

362. The Incentive Compensation Ban was intended to promote integrity in higher education programs by protecting students (as consumers) and by stemming perceived abuses of Federal and State Program funds. Indeed, the HEA's Incentive Compensation Ban has been the cornerstone of the federal government's regulation of for-profit colleges, and has been critical to the integrity of Federal and State student aid programs, assuring that recruiters are properly incentivized to evaluate students based on how much the students could gain from their educations, rather than how much bonus money the students' enrollments can generate for the recruiters. PEG's conduct, as alleged in this Third Amended Complaint, has visited on taxpayers and students alike the very sorts of predatory abuses that Congress acted to outlaw.

363. Likewise, at all times material hereto, PEG's unlawful compensation scheme has emanated from the highest levels of the company, were operated company-wide, and represented

a conscious effort to do exactly what the Incentive Compensation Ban prohibited – bar the provision of incentive payments to recruiters based on the number of students they enroll.

364. In its design and in practice, PEG’s employee incentive Plan for students’ “successful” completion has been nothing more than window-dressing, used to camouflage a compensation system that, in reality, has been driven solely by the number of students it could enroll and push to graduation, even if those students should never have enrolled in the first instance and/or even if the PEG Schools then hardly trained them for successful careers.

365. At all times material hereto, PEG either submitted false claims for funding directly to the Federal and State Programs, or has caused its students to make such claims so that the Programs would pay the students’ tuition directly to PEG. Those claims for payment were false within the meaning of the FCA because they were based on PEG’s false statements to the Federal and State Programs in its PPAs and in other documents that PEG was in compliance with the Incentive Compensation Ban. At all times material hereto, PEG knew its Plan for employee bonuses (both as designed and implemented) was in violation of the Incentive Compensation Ban and, therefore, that the claims to the Federal and State Programs were false when made.

F. PEG KNOWINGLY MADE FALSE STATEMENTS AND FALSIFIED CERTIFICATIONS IN ORDER TO CONCEAL ITS FRAUDULENT SCHEME

366. At all times material hereto, PEG has knowingly made, or caused to be made, the false statements and claims outlined above. PEG’s fraudulent conduct permeated the admissions and financial aid departments at PEG Schools.

367. The fraudulent conduct by PEG admissions representatives and other employees was encouraged and/or directed by PEG’s senior executive leadership. The repeated mantra among PEG executives and campus-level managers was to “do whatever was necessary” to increase enrollment and complete student financial aid packages. The management level

employees who were aware of and/or encouraged the fraud include, but are not limited to, PEG CEO Gary Camp, PEG President Bill Anjos, PEG Senior Vice President Michele Sinusas, PEG Senior Vice President Paul Ferrise, PEG Senior Vice President Patricia Martin, PEG Senior Vice President of Accreditation and Compliance Jane Parker, PEG Vice President Hastain, PEG Regional Vice President of Admissions Sam Hutkin, PEG Regional Director of Career Services Ruthann Wolverton, PEG Corporate Registrar Arlene Moran, and the various Directors (*e.g.*, Campus, Education, Admissions and Financial Aid) at PEG's schools.

368. PEG certified when it signed its PPAs, and each time it drew down Federal and State grant and loan monies, that it would comply with the Federal and State regulations governing the award of Federal and State Program funding, including the requirements that it would maintain its accreditation and state licensure, not make substantial misrepresentations, and award Federal and State Program funds only to eligible students. Those statements were false when made, and were a condition of payment. Indeed, PEG had been engaged in a widespread scheme to defraud the Federal and State Programs in order to secure as much student financial aid as possible.

369. PEG also falsified records and concealed information in order to ensure that its fraudulent scheme would continue undetected. For example, as Registrar at the HSB-Linwood campus, Relator LaPorte was required to regularly confirm that student files, including enrollment and financial aid applications, were complete and up-to-date. She routinely discovered that numerous student files were incomplete (*e.g.*, missing student signatures or other necessary documentation). Each time she discovered such a problem, she gave the file to Assistant Director of Admissions Peter Karas (or another school administrator), and invariably the file quickly was returned to her with the student's signature or the missing documentation.

This occurred during such a short interval of time that Relator LaPorte concluded that the documents must have been forged.

370. Relator LaPorte's suspicions are confirmed by PEG's treatment of [REDACTED] who was a student in the PMA program at the HSB-Linwood campus in 2006-2007. [REDACTED] signed an Enrollment Agreement on August 9, 2006. However, PEG's files include an Enrollment Agreement for DR dated July 16, 2007 that evidently was completed on her behalf but that contains a forged signature that actually misspells her first name (omitting a letter). Plainly, PEG forged this later Enrollment Agreement in order to preserve and extend its eligibility to receive Federal and State Program financial aid.

371. Similarly, [REDACTED] was a student in the PMA program at the HSB-Linwood campus in 2006-2007. She received a full tuition scholarship (\$10,755.00) from the New Jersey Foster Care Scholars program, and thus she did not take any Federal student loan money. However, PEG falsified two financial aid documents, forging [REDACTED] name to them: (i) the "Rights and Responsibilities Summary Checklist" to [REDACTED] entrance counseling guide, and (ii) the "PEG Notice to All Students of Financial Aid Deadlines." PEG intentionally falsified these loan documents on behalf of [REDACTED] in order to be eligible to receive New Jersey State Program financial aid.

372. Witness #4, who was an Admissions Representative at BHCI-Springfield (2007-2009) and the Director of Admissions at SS-Tewksbury (2009-2010), personally witnessed other admissions representatives forging student signatures on enrollment agreements.

373. PEG is fully aware that its scheme to falsify documents in order to obtain Federal and State Program funds was illegal.

374. PEG engaged in this plainly improper conduct in order to conceal its fraud from state regulators and the Department of Education, to maintain its accreditation, and to ensure its continued access to Federal and State Program funding.

VI. PEG'S FRAUDULENT SCHEME CAUSED THE SUBMISSION AND PAYMENT OF FALSE CLAIMS.

375. PEG's fraudulent scheme served its intended purpose, as it has induced the governments to provide Federal and State Program financial aid dollars to Defendants when Defendants were not, in fact, eligible to receive those dollars.

376. PEG's false certifications in drawing down the Federal and State Program financial aid funds were conditions of payment.

377. As alleged herein, since at least 2006 every fraudulent request for a Federal or State grant, Federal or State guaranteed loan, or Federal or State subsidized interest payment made on behalf of a student attending one of the PEG Schools constitutes a separate false claim.

378. The following examples of student financial aid packages, each of which was based on PEG's fraudulent certifications, illustrate PEG's false claims:

- (i) HSB-Linwood student [REDACTED] received a financial aid package consisting of \$4,050 in Pell Grant funds; \$3,402 in federal PLUS loan funds; \$3,210 in Stafford Subsidized loan funds; and \$200 in Federal Supplemental Educational Opportunity Grant ("FSEOG") funds for the 2006-2007 financial aid award year. Before [REDACTED] enrolled in the PMA program in September 2006, Regional Director of Admissions Sam Hutkin promised her that she would become a *Certified* Medical Assistant upon graduation, and that within three years she would be earning enough money to buy a house. During her academic program, PEG continued to represent to [REDACTED] that she would be eligible to sit for the CMA exam

administered by the AAMA, and her teachers also gave her review work specific to that exam. Only in May 2007 did █████ first hear that due to HSB-Linwood limited accredited she could only sit for the RMA exam. After her graduation from HSB-Linwood in August 2007 (with the highest GPA in her class), the only job █████ was able to find was filing documents (i.e., *not* for working as a Medical Assistant), which she declined because the wages would have been lower than what she had been earning as a restaurant employee prior to enrolling in the PMA program. Indeed, on two occasions, her HSB education proved to be *detrimental* to finding employment: two different potential employers laughed in █████’ face when she applied to work for them, and told her they would never hire a graduate of the school. █████ ended up taking unemployment benefits and defaulted on her student loans.

- (ii) HSB-Linwood student █████ received a financial aid package consisting of \$4,250 in Subsidized Stafford Loan funds for the 2007-2008 financial aid award year. █████ enrolled in the PMA program in 2007 and graduated in 2008. Prior to enrolling in the PMA program, she met with Career Services Director Merv Yeatman and Financial Aid officer Greg White. While touring the school, Yeatman told her multiple times that she would be eligible to sit for the CMA exam. HSB-Linwood Campus Director April Lupinacci also told █████ she would be eligible to sit for the CMA exam upon graduation. While a student at HSB, █████ teachers continued to tell her that she would be eligible to sit for the CMA exam, even giving her a CMA-specific study guide. █████ failed her “Law and Ethics” class, but was not required to repeat it before graduation. She

complained to Relator Davenport that students were not taught phlebotomy as promised, that teachers did not use textbooks to teach coursework properly, and that the quality of her education was exceedingly poor.

- (iii) HSB-Linwood student [REDACTED] received a financial aid package consisting of \$2,625 in Subsidized Stafford loan funds and \$4,000 in Unsubsidized Stafford loan funds for the 2006-2007 financial aid award year. [REDACTED] additionally received \$750 in Subsidized Stafford loan funds and \$667 in Unsubsidized Stafford loan funds for the 2007-2008 financial aid award year. [REDACTED] was told by Sam Hutkin prior to enrolling in the PMA program that she would be eligible to take the CMA exam, and that she would become a Certified Medical Assistant after graduation. She took the Wonderlic exam in pencil, and Hutkin told her that she had failed, but he permitted her to enroll nonetheless, telling her: “Okay, I’ll let you go. I know you can do it.” [REDACTED] also failed her “Anatomy/Physiology B” class, but was not required to repeat it (she received the passing grade of “D” on her final transcript).
- (iv) HSB-Linwood student [REDACTED] received a financial aid package consisting of \$3,500 in Subsidized Stafford loan funds; \$5,070 in Unsubsidized Stafford loan funds; \$3,600 in Pell Grant funds; and \$1,220 in other federal grant funds for the 2009-2010 financial aid award year. [REDACTED] additionally received Pell Grant funds of \$733 for the 2010-2011 financial aid award year. Prior to enrolling in the PMA program in July 2009, [REDACTED] was promised by admissions representatives BJ Torres and “Daphne” that she would be able to sit for the CMA exam after graduation. [REDACTED] PMA instructor, Ron Irwin, also told [REDACTED] and her

classmates that they would be taking the CMA exam, and he told them that he would bring in a study guide for the CMA exam. From December 1, 2009 to January 8, 2010, [REDACTED] was enrolled in the “Medical Assisting and Clinical Procedures C” class, which she failed with an “F” after missing several weeks of class. However, her failing grade was changed to a passing “D.” [REDACTED] was then enrolled in “Medical Assisting and Clinical Procedures D” and was not required to retake the prerequisite class she had failed. Before [REDACTED] enrolled at HSB, admissions representative BJ Torres promised her that she would be able to complete her externship at night (as she was a single mother and unable to complete an externship during the day). However, PEG reneged on this promise, placing [REDACTED] in a day-time externship. Because [REDACTED] could not complete the externship, she was unable to graduate and left the school in 2010. Her student loans are in forbearance.

- (v) HSB-Linwood student [REDACTED] received a financial aid package consisting of \$5,350 in Pell Grant funds; \$3,500 in Subsidized Stafford loan funds; \$3,363 in Unsubsidized Stafford loan funds; and \$200 in FSEOG funds for the 2009-2010 financial aid award year. [REDACTED] wanted to become a Certified Medical Assistant and enrolled at HSB-Linwood specifically because admissions representative BJ Torres told her that she would be eligible to take the CMA exam and become a CMA after graduation. During the academic program, instructors continued to mislead [REDACTED] regarding her eligibility to sit for the CMA exam, including giving her sample CMA exam questions. Only after many months of PMA program coursework did [REDACTED] learn that she would be eligible to take only the RMA exam.

During the admissions process, ██████ took the Wonderlic test in pencil, and believed that she had failed because she only answered 20 of the 50 questions. Admissions representatives told her that she had passed. As a student, ██████ was a member of the US Army Reserves, and at one point missed two weeks of school to fulfill military duties. Despite PEG's officially stated policy that missing more than three days of class in a module meant automatic failure and required repetition of the class, ██████ was not failed or required to repeat any class. She graduated from the school in 2011. Her student loans are in forbearance until October 2013 due to financial hardship.

- (vi) HSB-Linwood student ██████ received a financial aid package consisting of \$5,500 in Pell Grant funds; \$3,500 in Subsidized Stafford loan funds; \$1,610 in Unsubsidized Stafford loan funds; \$200 in FSEOG funds; and \$925 in other federal grant funds for the 2010-2011 financial aid award year. She additionally received \$750 in Subsidized Stafford loan funds and \$763 in Unsubsidized Stafford loan funds for the 2010-2011 financial aid award year. During her initial visit to the school, ██████ asked PEG representatives, including admissions representative Milton Glenn and Director of Career Services Belinda Maldonado, whether she would be eligible to sit for the CMA exam (as she was *not* interested in sitting for the RMA exam). She was assured that she would be eligible to take the CMA exam. ██████ instructors continued to represent to students that they would be taking the CMA exam, by conducting preparatory classes specific to the CMA exam, and by handing out CMA exam study guides. During the admissions process, ██████ was certain that she had failed the Wonderlic test, because she did

not answer most of the questions, and she guessed randomly on the others. Bowing to PEG's mandate that instructors push students through their courses at all costs, [REDACTED] instructor, Ron Irwin, falsified her attendance record to show that she had completed numerous make-up hours when she had not. This was necessary for PEG to be able to certify that [REDACTED] had completed the academic requirements of her program, and so that PEG could secure the final disbursement of Federal financial aid dollars.

- (vii) HSB-Linwood student [REDACTED] received a financial aid package consisting of \$2,400 in Pell Grant funds; \$2,625 in Subsidized Stafford loan funds; \$1,795 in Unsubsidized Stafford Loan funds; and \$4,655 in funds from the U.S. Social Security Administration's "Ticket to Work" program for the 2006-2007 financial aid award year. Prior to enrolling in the PMA program in September 2006, Director of Education Craig Hennequant promised [REDACTED] that she would be eligible to sit for the CMA exam, and that she could become a Certified Medical Assistant after graduation. [REDACTED] missed many hours of class during her first module (D60814), and her September 22, 2006 print-out of her PEG attendance record shows that she missed thirty hours of class. PEG administrators fabricated two makeup hours for [REDACTED] on August 21st, *nine days before* her actual absence on August 30th. [REDACTED] September 22, 2006 report card, however, demonstrates the extent to which PEG fraudulently altered its central records: her (falsified) report card states that she completed all of her program hours for "Anatomy and Physiology," "Medical Terminology," and "Pharmacology" (30 hours, 30 hours, and 20 hours respectively), even though her attendance record shows that she

completed only 28, 28, and 16 hours respectively. [REDACTED] applied for multiple full-time jobs after graduation, but was not hired by any employer. She has continued to receive Social Security disability benefits.

(viii) HSB-Linwood student [REDACTED] received a financial aid package consisting of \$2,625 in Subsidized Stafford loan funds; \$4,000 in Unsubsidized Stafford loan funds; and \$5,000 in scholarship funds from the State of New Jersey's Foster Care program. [REDACTED] was told by Career Services Director Merv Yeatman prior to enrolling that she could go online to take her "pre-test" for the CMA exam. As a PMA student, [REDACTED] did not comprehend the course material in her "Anatomy and Physiology" course, nor did she pass *a single* quiz or test. When she received her graded tests back, she discovered that her grades had been changed from failing to passing, and she received a final (passing) grade of 75 in the course. [REDACTED] missed seven days of school due to pneumonia, but her final report card showed that her attendance had been changed to only two days absent. [REDACTED] defaulted on both of her student loans.

(ix) HSB-Linwood student [REDACTED] received a financial aid package consisting of \$2,800 in Pell Grant funds; \$2,625 in Subsidized Stafford loan funds; and \$4,000 in Unsubsidized Stafford loan funds. Prior to her enrollment in the PMA program, she was told by Assistant Director of Admissions Peter Karas and Director of Career Services Merv Yeatman that she would be eligible to sit for the CMA exam after graduation. [REDACTED] failed her Anatomy and Physiology class, but her teacher, under pressure from PEG administrators, changed her grade to a

(passing) “C.” [REDACTED] was unable to find a medical assisting job after graduation, and works as a security guard. She defaulted on her student loans.

(x) HSB-Linwood student [REDACTED] received a financial aid package consisting of \$4,050 in Pell Grant funds; \$2,625 in Subsidized Stafford loan funds; \$3,952 in Unsubsidized Stafford loan funds; and \$200 in FSEOG funds. [REDACTED] failed two classes taught by Relator Biaselli. She complained about this to Craig Hennequant, who told her not to worry. The next day, Hennequant gave her a new report card in which the failing grades had been changed to two (passing) “Cs.” [REDACTED] also never completed an externship because Director of Career Services Merv Yeatman was unable to find her one; however, she was allowed to graduate even though she had not completed the externship (a requirement for graduation). [REDACTED] was disabled in an automobile accident and has since defaulted on her student loans.

(xi) HSB-Linwood student [REDACTED] received a financial aid package consisting of \$5,098 in Pell Grant funds; \$3,466 in Subsidized Stafford loans; \$3,961 in Unsubsidized Stafford loans; and \$200 in FSEOG funds. She was promised by Assistant Director of Admissions Peter Karas that she would be able to sit for the CMA exam after graduating from the PMA program. After graduation, [REDACTED] was unable to find a job, and returned to her previous job as a deli clerk. She has defaulted on her student loans.

379. Each of the grant awards listed and described above and each government repayment of loan interest or defaulted loan principal was caused by PEG’s false certifications and promises in its PPAs that it would comply with applicable laws and regulations governing

the award of Federal and State Program financial aid, and/or the false representations in each grant and loan application that the student seeking Federal and State government aid was eligible to receive funding under the HEA. PEG's conduct was knowing and material to the willingness to award Federal and State Program financial aid to PEG's students. As alleged herein, since at least 2006, and likely much earlier, each fraudulent certification in PEG's requests for payment thus constitutes a false claim under the False Claims Act and the State *Qui Tam* statutes.

380. The examples above are illustrative of the many false claims presented by, or caused to be presented by, PEG for financial assistance under Federal and State Programs.

VII. PEG RETALIATED AGAINST RELATOR AMAYA FOR HER WHISTLEBLOWING ACTIVITY

381. PEG illegally terminated Relator Amaya's employment in direct retaliation for her whistleblowing activities. Relator Amaya relied upon PEG's reporting policy and provided PEG with specific information that its directives and activities were, she believed in good faith, in violation of PEG's policies and Federal and State law.

382. In response to her complaints, PEG began systematically to retaliate against Relator Amaya for her whistleblowing activity, creating a hostile work environment. First, she was demoted from her position as Director of Education as a result of demonstrably false student complaints. Shortly thereafter, Relator Amaya was singled out during a campus staff meeting as having been demoted. Then, after she had written a letter dated January 12, 2011 to Vice President Hastain, PEG wrongfully terminated Relator Amaya in retaliation for her whistleblowing activities.

383. PEG plainly took adverse employment action against Relator Amaya in the form of her demotion and subsequent termination as a direct response to her internal reporting. Until she was first demoted and later terminated, PEG never informed Relator Amaya that she had any

performance issues. To the contrary, as noted above, PEG highly valued Relator Amaya based on her superior performance among her peers.

384. As a direct and proximate result of this unlawful and repeated harassment and retaliation, Relator Amaya has suffered emotional pain and mental anguish, together with serious economic hardship.

VIII. PEG RETALIATED AGAINST RELATOR MOODY FOR HER WHISTLEBLOWING ACTIVITY

385. PEG illegally terminated Relator Moody in direct retaliation for her whistleblowing activities. Relator Moody relied upon PEG's reporting policy and provided PEG with specific information that its directives and activities were, she believed in good faith, in violation of PEG's policies and Federal and State law.

386. In response to her complaints, PEG began systematically to retaliate against Relator Moody for her whistleblowing activity, creating a hostile work environment. As a result, PEG created a hostile working environment and constructively terminated Relator Moody in retaliation for her whistleblowing activities.

387. Until she was constructively terminated, PEG never informed Relator Moody that she had any performance issues. To the contrary, as noted above, PEG highly valued Relator Moody based on her superior performance among her peers.

388. As a direct and proximate result of this unlawful and repeated harassment and retaliation, Relator Moody has suffered emotional pain and mental anguish, together with serious economic hardship.

COUNT I
(Violation of False Claims Act, 31 U.S.C. § 3729(a)(1)(A))¹

389. Relators reallege and incorporate by reference the allegations made in the preceding paragraphs of this Third Amended Complaint as though fully set forth herein.

390. This is a claim for treble damages and forfeitures under the False Claims Act, 31 U.S.C. §§ 3729, *et seq.* as amended.

391. Through the acts described above, Defendants and their agents and employees knowingly submitted or caused to be submitted to the United States government knowingly false or fraudulent claims for student grants and loans.

392. Through the acts described above, Defendants and their agents and employees knowingly made, used or caused to be made or used false statements and records to get such false and fraudulent claims paid and approved by the United States government.

393. The United States, unaware of the falsity of the records, statements and claims made by the Defendants, paid the Defendants for claims that would otherwise not have been allowed.

394. By reason of the Defendants' false records, statements and claims, the United States government has been damaged and continues to be damaged in the amount of hundreds of millions of dollars.

¹ To the extent wrongdoing occurred prior to May 20, 2009, this Third Amended Complaint should be deemed to include violations of the Federal False Claims Act prior to its recent amendments, *e.g.*, 31 U.S.C. § 3729(a)(1) (2006).

COUNT II
(Violation of False Claims Act, 31 U.S.C. § 3729(a)(1)(B))²

395. Relators reallege and incorporate by reference the allegations made in the preceding paragraphs of this Third Amended Complaint as though fully set forth herein.

396. Defendants knowingly made, used, or caused to be made or used, a false record or statement material to a false or fraudulent claim, and/or to get the United States to pay or approve false or fraudulent claims, in violation of the False Claims Act, 31 U.S.C. § 3729(a)(1)(B) (2009).

397. Because of the Defendants' acts, the United States sustained damages in an amount to be determined at trial and, therefore, is entitled to treble damages under the False Claims Act, plus civil penalties of not less than \$5,500 and up to \$11,000 for each violation.

COUNT III
(Violation of False Claims Act, 31 U.S.C. § 3729(a)(3); 31 U.S.C. § 3729(a)(1)(C))³

398. Relators incorporate herein by reference the preceding paragraphs of the Third Amended Complaint as though fully set forth herein.

399. As detailed above, Defendants knowingly conspired, and may still be conspiring, with the various entities and/or persons described herein (as well as other unnamed co-conspirators) to commit acts in violation of 31 U.S.C. §§ 3729(a)(1) & (a)(2); 31 U.S.C. §§ 3729(a)(1)(A) & (a)(1)(B). Defendant and these entities and/or persons committed overt acts in furtherance of the conspiracy as described above.

² To the extent wrongdoing occurred prior to May 20, 2009, this Third Amended Complaint should be deemed to include violations of the Federal False Claims Act prior to its recent amendments, *e.g.*, 31 U.S.C. § 3729(a)(2) (2006).

³ To the extent wrongdoing occurred after May 20, 2009, the Third Amended Complaint should be deemed to include violations of the Federal False Claims Act's recent amendments.

400. As a result of Defendant's actions, as set forth above, the United States of America has been, and may continue to be, severely damaged.

COUNT IV
(Violation of False Claims Act, 31 U.S.C. § 3729(a)(7); 31 U.S.C. § 3729(a)(1)(G))⁴

401. Relator incorporates herein by reference the preceding paragraphs of the Third Amended Complaint as though fully set forth herein.

402. As alleged in detail above, PEG knowingly avoided or decreased its obligation to pay or transmit money to the Government. Specifically, PEG: (i) made, used, or caused to be made or used, records or statements to conceal, avoid, or decrease obligations to the United States; (ii) the records or statements were in fact false; and (iii) it knew that the records or statements were false.

403. As a result of PEG's actions as set forth above, the United States of America has been, and may continue to be, severely damaged.

COUNT V
(Violation of False Claims Act, 31 U.S.C. § 3730(h) – Relator Amaya)

404. Relator Amaya incorporates herein by reference the preceding paragraphs of this Third Amended Complaint as though fully set forth herein.

405. Relator Amaya engaged in lawful acts done in furtherance of protected activity, *i.e.* the investigation and reporting of fraudulent and illegal conduct by PEG, as described more fully above.

406. PEG had actual knowledge of Relator Amaya's protected activity and the distinct possibility that it would result in litigation under the False Claims Act.

⁴ To the extent wrongdoing occurred after May 20, 2009, the Third Amended Complaint should be deemed to include violations of the Federal False Claims Act's recent amendments.

407. As result of Relator Amaya's lawful acts in furtherance of protected activities in the investigation and reporting of fraud, and Defendants' having notice thereof, Defendants retaliated against Relator Amaya.

408. Relator Amaya's termination of employment was a direct result of Defendants' retaliatory acts, causing Relator Amaya to suffer, and continue to suffer, substantial compensatory and special damages, in an amount to be proven at trial.

COUNT VI
(Intentional Infliction of Emotional Distress – Relator Amaya)

409. Relator Amaya hereby incorporates by reference allegations set forth in this Complaint, as though fully set forth herein.

410. Defendants' conduct toward Relator Amaya was a calculated plan to cause Relator Amaya emotional harm. Defendants' motive was retaliation for exposing Defendants' violations of law.

411. Relator Amaya was damaged as a result of suffering severe emotional distress, in an amount to be proven at trial.

412. Relator Amaya is entitled to compensatory and punitive damages.

COUNT VII
(Violation of False Claims Act, 31 U.S.C. § 3730(h) – Relator Moody)

413. Relator Moody incorporates herein by reference the preceding paragraphs of this Third Amended Complaint as though fully set forth herein.

414. Relator Moody engaged in lawful acts done in furtherance of protected activity, *i.e.* the investigation and reporting of fraudulent and illegal conduct by PEG, as described more fully above.

415. PEG had actual knowledge of Relator Moody's protected activity and the distinct possibility that it would result in litigation under the False Claims Act.

416. As result of Relator Moody's lawful acts in furtherance of protected activities in the investigation and reporting of fraud, and Defendants' having notice thereof, Defendants retaliated against Relator Moody.

417. Relator Moody's termination of employment was a direct result of Defendants' retaliatory acts, causing Relator Moody to suffer, and continue to suffer, substantial compensatory and special damages, in an amount to be proven at trial.

COUNT VIII
(Intentional Infliction of Emotional Distress – Relator Moody)

418. Relator Moody hereby incorporates by reference allegations set forth in this Complaint, as though fully set forth herein.

419. Defendants' conduct toward Relator Moody was a calculated plan to cause Relator Moody emotional harm. Defendants' motive was retaliation for exposing Defendants' violations of law.

420. Relator Moody was damaged as a result of suffering severe emotional distress, in an amount to be proven at trial.

421. Relator Moody is entitled to compensatory and punitive damages.

COUNT IX
(Violation of Delaware False Claims and Reporting Act)

422. Plaintiffs reallege and incorporate by reference the allegations made in the preceding paragraphs of this Third Amended Complaint as though fully set forth herein.

423. This is a claim for treble damages and penalties under the Delaware False Claims and Reporting Act, Del. Code Ann., tit. 6, § 1203(b), *et seq.*

424. The State of Delaware provides financial aid to students who attend institutions whose receipt of such aid is conditioned on compliance with the law. Some of the PEG students use such aid to pay tuition at PEG schools.

425. Through the acts described above, Defendants knowingly presented and/or caused to be presented to the State of Delaware, political subdivisions thereof, and/or officials that administered loans, false and fraudulent claims, in order to obtain approval and payment from the State of Delaware.

426. Through the acts described above, Defendants knowingly made, used, and caused to be made and used false records and statements which also omitted material facts in order to induce the State of Delaware to approve and pay false and fraudulent claims.

427. The State of Delaware, unaware of the falsity of the records, statements, and claims made and submitted by Defendants, and as a result thereof, paid money that otherwise would not have been paid.

428. By reason of the payments made by the State of Delaware and each of them as a result of the Defendants' fraud, the State of Delaware has suffered millions of dollars in damages and continues to be damaged.

429. The State of Delaware is entitled to the maximum penalty of \$11,000 per false claim and treble damages for each and every violation alleged herein.

COUNT X
(Violation of Massachusetts False Claims Act)

430. Plaintiffs reallege and incorporate by reference the allegations made in the preceding paragraphs of this Third Amended Complaint as though fully set forth herein.

431. This is a claim for treble damages and penalties under the Massachusetts False Claims Act, Mass. Gen. Laws ch. 12 § 5C(2), *et seq.*

432. The Commonwealth of Massachusetts provides financial aid to students who attend institutions whose receipt of such aid is conditioned on compliance with the law. Some of the PEG students use such aid to pay tuition at PEG schools.

433. Through the acts described above, Defendants knowingly presented and/or caused to be presented to the Commonwealth of Massachusetts, political subdivisions thereof, and/or officials that administered loans, false and fraudulent claims, in order to obtain payment and approval from the Commonwealth of Massachusetts.

434. Through the acts described above, Defendants knowingly made, used, and caused to be made and used false records and statements which also omitted material facts in order to induce the Commonwealth of Massachusetts to approve and pay false and fraudulent claims.

435. The Commonwealth of Massachusetts, unaware of the falsity of the records, statements, and claims made and submitted by Defendants, and as a result thereof, paid money that otherwise would not have been paid.

436. By reason of the payments made by the Commonwealth of Massachusetts and each of them as a result of the Defendants' fraud, the Commonwealth of Massachusetts has suffered millions of dollars in damages and continues to be damaged.

437. The Commonwealth of Massachusetts is entitled to the maximum penalty of \$11,000 per false claim and treble damages for each and every violation alleged herein.

COUNT XI
(Violation of New Jersey False Claims Act)

438. Plaintiffs reallege and incorporate by reference the allegations made in the preceding paragraphs of this Third Amended Complaint as though fully set forth herein.

439. This is a claim for treble damages and penalties under the New Jersey False Claims Act, N.J.S. 2A 32C-1, *et seq.*

440. The State of New Jersey provides financial aid to students who attend institutions whose receipt of such aid is conditioned on compliance with the law. Some of the PEG students use such aid to pay tuition at a PEG school.

441. Through the acts described above, Defendants knowingly presented and caused to be presented to the State of New Jersey and political subdivisions thereof and officials that administered loans, false and fraudulent claims, in order to obtain approval and payment from the State of New Jersey.

442. Through the acts described above, Defendants knowingly made, used, and/or caused to be made and used false records and statements, which also omitted material facts in order to induce the State of New Jersey to approve and pay false and fraudulent claims.

443. The State of New Jersey, unaware of the falsity of the records, statements, and claims made and submitted by Defendants, and as a result thereof, paid money that otherwise would not have been paid.

444. By reason of the payments made by the State of New Jersey and each of them as a result of the Defendants' fraud, the State of New Jersey has suffered millions of dollars in damages and continues to be damaged.

445. The State of New Jersey is entitled to the maximum penalty of \$11,000 and treble damages for each and every violation alleged herein.

COUNT XII
(Violation of New York False Claims Act)

446. Plaintiffs reallege and incorporate by reference the allegations made in the preceding paragraphs of this Third Amended Complaint as though fully set forth herein.

447. This is a claim for treble damages and penalties under the New York False Claims Act, N.Y. State Fin. Law § 190(2), *et. seq.*

448. The State of New York provides financial aid to students who attend institutions whose receipt of such aid is conditioned on compliance with the law. Some of the PEG students use such aid to pay tuition at a PEG school.

449. Through the acts described above, Defendants knowingly presented and caused to be presented to the State of New York and political subdivisions thereof and officials that administered loans, false and fraudulent claims, in order to obtain payment and approval from the State of New York.

450. Through the acts described above, Defendants knowingly made, used, and/or caused to be made and used false records and statements, which also omitted material facts in order to induce the State of New York to approve and pay false and fraudulent claims.

451. The State of New York, unaware of the falsity of the records, statements, and claims made and submitted by Defendants, and as a result thereof, paid money that otherwise would not have been paid.

452. By reason of the payments made by the State of New York and each of them as a result of the Defendants' fraud, the State of New York has suffered millions of dollars in damages and continues to be damaged.

453. The State of New York is entitled to the maximum penalty of \$11,000 and treble damages for each and every violation alleged herein.

PRAYER FOR RELIEF

WHEREFORE, Relators pray for judgment against Defendants as follows:

A. That Defendants be ordered to cease and desist from submitting any more false claims, or further violating 31 U.S.C. § 3729 *et seq.*;

B. That judgment be entered in Relators' favor and against Defendants in the amount of each and every false or fraudulent claim, multiplied as provided for in 31 U.S.C. § 3729(a), plus a civil penalty of not less than five thousand five hundred dollars (\$5,500) or more than eleven thousand dollars (\$11,000) per claim as provided by 31 U.S.C. § 3729(a), to the extent

such multiplied penalties shall fairly compensate the United States for losses resulting from the various schemes undertaken by Defendants, together with penalties for specific claims to be identified at trial after full discovery;

C. That Relators be awarded the maximum amount allowed pursuant to 31 U.S.C. § 3730(d);

D. That Relators be awarded the maximum amount allowed pursuant to Del. Code Ann. tit. 6, § 1205, Mass. Gen. Laws ch.12, § 5F, N.J. Stat. Ann. § 2A:32C-7, N.Y. State Fin. Law § 190(6), including reasonable attorneys' fees and litigation costs;

E. That judgment be entered in Relators' favor and against Defendants in the amount of the damages sustained by the State of Delaware multiplied as provided for in Del. Code Ann. tit. 6, §1201(a), plus a civil penalty of not less than five thousand five hundred dollars (\$5,500) or more than eleven thousand dollars (\$11,000) for each act in violation of the Delaware False Claims and Reporting Act, as provided by Del. Code Ann. tit. 6, §1201(a), to the extent such multiplied penalties shall fairly compensate the State of Delaware for losses resulting from the various schemes undertaken by Defendants, together with penalties for specific claims to be identified at trial after full discovery;

F. That judgment be entered in Relators' favor and against Defendants for restitution to the Commonwealth of Massachusetts or its political subdivisions in the amount of a civil penalty of not less than five thousand dollars (\$5,000) dollars and not more than ten thousand dollars (\$10,000), plus three times the amount of damages, including consequential damages, sustained by Massachusetts as the result of Defendants' actions, plus the expenses of the civil action brought to recover such penalties and damages, as provided by Mass. Gen. Laws ch 12. § 5B, to the extent such penalties shall fairly compensate the Commonwealth of Massachusetts

or its political subdivisions for losses resulting from the various schemes undertaken by Defendants, together with penalties for specific claims to be identified at trial after full discovery;

G. That judgment be entered in Relators' favor and against Defendants in the amount of the damages sustained by the State of New Jersey or its political subdivisions multiplied as provided for in N.J. Stat. Ann. § 2A:32C-3, plus a civil penalty of not less than and not more than the civil penalties allowed under the federal False Claims Act (31 U.S.C. § 3729 *et seq.*) for each false or fraudulent claim, to the extent such multiplied penalties shall fairly compensate the State of New Jersey or its political subdivisions for losses resulting from the various schemes undertaken by Defendants, together with penalties for specific claims to be identified at trial after full discovery;

H. That judgment be entered in Relators' favor and against Defendants for restitution to the State of New York or its political subdivisions for the value of payments or benefits provided, directly or indirectly, as a result of Defendants' unlawful acts, as provided for in N.Y. State Fin. Law § 189(1), multiplied as provided for in N.Y. State Fin. Law § 189(1), plus a civil penalty of not less than six thousand dollars (\$6,000) or more than twelve thousand dollars (\$12,000) for each false claim, pursuant to N.Y. State Fin. Law § 189(1), to the extent such multiplied penalties shall fairly compensate the State of New York or its political subdivisions for losses resulting from the various schemes undertaken by Defendants, together with penalties for specific claims to be identified at trial after full discovery;

I. That Relator Amaya be awarded the maximum amount allowed pursuant to 31 U.S.C. § 3730(h), including without limitation, (i) reinstatement of employment with no diminution of seniority, (ii) double back-pay for the period since her unlawful retaliatory

termination, (iii) interest on such back-pay, and (iv) special damages, including reasonable attorneys' fees and litigation costs;

J. That judgment be entered for Relator Amaya to compensate her for Defendants' unlawful retaliation against her for her whistleblowing activities;

K. That Relator Moody be awarded the maximum amount allowed pursuant to 31 U.S.C. § 3730(h), including without limitation, (i) reinstatement of employment with no diminution of seniority, (ii) double back-pay for the period since her unlawful retaliatory termination, (iii) interest on such back-pay, and (iv) special damages, including reasonable attorneys' fees and litigation costs;

L. That judgment be entered for Relator Moody to compensate her for Defendants' unlawful retaliation against her for her whistleblowing activities;

M. That Relator Amaya be awarded compensatory and punitive damages to compensate her for her embarrassment and emotional distress;

N. That Relator Moody be awarded compensatory and punitive damages to compensate her for her embarrassment and emotional distress;

O. That Defendants be ordered to disgorge all sums by which they have been enriched unjustly by their wrongful conduct;

P. That judgment be granted for Relators against Defendants for all costs, including, but not limited to, court costs, expert fees and all attorneys' fees incurred by Relators in the prosecution of this suit; and

Q. That Relators be granted such other and further relief as the Court deems just and proper.

JURY TRIAL DEMAND

Relators demand a trial by jury of all issues so triable.

Respectfully submitted,

/s/ David I. Sinderbrand

LAW OFFICES OF DAVID I.
SINDERBRAND, LLC
1001 Tilton Road, Suite 203
Northfield, NJ 08225
Telephone: (609) 645-2800
Facsimile: (609) 272-9351

W. Scott Simmer
Alan M. Freeman
Stephen D. Schrier
BLANK ROME LLP
600 New Hampshire Avenue, NW
Washington, DC 20037
Telephone: (202) 772-5800
Facsimile: (202) 772-5858

Counsel for Relators

Dated: April 3, 2013

LOCAL CIVIL RULE 11.2 CERTIFICATION

Relators hereby certify that, to their knowledge, the matter in controversy in this action is not the subject of any other pending lawsuit, arbitration, or administrative proceeding.

Respectfully submitted,

/s/ David I. Sinderbrand
LAW OFFICES OF DAVID I.
SINDERBRAND, LLC
1001 Tilton Road, Suite 203
Northfield, NJ 08225
Telephone: (609) 645-2800
Facsimile: (609) 272-9351

W. Scott Simmer
Alan M. Freeman
Stephen D. Schrier
BLANK ROME LLP
600 New Hampshire Avenue, NW
Washington, DC 20037
Telephone: (202) 772-5800
Facsimile: (202) 772-5858

Counsel for Relators

Dated: April 3, 2013

LAW OFFICE OF DAVID I. SINDERBRAND, LLC

Certified Civil Trial Attorney by the
Supreme Court of New Jersey



1001 Tilton Road - Suite 203
Northfield, NJ 08225
Tel: 609-645-2800
Fax: 609-272-9351

Email: david@sinderlawyer.com

Website:

<http://www.davidsinderbrand.com>

File No. 21044

March 2, 2012

Via Electronic Filing

Clerk's Office, U.S. District Court
Mitchell H. Cohen Building
& U.S. Courthouse
4th & Cooper Streets Room 1050
Camden, NJ 08101

RE: United States of America, ex. rel. Laura LaPorte, et al. v. Premier Education
Group, L.P. d/b/a Harris School of Business of Linwood, et al.
Civil Case Number: 1:11-CV-03523-RBK

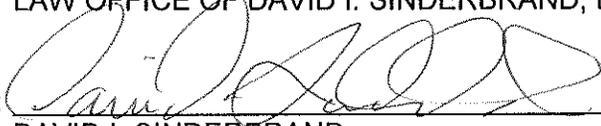
Dear Sir or Madam:

Pursuant to the 8/9/13 Order of the Honorable Robert B. Kugler, U.S.D.J., enclosed please find the redacted versions of the original Complaint, First Amended Complaint, Second Amended Complaint and Third Amended Complaint for filing. It is my understanding that the unredacted complaints will be sealed upon the filing of the redacted versions.

Thank you for your attention.

Very truly yours,

LAW OFFICE OF DAVID I. SINDERBRAND, LLC

By: 

DAVID I. SINDERBRAND

DIS:ch

Encs.

Cc: W. Scott Simmer, Esquire, via email
Alan Freeman, Esquire, via email
Stephen Schrier, Esquire, via email