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By: Erica Baker
ERICA BAKER, Deputy

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1 **GUTRIDE SAFIER LLP**
2 ADAM J. GUTRIDE (State Bar No. 181446)
3 SETH A. SAFIER (State Bar No. 197427)
4 KRISTEN G. SIMPLICIO (State Bar No. 263291)
5 100 Pine Street, Suite 1250
6 San Francisco, CA 94111
7 Telephone: (415) 271-6469
8 Facsimile: (415) 449-6469

9 Attorneys for Plaintiff

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF ALAMEDA

RG17886977

12 ROHIT KALAKANTI, an individuals, on behalf
13 of himself, the general public and those similarly
14 situated,

15 Plaintiff,

16 v.

17 NORTHWESTERN POLYTECHNIC
18 UNIVERSITY, PETER HSEIH, PAUL CHOI,
19 and DOES 1-50,

20 Defendants.

Case No.

UNLIMITED CIVIL CASE

CLASS ACTION COMPLAINT FOR
VIOLATION OF THE CALIFORNIA
CONSUMERS LEGAL REMEDIES ACT;
FALSE ADVERTISING LAW; COMMON
LAW FRAUD, DECEIT, AND/OR
MISREPRESENTATION; NEGLIGENT
MISREPRESENTATION,
CONCEALMENT; BREACH OF
CONTRACT; BREACH OF THE DUTY
OF GOOD FAITH AND FAIR DEALING;
AND UNFAIR COMPETITION LAW

JURY TRIAL DEMANDED

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1 **INTRODUCTION**

2 1. Plaintiff Rohit Kalakanti, by and through his counsel, bring this class action
3 against Defendants Northwestern Polytechnic University, Peter Hsieh, Paul Choi, and Does 1-50,
4 inclusive, on behalf of himself, the general public, and those similarly situated, for violations of
5 the Consumer Legal Remedies Act, Unfair Competition Law, and False Advertising Law, and for
6 common law concealment, fraud, deceit and/or misrepresentation. The following allegations are
7 based upon information and belief, including the investigation of Plaintiff's counsel, unless stated
8 otherwise.

9 2. Prior to and during the proposed Class Period, Northwestern Polytechnic
10 University ("NPU") held itself out as an "accredited" educational institution under U.S. law. In
11 reality, NPU knew that its accreditation was under federal investigation and in serious jeopardy of
12 being revoked. NPU failed to disclose this fact to its students or prospective students, nearly all of
13 whom were from India. NPU and its principals knew that its students and prospective students
14 relied on its accreditation representation because without it, the students could not obtain visas to
15 work in the United States after graduation, and thus would be unable to afford to repay their
16 student loans.

17 3. On December 12, 2016, the U.S. Department of Education concluded its
18 investigation and revoked federal recognition for NPU's accrediting agency, the Accrediting
19 Council for Independent Colleges and Schools ("ACICS"). As a result, NPU immediately lost its
20 federally-recognized accreditation, making its students ineligible for visa extensions. The loss of
21 accreditation also made the students' NPU degrees worthless if they wanted to pursue advanced
22 study at other institutions. NPU refused to refund any of the tuition or fees paid by its students.

23 4. Although holding itself out as a not-for-profit educational institution, NPU is run
24 as a private business enterprise by the Hsieh family. The members of the Hsieh family have
25 personally directed and benefitted from NPU's misconduct, living lavishly in NPU-owned
26 properties, at the expense of its defrauded students.

27 **PARTIES**

28 5. Rohit Kalakanti ("Kalakanti" or "Plaintiff") is an individual and has been a

1 temporary resident of Warsaw, Indiana since October 2016. From May 2015 to October 2016,
2 Kalakanti resided in Fremont, California. He is a citizen of India.

3 6. Defendant Northwestern Polytechnic University ("NPU") is a not for profit entity
4 incorporated under the laws of the State of California, having its principal place of business in
5 Fremont, California.

6 7. Defendant Peter Hsieh is a resident of Fremont, California. He became the
7 president of NPU in September 2015. Prior to that time, he served as Executive Vice President
8 and as an officer on the governing board of NPU. He was the son of George Hsieh, who
9 previously ran the university.

10 8. Defendant Paul Choi is a resident of Fremont, California. He has been the
11 executive vice president of NPU since January 2016. From August 2014 to January 2016, he was
12 the Chief Institutional Assessment Officer. Before then, he was a professor at NPU. He has been a
13 member of the governing board at NPU since 2015. He is the brother-in-law to Peter Hsieh.

14 9. The parties identified in paragraphs 7-8 shall collectively be known as the "Hsieh
15 Family Defendants." Additional details about these defendants are detailed in Paragraphs 64-76.

16 10. The true names and capacities of Defendants sued as Does 1 through 50, inclusive,
17 are unknown to Plaintiff, who therefore sues said Defendants by such fictitious names pursuant to
18 section 474 of the California Code of Civil Procedure. Plaintiff will seek leave of Court to amend
19 this Class Action Complaint when said true names and capacities have been ascertained.

20 11. The Parties identified in paragraphs 8-10 of this Class Action Complaint are
21 collectively referred to hereafter as "Defendants."

22 12. At all times herein mentioned, the Hsieh Family Defendants were the alter egos of
23 NPU.

24 13. At all times herein mentioned, each of the Hsieh Family Defendants was the agent,
25 servant, representative, officer, director, partner or employee of the other Defendants and, in
26 doing the things herein alleged, was acting within the scope and course of his/her/its authority as
27 such agent, servant, representative, officer, director, partner or employee, and with the permission
28 and consent of each Defendant.

1 14. At all times herein mentioned, each of the Defendants was a member of, and
2 engaged in, a joint venture, partnership and common enterprise, and acted within the course and
3 scope of, and in pursuance of, said joint venture, partnership and common enterprise.

4 15. At all times herein mentioned, the acts and omissions of each of the Defendants
5 concurred and contributed to the various acts and omissions of each and all of the other
6 Defendants in proximately causing the injuries and damages as herein alleged.

7 16. At all times herein mentioned, each of the Defendants ratified each and every act
8 or omission complained of herein.

9 17. At all times herein mentioned, each of the Defendants aided and abetted the acts
10 and omissions of each and all of the other Defendants in proximately causing the damages, and
11 other injuries, as herein alleged.

12 **JURISDICTION AND VENUE**

13 18. This action is brought by Plaintiff pursuant, *inter alia*, to the California Business
14 and Professions Code, section 17200, *et. seq.* Plaintiff and Defendants are “persons” within the
15 meaning of the California Business and Professions Code, section 17201.

16 19. The injuries, damages and/or harm upon which this action is based, occurred or
17 arose out of activities engaged in by Defendants within, affecting, and emanating from, the State
18 of California.

19 20. Defendants have engaged, and continue to engage, in substantial and continuous
20 business practices in the State of California, including in Alameda County. Defendants derive
21 substantial revenue from services provided to persons in the State of California.

22 21. In accordance with California Civil Code Section 1780(d), Plaintiff will
23 concurrently files herewith a declaration establishing that NPU’s principal place of business is in
24 Fremont, California. (The declaration is attached as Exhibit A.)

25 22. Plaintiff accordingly allege that jurisdiction and venue are proper in this Court.

26 **SUBSTANTIVE ALLEGATIONS**

27 **A. NPU Markets Itself As a University with Federally-Recognized Accreditation.**

28 23. NPU has its only campus in Fremont, California. It enrolls approximately 6,000

1 students each trimester, who are working towards Bachelors' and Masters' degrees in the areas of
2 computer science, engineering, and business management.

3 24. Until approximately the spring of 2017, NPU stated on its website:

4
5 Northwestern Polytechnic University is an academic institution accredited by the
6 Accrediting Council for Independent Colleges and Schools (ACICS) to award
7 bachelor's degrees, master's degrees, and doctorate degrees. ACICS is listed as a
8 nationally recognized accrediting agency by the United States Department of
9 Education and is recognized by the Council for Higher Education Accreditation.

10 <https://web.archive.org/web/20150426163256/http://www.npu.edu:80/Accreditation.html> (last
11 accessed November 30, 2017). This representation even continued to appear on NPU's website
12 for several months after the ACICS had been decertified as an accrediting agency and NPU had
13 lost its federally-recognized accreditation.

14 25. Since the spring of 2017, NPU's website has continued to include the first
15 sentence of the quoted paragraph immediately above: that that it obtains accreditation from
16 Accrediting Council for Independent Colleges and Schools (ACICS).

17 26. At no time has NPU disclosed on its website that (1) ACICS was under
18 investigation by the DOE, (2) federal recognition for ACICS as an accrediting agency was in
19 jeopardy of being revoked, (3) NPU had no back-up plan to obtain accreditation from any other
20 federally recognized accrediting agency if the DOE revoked its recognition of ACICS as an
21 accrediting agency, (4) if accreditation was revoked, students would be unable to obtain visa
22 extensions or use NPU degrees to pursue higher degrees at other institutions, (5) the DOE did in
23 fact revoke federal recognition for ACICS in December 2016, or (6) NPU is no longer accredited
24 by any federally recognized accrediting agency.

25 **B. NPU Targeted Its Marketing To Indian Students Who Relied On NPU's**
26 **Representation Of Federally-Recognized Accreditation In Choosing to Enroll.**

27 27. Beginning in 2013, NPU began aggressively recruiting potential students in India.
28 To reach these prospective students, NPU invests heavily in overseas recruiters and consultants.
Recruiters are paid by NPU to make presentations about the school to key target audiences and
visit undergraduate campuses to provide information directly to students. Education consultants
are individuals and organizations who provide assistance to those trying to understand their

1 educational options. Prospective students can hire consultants to review their standardized test
2 scores, transcripts, resumes, and other materials, and make recommendations on schools that
3 might be a good fit for their qualifications and goals. NPU pays these consultants 15% of the first
4 year tuition for every admitted student they referred to the school. NPU instructs the recruiters
5 and consultants to highlight to prospective students that an NPU degree can enable post-graduate
6 employment in the technology sector in the United States.

7 28. NPU's marketing efforts have been highly successful. In the 2014-15 academic
8 year, NPU sponsored 9,026 F-1 visas for students to attend school for at least one trimester or to
9 participate in job training programs described below. As of 2016, approximately 95% of NPU's
10 students were Indian nationals.

11 29. NPU knew that the key to attracting foreign students was to have federally-
12 recognized accreditation. Schools with such accreditation have the automatic right to issue Form
13 I-20s to foreign students, which those students need to obtain F-1 visas to study in the United
14 States. Only a degree from a school with such accreditation can be used to pursue a many
15 graduate or post-graduate degrees in U.S. and most other countries. In addition, degrees from
16 schools with such accreditation can more readily be used to support either an F-1 visa extension
17 or an H1-B visa, so that the students can work in the United States after graduation.

18 30. The Optional Practical Training job training program ("OPT") allows students to
19 extend their F-1 visas for one year. Students who have degrees in science, technology, and math
20 from schools with federally-recognized accreditation may obtain a second extension on their F-1
21 visa for an additional two years as part of the OPT STEM Extension program. Federal law
22 permits international students only one opportunity to participate in the OPT program, regardless
23 of the number of educational programs they complete. Thus, the school from which the student
24 graduated must remain accredited for the entire duration of the OPT eligibility for the student to
25 obtain the full benefit of that program.

26 31. H1-B guest worker visas are available under a separate visa lottery, if the applicant
27 is sponsored by a U.S. based employer. The H1-B is only available if the applicant's prospective
28 employer shows that the applicant has skills beyond those available from U.S.-based workers.

1 Applicants who hold degrees from schools with federally-recognized accreditation will be better
2 able to compete in the H1-B lottery than those individuals who do not hold such degrees.

3 32. Because federally-recognized accreditation was so important to students' decisions
4 as to whether to attend NPU, the school prepared marketing materials highlighting it and
5 instructed its recruiters and consultants to tell students about its accreditation. For example, in a
6 one-page document summarizing talking points that recruiters should use when pitching to
7 prospective students in India, NPU highlighted the fact that it was "nationally accredited" and
8 also stated "U.S Government: Department of Education recognized institution of higher
9 education."

10 33. NPU also knew that its students relied on the representation of federally-
11 recognized accreditation, in order to be able to earn enough money to repay loans incurred for
12 NPU tuition, fees, and living expenses. The NPU tuition, fees and living expenses far exceeded
13 the amounts that would be incurred to obtain a similar degree in India. But making students
14 eligible for F-1 visa extensions and H-1B visa sponsorship, the federally recognized accreditation
15 would allow NPU graduates to seek employment in the U.S. Because U.S. salaries are much
16 higher than those available in India, the students could repay the debt incurred for their U.S.
17 education. And upon eventually returning to India, their accredited degrees (and U.S. work
18 experience) could help them command higher salaries there as well. NPU knew that students
19 would be ineligible for the OPT extensions unless NPU continued to have federally recognized
20 accreditation on the date of the students' applications for those extensions (which were due
21 around the time of graduation and then again one year later).

22 34. Because short term employment at U.S. based companies is so important to NPU's
23 students, NPU heavily markets its ties to Silicon Valley employers. For example, on NPU's
24 website, it states:

25 Because Silicon Valley continually demands a multitude of electronics, computer,
26 and business professionals, NPU aims to prepare individuals to achieve the
27 proficiency necessary for quality work in the high-technology industry. Silicon
28 Valley's most pressing needs are for hardware and software design engineers,
software application specialists, networking experts, managers trained in the
application of computers to business, and business personnel familiar with
entrepreneurship and venture business management. While training students to

1 meet these needs quickly, NPU's emphasis is on quality and integrity in the
2 education.

3 NPU provides a unique educational culture and learning environment for students
4 because NPU has been able to attract a strong pool of talented individuals from
5 Silicon Valley to teach, conduct research, and provide student services. The
6 abundance of talent and technical resources in Silicon Valley has also provided
7 NPU with a unique student body. A significant percentage of the student
8 population already works in high-tech industries, which makes the teaching and
9 learning even more interesting.

10 <http://www.npu.edu/about-npu> (last accessed November 28, 2017). Because nearly everyone who
11 attends NPU will require visas to work in Silicon Valley, statements such as this one
12 communicate to prospective and current students that the school has and will continue to have
13 federally-recognized accreditation.

14 **C. NPU Knew Its Accreditation Was In Jeopardy When It Advertised Itself As**
15 **Accredited.**

16 35. As explained in more detail below, NPU knew ACICS was under federal
17 investigation and because of that fact, NPU was in danger of losing its accreditation at all times
18 during the class period.

19 **1. Overview of the Higher Education Accreditation Process.**

20 36. Higher education accreditation is a quality assurance process under which
21 education institutions are evaluated by an external body to determine if various quality standards
22 are met. In the United States, private accreditation agencies conduct those evaluations. Those
23 private accreditation agencies may, in turn, apply for formal recognition with the United States
24 Department of Education ("DOE").

25 37. Federally-recognized accreditation agencies must meet certain standards and
26 employ rigorous quality control in evaluating educational institutions. The agencies must comply
27 with reporting requirements and submit to periodic reviews by the DOE. If the DOE revokes
28 federal recognition of an accreditation agency, the schools accredited by the agency lose their
29 federally-recognized accreditation.

30 38. Obtaining and maintaining federally-recognized accreditation is an expensive and
31 lengthy undertaking. Schools seeking a new accreditation agency typically find that the process
32 takes a minimum of eighteen months, and could take well over three years. The costs are

1 compounded by monitoring and reporting requirements. Because accreditation usually requires
2 the school maintain a certain level of full-time faculty and an adequate library and other academic
3 resources, schools that have federally-recognized accreditation typically cost more to attend than
4 schools without it.

5 **2. NPU Knew That Its Accreditation Agency Was Under Intense**
6 **Scrutiny.**

7 39. Throughout the Class Period, NPU knew that its federally-recognized accreditation
8 was at risk.

9 40. As early as 2011, DOE raised concerns over renewing ACICS's status. It initially
10 withheld such approval pending additional compliance monitoring. NPU was informed of the
11 DOE action through communications with ACICS and industry publications, including an article
12 on June 9, 2011 in "Inside Higher Ed," entitled "More Scrutiny for Accreditors," which described
13 DOE concerns that ACICS did not have appropriate "benchmarks for student success."

14 41. Although DOE decided to renew ACICS's status in 2011, things continued to get
15 worse for ACICS. ACICS was at the center of governmental investigations into colleges and
16 universities that were alleged to have misled students, saddling them with mountains of debt and
17 leaving them with worthless degrees. For example, government regulators exposed widespread
18 fraud at Corinthian Colleges, a sprawling nationwide network of schools and campus that offered
19 higher educational programs in a variety of fields. Soaring rates of drop outs and student loan
20 defaults, brought on by misleading representations to students and low-quality instruction,
21 triggered litigation from students, numerous attorneys general, and the Consumer Financial
22 Protection Bureau. NPU was aware of these investigations from communications with ACICS
23 and news reports.

24 42. After Corinthian Colleges shut down, was fined \$30 million by the DOE, and filed
25 for bankruptcy in 2015, scrutiny turned to ACICS—which had accredited Corinthian Colleges—
26 for its lax oversight and shoddy quality control. State investigators, the Consumer Financial
27 Protection Bureau, and various House and Senate Committees opened investigations, held
28 hearings, and subpoenaed documents. For example, on June 17, 2015, a hearing of the Senate
Committee on Health, Education, Labor and Pensions was held, and Albert Gray, chairman of

1 ACICS was questioned at length. Senators expressed concern that ACICS continued to accredit
2 the very schools that were being sued for fraud by various attorneys general. Media attention was
3 given to Senator Elizabeth Warren's questioning of ACICS's decision to continue to accredit
4 Corinthian Colleges despite the fact that twenty attorney generals and one federal agency had
5 filed lawsuits against it.

6 43. NPU was fully aware of the investigation into ACICS in the wake of the
7 Corinthian Colleges scandal, from numerous reports in mainstream media and industry
8 publications. For example, *Inside Higher Ed* ran articles about the Senate and CFPB investigation
9 into ACICS, including articles on October 29, 2015, November 6, 2015, and November 17, 2015.
10 The November 17 article, which was entitled "Challenges of an Accreditor Crackdown,"
11 specifically warned that the DOE may soon revoke recognition of ACICS, and summarized
12 the contentious Senate questioning of ACICS.

13 44. Corinthian was not the only ACICS backed-school in hot water. Several other
14 ACICS-backed schools settled litigation brought by federal agencies, state attorney generals, and
15 private litigants. Herguan College in Sunnydale, California was shut down and its Chief
16 Executive Officer went to prison for conspiracy to commit visa fraud in connection with his
17 efforts to enroll international students into sham educational programs. Daymar College, National
18 College, and Spencerian College were sued by the Kentucky attorney general in 2011 and 2013,
19 respectively. Lincoln Technical Institute and Salter College settled with the Massachusetts
20 attorney general. Daymar College also settled fraud claims brought by the Pennsylvania Attorney
21 General. NPU was aware of these developments based on media reports, industry publications,
22 and communications with ACICS and others.

23 45. On May 29, 2015, at its annual conference, which representatives from NPU
24 attended, the chair of ACICS, John Euliano, warned its members that accreditation might be
25 revoked even for the schools ACICS accredited that were providing high quality educations:

26 Trust me, accreditation has little ability to mitigate political risk. In fact, some
27 schools with quality programs have been shuttered primarily because they were
28 subject to political risk. The sources of the political risk do not care (nor can they
discern) a good school from a bad one. They lack the tools and expertise to

1 determine which students are getting value from their investment versus those
2 who are not. In general, political risks manifest as a meat cleaver, not a scalpel.

3 <http://www.acics.org/news/content.aspx?id=6381> (last accessed November 30, 2017).

4 46. NPU also knew that ACICS was not taking sufficient steps to allay regulators'
5 concerns. For example, it knew that instead of distancing itself from the failed, corrupt schools,
6 ACICS had hired those schools' executives, such as in 2014, when ACICS hired Beth Wilson as a
7 commissioner. Ms. Wilson had previously served as the executive vice president at Corinthian
8 Colleges, where she had ordered staff there to falsify job placement rates. NPU and its leadership
9 knew about the suspicious hiring and Ms. Wilson's background from media reports and industry
10 publications, including an article in the March 18, 2016 issue of the *Chronicle of Higher
11 Education* and ACICS's written response to that article.

12 47. In March 2016, DOE published a notice in the Federal Register requesting
13 comments on whether it should revoke its recognition of ACICS's status. Thirteen state attorneys
14 general called for the revocation of ACICS's status by the DOE, as did twenty-three public
15 interest organizations, including consumer groups, veterans' groups, and education advocates. On
16 June 15, 2016, the National Advisory Committee on Institutional Quality and Integrity
17 ("NACIQI"), a division of the DOE, issued a recommendation to deny ACICS's petition for
18 renewal of recognition and withdraw the agency's recognition. NPU learned of each of these
19 developments soon after they occurred from ACICS's membership distribution lists and stories
20 in the *Chronicle of Higher Education*, *Inside Higher Ed*, and other publications.

21 48. In May 2016, in response to the massive number of investigations and lawsuits
22 that its schools were experiencing, ACICS held conference with its schools, including NPU, to
23 discuss how to evade such lawsuits. ACICS encouraged these schools to reduce transparency to
24 limit what outside compliance monitors would be able to access. ACICS reasoned that if
25 compliance monitors could not see the data, they would not be able to find problems with it. NPU
26 thus had further reason to doubt ACICS's commitment to quality control and the likelihood that
27 the government would revoke its status.
28

1 49. On July 1, 2016, California's Bureau for Private Postsecondary Education wrote to
2 all California-based schools accredited by ACICS, including NPU, to inform it of the risks of
3 ACICS losing its federal recognition.

4 50. NPU did not begin to search for a back-up accreditation agency until well into
5 2016, even though it knew that the process for accreditation would take several years to complete.
6 It did not hire a Chief Academic Officer, one of the requirements for such accreditation, until
7 September 2016.

8 51. On September 22, 2016, the DOE wrote to ACICS to inform it that it had
9 considered the recommendations of NACIQI as well as other DOE staff members and the full
10 record before it. It informed ACICS that it had decided to terminate DOE's recognition of ACICS
11 as a nationally recognized accrediting agency. In particular, DOE found that ACICS was out of
12 compliance in 21 different areas and noted that ACICS had not addressed problems it had known
13 about for years. This issue was communicated to NPU via ACICS's membership distribution
14 lists, a September 22, 2016 letter from California's Bureau for Private Postsecondary Education
15 that was sent to NPU, and published in the *Chronicle of Higher Education*, *Inside Higher Ed*, and
16 other periodicals read by Defendants.

17 52. ACICS appealed the September 22, 2016 decision to the Secretary of the DOE,
18 who in turn denied that appeal on December 12, 2016.

19 **3. NPU Continued to Hold Itself Out As Accredited to Its Students While**
20 **Concealing The Risks It was Facing.**

21 53. During the entire period when ACICS was under scrutiny from 2011 until
22 December 22, 2016, NPU withheld from its students and prospective students *any information*
23 about the problems with its accrediting agency or the risk or likelihood that its federally-
24 recognized accreditation would be lost. It therefore made no disclosures to students (1) in
25 connection with the 2013-2015 investigations into Corinthian Colleges and many other ACICS-
26 accredited institutions, (2) after DOE proposed revocation in March 2016, (3) after the June 2016
27 advisory opinion by DOE, (4) after the July 2016 notice from the state of California, or (5) after
28 the September 2016 DOE action. Instead, NPU continued to represent that it had federally-

1 recognized accreditation without qualification on its website, marketing materials, and internal
2 communications with students; and it failed to notify students that its accreditation was in
3 jeopardy, which would have enabled those students to choose not to enroll or complete their
4 programs, seek to transfer to other universities, or make different decisions with respect to post-
5 graduate employment. Despite knowing for months or years that it may not be accredited by the
6 time students seek to transfer to other universities, complete their programs, apply for jobs and
7 graduate programs, and apply for visas, NPU also continued to enroll additional students at an
8 increasingly fast pace. In 2013, NPU had approximately 1,634 students attending or enrolled in
9 OPT programs; by 2015, that number had jumped to 9,024 students.

10 54. NPU concealed information about the serious risk that it would lose its
11 accreditation, despite knowing that its students and prospective students would likely be unaware
12 of the information. NPU knew that its foreign students were unlikely to understand the
13 complicated regulatory scheme governing accreditation or the interplay between federal agencies
14 and private accreditations firms such as ACICS. It also knew that NPU students and prospective
15 students were not receiving updates directly from ACICS, attending ACICS or industry
16 conferences, subscribing to industry publications. It knew that the scandals involving ACICS was
17 unlikely to be covered by media in India, or by the overseas editions of U.S. media (such as CNN
18 or the New York Times). Finally, it knew that even if students and prospective students
19 discovered information about ACICS, they would have little way of knowing whether the
20 scandals involving *for-profit* colleges (such as Corinthian Colleges) would have any effect on
21 purportedly *not-for-profit* colleges (such as NPU). For example, a search on CNN's website
22 shows that ACICS was mentioned three times in 2016, but all within the context of complaints
23 about *for profit* schools.

24 55. NPU informed the class via an email that it had lost its federally-backed
25 accreditation for the first time on December 22, 2016 – ten days after its accreditation had been
26 lost.

27 56. In the December 22 announcement, NPU continued to try to mislead the class as to
28 the significance of the loss of accreditation, in order to minimize complaints and to prevent

1 current students from attempting to transfer. For example, NPU falsely advised class members
2 that “there will be no impact upon ACICS-accredited institutions or their students for the next 18
3 months.” It was not until April 25, 2017 that NPU informed class members that to be eligible for
4 the OPT STEM extension program for the first year, interested students had to have applied for it
5 *before* NPU lost its federally-recognized accreditation on December 12, 2016. And even if
6 students had so applied, they would not be eligible for the additional two years of extension.

7 57. In the December 22, 2016 email, NPU also assured the class that it had “strong
8 contingency plans.” NPU did not tell the class that they would not benefit from those
9 “contingency plans,” because it would be years before NPU would be able to secure federally-
10 recognized accreditation, and any degrees earned prior to that renewed accreditation would be
11 worthless—unusable for further study at other universities or to support visas to remain or work
12 in the United States. It was not until October 31, 2017 that Defendants finally told the class that it
13 would not obtain federally-recognized accreditation until 2019 at the earliest.

14 58. NPU knew and intended that Plaintiff and Class Members would rely upon its
15 misrepresentations and omissions by (1) enrolling in and paying money to NPU, (2) paying for F-
16 1 visas and for travel expenses to and living expenses in the United States, (3) borrowing money
17 to finance such expenses, (4) choosing not to transfer to other universities that had federally
18 recognized accreditation, and (5) choosing not to defer their OPT visa extension applications until
19 after completion of studies at a different university, where they could have obtained the full three-
20 year OPT STEM extension.

21 **D. The Class Was Misled and Damaged as a Result of NPU’s False Advertising.**

22 59. Class members were damaged by NPU’s misrepresentations. As a result of NPU’s
23 deception about its accreditation status, they were denied the benefits of attendance at a federally-
24 recognized accredited institution, even though they had completed the coursework and paid a
25 premium for their tuition. As of December 12, 2016, thousands of students were enrolled at NPU
26 and thousands more had just graduated.

27 60. Tuition at NPU is paid on the trimester system. Class members in the
28 undergraduate program were charged at least \$3,960 for a 12-unit trimester and required to

1 complete 120 units (ten trimesters, or 2.5 years), for a total cost of roughly \$39,600. Class
2 members in the masters degree program were charged at least \$4,050 per trimester and required
3 to complete five or six trimesters (1.25 to 1.5 years), for a total cost of at least \$20,250 to
4 \$25,300. Class members also paid NPU for books, health insurance, and other administrative
5 fees, so the per semester cost was often over \$5,000. In addition, class members relocated to the
6 United States, incurring travel and moving costs, and they paid to live in the very expensive San
7 Francisco Bay area, where even students who lived frugally in shared housing arrangements spent
8 at least \$1,000 per month for the duration of their studies to cover rent, groceries and other living
9 expenses, or at least \$30,000 for undergraduates and \$15,000 to \$18,000 for graduate students, far
10 more than they would have spent had they remained in India.

11 61. Because international students are not eligible for U. S. federal student loan
12 programs, members of the class had to obtain other financing. A typical loan from an Indian
13 financial institution to cover the costs of attending NPU would bear an interest rate of ten percent
14 or more, impose a five-year repayment term that begins on the date of graduation, and be fully
15 secured by property or other collateral in India, such as the family home of the student.

16 62. Because of the high cost of attending, compounded by onerous repayment terms,
17 the loss of federally-recognized accreditation was financially disastrous for the class. Without
18 access to F-1 visa extensions or H-1B visas, students cannot earn money at U.S. salaries as they
19 reasonably would have expected to be able to do, and Indian salaries are not high enough to
20 permit repayment of the student loans. NPU graduates might earn \$60,000 per year for computer
21 science jobs in the United States but similar positions in India pay only around \$10,000.

22 63. Class members were also harmed in other ways. Had NPU disclosed the truth,
23 class members could have enrolled in or transferred to other institutions or taken paying jobs in
24 India, in lieu of spending money to pursue their now-worthless degrees.

25 **C. Defendants Profited From Their Scheme.**

26 64. NPU and the Hseih Family Defendants have profited enormously from NPU's
27 false advertising scheme.

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1 65. In 2013, after NPU began employing recruiters in India to advertise its programs
2 to prospective students, its enrollment and revenues increased substantially. In 2013, NPU earned
3 \$12.8 million in revenues, which jumped to \$39.7 million in 2014 and \$72.4 million in 2015. Yet
4 despite enrolling thousands more students, its total expenses, as reported to the IRS, increased
5 much more slowing, going only from \$7.4 million to \$10.9 million to \$19.4 million, which has
6 left the school with millions of dollars in profit. In 2015, its profit margin was 72%.

7 66. Although NPU is registered as a not-for-profit organization, it did not invest these
8 profits back into the university, as would be required under IRS regulations and state law. Instead,
9 NPU has and the Hsieh Family Defendants have taken steps to evade federal and state law, co-
10 mingling assets and ignoring corporate formalities, for the gain of the Hsieh Family Defendants.

11 67. NPU and the Hsieh Family Defendants maintained that NPU was a not-for-profit
12 organization (even though it was actually organized to benefit the Hsieh Family Defendants) in
13 order to further their fraudulent acts against Class Members. Only nonprofit schools can
14 participate in the STEM OPT program, so holding itself out as a nonprofit allowed NPU to recruit
15 more foreign students, who depend on the STEM OPT to obtain work in the United States after
16 graduation to earn enough to repay their loans. Further, nonprofit universities are subject to less
17 stringent DOE regulatory and reporting requirements than for-profit universities, so NPU was
18 able to divert money from student services to the pockets of the Hsieh Family Defendants. In
19 addition, NPU avoided federal and state income taxes on profits that would be due as a for-profit
20 institution, diverting that additional money to the Hsieh Family Defendants.

21 68. As a not-for-profit organization, NPU is required to maintain an independent board
22 to oversee finances and management and protect student interests. But NPU's board is not
23 independent. Rather, NPU has had a three person board of directors led by a member of the Hsieh
24 family. Until September 2015, that board was headed by George Hsieh, who been an employee
25 and President of NPU since 1991. In 2014 and 2015, the only two other board members were
26 NPU professors who served as secretary and treasurer. Because all three individuals were
27 employees of NPU and thus on its payroll, the board was not independent. In addition, the two
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1 professors' employment was controlled by George Hsieh, who could have terminated their
2 employment if they voted against his wishes.

3 69. In March 2015, when George Hsieh retired, he nominated as board chair his wife
4 Wen Hsieh and selected his son Defendant Peter Hsieh to take over as President. This decision
5 was unanimously approved by the three-person board consisting of George Hsieh and his two
6 employees.

7 70. Because non-profit boards are supposed to be independent, non-profit board
8 members typically do not receive compensation for their service on the board to guard against
9 personal financial interests influencing board members' decision making. Accordingly, the two
10 professors received no such compensation in 2014. However, on March 14, 2015, the same day
11 the two professors voted to approve the appointments of Defendant Peter Hsieh and Defendant
12 Wen Hsieh, both received checks for \$2,500 from NPU with the subject line "Gratitude / meeting
13 fee."

14 71. Three member non-profit boards are particularly unusual for larger non-profits,
15 like educational institutions that enroll thousands of students. NPU and the Hsieh Family
16 Defendants chose the board structure to permit the Hsieh Family Defendants to control NPU and
17 use NPU assets for their own personal gain.

18 72. Like its board, NPU's management is also not independent. Rather, as set forth in
19 Paragraphs 8-9, members of the Hsieh family are employed in a number of leadership positions.
20 George Hsieh served as President from 1991 to 2015, and his son Peter began as Executive Vice
21 President in 2013 before he assumed the President position. Family members also are employed
22 in lower level positions; for example, Defendant Peter Hsieh's wife, Sunny Oh, received \$60,000
23 as an independent contractor in 2015.

24 73. Federal law requires that non-profit organizations publicly disclose certain
25 categories of information, including how much the organization spent on compensation generally,
26 and specific salaries for their highest paid employees. To avoid these reporting requirements,
27 NPU and the Hsieh Family Defendants decided to have NPU pay salaries that are unlikely to raise
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1 suspicion, but then to permit the Hsieh Family Defendants to use NPU's assets as their personal
2 slush funds, rather than invest those assets back into the educational mission of the organization.

3 74. For example, in December 2013, two months after contracting to hire Defendant
4 Peter Hsieh full time, NPU purchased a \$2.2 million house. Defendant Peter Hsieh and his family
5 moved in. That year, NPU also purchased a \$1.5 million house, in which Defendant Paul Choi
6 resides. NPU has also purchased numerous other properties in Fremont and Mountainview; it is
7 believed that other members of the Hsieh family reside in these homes. NPU did not disclose
8 these homes as expenses to the IRS.

9 75. The Hsieh Family Defendants also frequently use university funds for personal
10 expenses. An investigation by one media source found hundreds of the Hsieh Family Defendants'
11 day to day expenses charged to the NPU, for everything from grocery runs at Trader Joe's to
12 Starbucks' coffee. The same investigation discovered that NPU purchased for Defendant Paul
13 Choi \$1,200 in Ikea furniture and a \$150 toilet seat from Home Depot.

14 76. There is a unity of interest and ownership between the NPU and the Hsieh Family
15 Defendants, and it would be unfair if the acts of NPU described herein are treated as those of the
16 corporation alone.

17 PLAINTIFF'S EXPERIENCE

18 77. In 2014, Kalakanti was in Hyderabad, India. He had completed his bachelor's
19 degree, and had an interest in continuing his education in engineering. He was particularly
20 interested in working in the technology industry, and knew that a master's degree from a United
21 States institution and work experience in Silicon Valley would help him find the best
22 opportunities for permanent employment.

23 78. During that time, he spoke with education consultants in India about his options
24 for schooling in the United States. He was aware of the OPT program and sought out a school
25 where participation in that program would be an option. He worked with a consultant in India
26 who was paid by NPU and who told him that NPU had federally-recognized accreditation, which
27 he knew he would need to obtain the necessary visa to student in the United States and to have the
28 benefits of being able to work for 2-3 years after his program, due to the fact that such

1 accreditation would qualify him for OPT and the STEM extension.

2 79. He applied for acceptance into NPU's masters' of electrical engineering program
3 in September 2014. He was admitted in February 2015, and began attending classes in May 2015.
4 NPU issued a Form I-20 to Kalakanti, so that he could apply for the F-1 visa, allowing him to
5 enter the United States to attend classes at NPU.

6 80. To pay for his education at NPU, Kalakanti borrowed money from family
7 members in India. His family in the United States also lent him money to help cover his living
8 expenses.

9 81. Kalakanti completed his Master's degree program in August 2016. At the time he
10 had completed the program, he had borrowed approximately \$21,000 from family members in
11 India to pay for tuition, which he will have to repay. He also spent approximately \$20,000 in
12 living expenses while studying, which he will also have to repay to family.

13 82. In August 2016, Kalakanti secured employment in the United States, and applied
14 for and began his 12 month OPT.

15 83. While a student at NPU, NPU maintained an online portal, which it used to publish
16 communications to students. Because the portal included information about class schedules,
17 registration, tuition payment, and other important issues, Kalakanti logged into the portal
18 regularly throughout his time at NPU and reviewed the communications from the school and his
19 instructors. At no time prior to or during his time at NPU did Kalakanti receive any
20 communications from NPU about NPU's accreditation being in jeopardy.

21 84. It was not until December 22, 2016 that Kalakanti learned that NPU had lost its
22 accreditation. In the months that followed, Kalakanti learned that he was ineligible for the STEM
23 extension because NPU had lost its federally-recognized accreditation.

24 85. Had NPU informed him during the application process that that its federally-
25 recognized accreditation was in jeopardy, Kalakanti would not have chosen to attend NPU. Had
26 NPU informed him after his enrollment in the program that its federally-recognized accreditation
27 was in jeopardy, Kalakanti would have transferred to another university with federally-recognized
28 accreditation, or pursued a second or advanced degree at such a university rather than initiating

1 the OPT program, so that he would have had the opportunity to participate in the three year OPT
2 program after completion of his studies.

3 86. Kalakanti relied to his detriment on NPU's representations and omissions.

4 87. Plaintiff continues to desire to receive an education from a federally-recognized
5 accredited institution. If Defendants are able to obtain such accreditation, Plaintiff would consider
6 enrolling in additional degree programs again in the future. But Plaintiff is not privy to
7 information in the hands of Defendants as to whether they are taking reasonable steps to ensure
8 continuity of accreditation (such as, for example, using only accrediting agencies that are not
9 under federal investigation and/or having a backup accreditation agency). Plaintiff will be unable
10 to rely on Defendants' accreditation representations in the future absent an injunction that
11 prohibits Defendants from advertising their institution as "accredited" unless Defendants are
12 taking such reasonable steps. Thus, Plaintiff is likely to be repeatedly presented with false or
13 misleading information when looking for future educational opportunities, making it difficult to
14 make informed decisions.

15 CLASS ALLEGATIONS

16 88. Plaintiff brings this action against Defendants, on behalf of himself and all others
17 similarly situated, as a class action pursuant to section 1781 of the California Civil Code. Plaintiff
18 seeks to represent the following groups of similarly situated persons, defined as follows:

19 All persons who were enrolled in educational programs at NPU on or after
20 September 12, 2015.

21 89. This action has been brought and may properly be maintained as a class action
22 against Defendants because there is a well-defined community of interest in the litigation and the
23 proposed class is easily ascertainable.

24 90. Numerosity: Plaintiff does not know the exact size the Class, but it is composed of
25 more than 1000 persons. The persons in the Class are so numerous that the joinder of all such
26 persons is impracticable and the disposition of their claims in a class action rather than in
27 individual actions will benefit the parties and the courts.

28 91. Common Questions Predominate: This action involves common questions of law
and fact to the potential classes because each class member's claim derives from the deceptive,

1 unlawful and/or unfair statements and omissions that led consumers to believe that the
2 educational programs offered by Defendants were accredited by a federally recognized
3 organization and that accreditation would not be lost. The common questions of law and fact
4 predominate over individual questions, as proof of a common or single set of facts will establish
5 the right of each member of the Class to recover. The questions of law and fact common to the
6 Class are:

- 7 a) whether NPU unfairly, unlawfully and/or deceptively misrepresented that its
8 educational programs were accredited by a federally recognized accrediting
9 agency;
- 10 b) whether the use of the word "accredited" is misleading when NPU knows
11 that the accreditation is at risk of being lost;
- 12 c) whether NPU knew or should have known that its federally-recognized
13 accreditation was in jeopardy;
- 14 d) whether NPU had a duty to disclose that its federally-recognized
15 accreditation was in jeopardy;
- 16 e) whether NPU's advertising and marketing regarding the status of its
17 accreditation was likely to deceive the class members and/or was unfair;
- 18 f) whether NPU's advertising and marketing regarding the status of its
19 accreditation was unlawful pursuant to 34 C.F.R. 668.72(a);
- 20 g) whether the Hsieh Family Defendants are alter-egos of NPU;
- 21 h) whether Defendants engaged in the alleged conduct knowingly, recklessly,
22 or negligently;
- 23 i) the amount of profits and revenues earned by Defendants as a result of the
24 conduct;
- 25 j) whether class members are entitled to restitution, injunctive and other
26 equitable relief and, if so, what is the nature (and amount) of such relief;
27 and
- 28 k) whether class members are entitled to payment of actual, incidental,

1 consequential, exemplary and/or statutory damages plus interest thereon,
2 and if so, what is the nature of such relief.

3 92. Typicality: The claims of Plaintiff is typical of the Class because they attended
4 NPU in reliance on its misrepresentations and omissions that the institution was accredited by a
5 federally-recognized accrediting organization. Thus, Plaintiff and the class members sustained the
6 same injuries and damages arising out of Defendants' conduct in violation of the law. The injuries
7 and damages of each class member were caused directly by Defendants' wrongful conduct in
8 violation of law as alleged.

9 93. Adequacy: Plaintiff will fairly and adequately protect the interests of all class
10 members because it is in their best interests to prosecute the claims alleged herein to obtain full
11 compensation due to them for the unfair and illegal conduct of which they complain. Plaintiff also
12 has no interests that are in conflict with, or antagonistic to, the interests of class members.
13 Plaintiff has retained highly competent and experienced class action attorneys to represent him
14 interests and that of the classes. By prevailing on their own claims, Plaintiff will establish
15 Defendants' liability to all class members. Plaintiff and their counsel have the necessary financial
16 resources to adequately and vigorously litigate this class action, and Plaintiff and counsel are
17 aware of their fiduciary responsibilities to the class members and are determined to diligently
18 discharge those duties by vigorously seeking the maximum possible recovery for class members.

19 94. Superiority: There is no plain, speedy, or adequate remedy other than by
20 maintenance of this class action. The prosecution of individual remedies by members of the
21 classes will tend to establish inconsistent standards of conduct for Defendants and result in the
22 impairment of class members' rights and the disposition of their interests through actions to
23 which they were not parties. Class action treatment will permit a large number of similarly
24 situated persons to prosecute their common claims in a single forum simultaneously, efficiently,
25 and without the unnecessary duplication of effort and expense that numerous individual actions
26 would engender. Furthermore, as the damages suffered by each individual member of the classes
27 may be relatively small, the expenses and burden of individual litigation would make it difficult
28 or impossible for individual members of the class to redress the wrongs done to them, while an

1 important public interest will be served by addressing the matter as a class action.

2 95. Plaintiff is unaware of any difficulties that are likely to be encountered in the
3 management of this action that would preclude its maintenance as a class action.

4 **PLAINTIFF'S FIRST CAUSE OF ACTION**
5 **(Violation of the Consumers Legal Remedies Act (the "CLRA"), California Civil Code §**
6 **1750, *et seq.*)**
7 **On Behalf of Plaintiff and the Class**

8 96. Plaintiff realleges and incorporates the paragraphs of this Class Action Complaint
9 as if set forth herein.

10 97. Defendants' actions, representations and conduct have violated, and continue to
11 violate the CLRA, because they extend to transactions that are intended to result, or which have
12 resulted, in the sale or lease of goods or services to consumers.

13 98. Plaintiff and other class members are "consumers" as that term is defined by the
14 CLRA in California Civil Code § 1761(d).

15 99. The educational programs that Plaintiff (and other similarly situated class
16 members) purchased from Defendants are "services" within the meaning of California Civil Code
17 § 1761(b).

18 100. By engaging in the actions, representations and conduct set forth in this Class
19 Action Complaint, Defendants have violated, and continue to violate, § 1770(a)(2), § 1770(a)(3),
20 § 1770(a)(5), § 1770(a)(7), § 1770(a)(9), § 1770(a)(14), and § 1770(a)(16) of the CLRA. In
21 violation of California Civil Code:

- 22 • §1770(a)(2), Defendants' acts and practices constitute improper representations
23 regarding the source, sponsorship, approval, or certification of the services they
24 sold;
- 25 • § 1770(a)(3), Defendants' acts and practices constitute misrepresentation regarding
26 the affiliation, connection, or association with, or certification by, another of the
27 services they sell;
- 28 • §1770(a)(5), Defendants' acts and practices constitute improper representations
that the services they sell have sponsorship, approval, characteristics, uses,

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benefits, or quantities, which they do not have;

- §1770(a)(7), Defendants' acts and practices constitute improper representations that the services they sell are of a particular standard, quality, or grade, when they are of another;
- §1770(a)(9), Defendants have advertised their services with intent not to sell them as advertised;
- §1770(a)(14), Defendants have representing that a transaction confers or involves rights, remedies, or obligations which it does not have or involve;
- §1770(a)(16), Defendants have represented that a transaction has been supplied in accordance with a previous representation when it has not;

In particular, Defendants violated each of these subsections by representing that NPU had federally recognized accreditation without disclosing that (1) its accrediting agency was under investigation by the DOE, (2) federal recognition for its accrediting agency was in jeopardy of being revoked, (3) NPU had no back-up plan to obtain accreditation from any other federally recognized accrediting agency if the DOE revoked its recognition of NPU's accrediting agency, (4) if accreditation was revoked, students would be unable to obtain visa extensions or use NPU degrees to pursue higher degrees at other institutions, (5) the DOE did in fact revoke federal recognition for NPU's accrediting agency in December 2016, or (6) NPU is no longer accredited by any federally recognized accrediting agency.

101. Plaintiff requests that this Court enjoin Defendants from continuing to employ the unlawful methods, acts and practices alleged herein pursuant to California Civil Code § 1780(a)(2).

102. Pursuant to Civil Code sections 3384 and 3386, which authorize the court to provide specific performance to compel performance of an obligation, Plaintiff seeks, on behalf of himself, those similarly situated, and the general public, an order compelling Defendants to (a) obtain a new federally recognized accreditation and (b) issue new credits and new degrees to Plaintiff and class Members after the date of such accreditation, based on previously earned credit hours, without additional charge to Plaintiff or Class Members.

1 103. If Defendants are not restrained from engaging in these types of practices in the
2 future, Plaintiff and the other members of the Class will continue to suffer harm.

3 104. CLRA § 1782 NOTICE. **Irrespective of any representations to the contrary in**
4 **this Class Action Complaint, Plaintiff specifically disclaims, at this time, any request for**
5 **damages under any provision of the CLRA.** Plaintiff, however, hereby provide Defendants
6 with notice and demand that within thirty (30) days from that date, Defendants correct, repair,
7 replace or otherwise rectify the unlawful, unfair, false and/or deceptive practices complained of
8 herein. Defendants' failure to do so will result in Plaintiff amending this Class Action Complaint
9 to seek, pursuant to California Civil Code § 1780(a)(3), on behalf of himself and those similarly
10 situated class members, compensatory damages, punitive damages and restitution of any ill-gotten
11 gains due to Defendants' acts and practices.

12 105. Plaintiff also requests that this Court award their costs and reasonable attorneys'
13 fees pursuant to California Civil Code § 1780(d).

14 **PLAINTIFF'S SECOND CAUSE OF ACTION**
15 **(False Advertising, Business and Professions Code § 17500, et seq. ("FAL"))**
16 **On Behalf of Plaintiff and the Class**

17 106. Plaintiff realleges and incorporates by reference the paragraphs of this Class
18 Action Complaint as if set forth herein.

19 107. Beginning at an exact date unknown to Plaintiff, but within three (3) years
20 preceding the filing of the Class Action Complaint, Defendants made untrue, false, deceptive
21 and/or misleading statements in connection with the advertising and marketing of their
22 educational programs.

23 108. In particular, Defendants represented that NPU had federally recognized
24 accreditation without disclosing that (1) its accrediting agency was under investigation by the
25 DOE, (2) federal recognition for its accrediting agency was in jeopardy of being revoked, (3)
26 NPU had no back-up plan to obtain accreditation from any other federally recognized accrediting
27 agency if the DOE revoked its recognition of NPU's accrediting agency, (4) if accreditation was
28 revoked, students would be unable to obtain visa extensions or use NPU degrees to pursue higher
degrees at other institutions, (5) the DOE did in fact revoke federal recognition for NPU's

1 accrediting agency in December 2016, and (6) NPU is no longer accredited by any federally
2 recognized accrediting agency.

3 109. Plaintiff and those similarly situated relied to their detriment on Defendants' false,
4 misleading and deceptive advertising and marketing practices, including each of the
5 misrepresentations and omissions set forth in paragraphs 24-26, 53-58, and 78 above. Had
6 Plaintiff and those similarly situated been adequately informed and not intentionally deceived by
7 Defendants, they would have acted differently by, without limitation, not enrolled in Defendants'
8 educational programs, or, at a minimum, not paid as much, would have sought to transfer to other
9 universities, chosen not to complete their programs, or acted differently with respect to post-
10 graduate employment.

11 110. Defendants' acts and omissions are likely to deceive the general public.

12 111. Defendants engaged in these false, misleading and deceptive advertising and
13 marketing practices to increase its profits. Accordingly, Defendants have engaged in false
14 advertising, as defined and prohibited by section 17500, *et seq.* of the California Business and
15 Professions Code.

16 112. The aforementioned practices, which Defendants used, and continue to use, to
17 their significant financial gain, also constitutes unlawful competition and provides an unlawful
18 advantage over Defendants' competitors as well as injury to the general public.

19 113. As a direct and proximate result of such actions, Plaintiff and the other class
20 members have suffered, and continue to suffer, injury in fact and have lost money and/or property
21 as a result of such false, deceptive and misleading advertising in an amount which will be proven
22 at trial, but which is in excess of the jurisdictional minimum of this Court.

23 114. Plaintiff seeks, on behalf of himself and those similarly situated, full restitution of
24 monies, as necessary and according to proof, to restore any and all monies acquired by
25 Defendants from Plaintiff, the general public, or those similarly situated by means of the false,
26 misleading and deceptive advertising and marketing practices complained of herein, plus interest
27 thereon.

28 115. Plaintiff seeks, on behalf of himself and those similarly situated, a declaration that

1 the above-described practices constitute false, misleading and deceptive advertising.

2 116. Plaintiff seeks, on behalf of himself and those similarly situated, an injunction to
3 require Defendants to provide them the promised degree from an institution of higher education
4 that has federally recognized accreditation, for example by (1) obtaining a new federally
5 recognized accreditation and (2) issuing new credits and new degrees to Plaintiff and class
6 Members after the date of such accreditation, based on previously earned credit hours, without
7 additional charge to Plaintiff or Class Members.

8 117. Plaintiff seeks, on behalf of himself and those similarly situated, an injunction to
9 prohibit Defendants from continuing to engage in the false, misleading and deceptive advertising
10 and marketing practices complained of herein. Such misconduct by Defendants, unless and until
11 enjoined and restrained by order of this Court, will continue to cause injury in fact to the general
12 public and the loss of money and property in that Defendants will continue to violate the laws of
13 California, unless specifically ordered to comply with the same. This expectation of future
14 violations will require current and future consumers to repeatedly and continuously seek legal
15 redress in order to recover monies paid to Defendants to which they are not entitled. Plaintiff,
16 those similarly situated and/or other consumers nationwide have no other adequate remedy at law
17 to ensure future compliance with the California Business and Professions Code alleged to have
18 been violated herein.

19 **PLAINTIFF'S THIRD CAUSE OF ACTION**
20 **(Common Law Fraud, Deceit and/or Misrepresentation)**
21 **On Behalf of Plaintiff and the Class**

22 118. Plaintiff realleges and incorporates by reference the paragraphs of this Class
23 Action Complaint as if set forth herein.

24 119. Throughout the last four years, Defendants fraudulently and deceptively informed
25 Plaintiff and the Class that NPU's educational program had federally-recognized accreditation.
26 Defendants failed to inform Plaintiff and the Class that (1) NPU's accrediting agency was under
27 investigation by the DOE, (2) federal recognition for its accrediting agency was in jeopardy of
28 being revoked, (3) NPU had no back-up plan to obtain accreditation from any other federally
recognized accrediting agency if the DOE revoked its recognition of NPU's accrediting agency,

1 (4) if accreditation was revoked, students would be unable to obtain visa extensions or use NPU
2 degrees to pursue higher degrees at other institutions, (5) the DOE did in fact revoke federal
3 recognition for NPU's accrediting agency in December 2016, and (6) NPU is no longer accredited
4 by any federally recognized accrediting agency.

5 120. These misrepresentations and omissions were known exclusively to, and actively
6 concealed by, Defendants, not reasonably known to Plaintiff, and material at the time they were
7 made. Defendants' misrepresentations and omissions concerned material facts that were essential
8 to the analysis undertaken by Plaintiff and the Class as to whether to enroll in Defendants'
9 educational programs, complete such programs, and seek out certain educational and employment
10 opportunities. In misleading Plaintiff and the Class and not so informing Plaintiff and the Class,
11 Defendants breached their duty to them. Defendants also gained financially from, and as a result
12 of, their breach.

13 121. Plaintiff and those similarly situated relied to their detriment on Defendants'
14 misrepresentations and fraudulent omissions. Had Plaintiff and those similarly situated been
15 adequately informed and not intentionally deceived by Defendants, they would have acted
16 differently by, without limitation, not enrolling, or, at a minimum, not paying as much, seeking to
17 transfer to other universities, choosing not to complete their programs, or acting differently with
18 respect to employment.

19 122. By and through such fraud, deceit, misrepresentations and/or omissions,
20 Defendants intended to induce Plaintiff and those similarly situated to alter their position to their
21 detriment. Specifically, Defendants fraudulently and deceptively induced Plaintiff and those
22 similarly situated to, without limitation, enroll in Defendants' educational programs.

23 123. Plaintiff and those similarly situated justifiably and reasonably relied on
24 Defendants' misrepresentations and omissions, and, accordingly, were damaged by Defendants.

25 124. As a direct and proximate result of Defendants' misrepresentations and/or
26 omissions, Plaintiff and those similarly situated have suffered damages, including, without
27 limitation, the amount they paid for Defendants' educational programs (in tuition, fees and other
28 expenses, including relocation and living expenses).

1 125. Defendants' conduct as described herein was wilful and malicious and was
2 designed to maximize Defendants' profits even though Defendants knew that it would cause loss
3 and harm to Plaintiff and those similarly situated.

4 **PLAINTIFF'S FOURTH CAUSE OF ACTION**
5 **(Negligent Misrepresentation)**
6 **On Behalf of Himself and the Class**

7 126. Plaintiff realleges and incorporates by reference the paragraphs of this Class
8 Action Complaint as if set forth herein.

9 127. At all times during the class period, Defendants provided false and misleading
10 information regarding its federally-recognized accreditation, leading Plaintiff and the Class to
11 believe that NPU would maintain such accreditation.

12 128. These representations were material at the time they were made. They concerned
13 material facts that were essential to the analysis undertaken by Plaintiff and the Class as to
14 whether to enroll in Defendants' programs, pay the full price for the programs, complete their
15 course of study rather than transfer or withdraw, or to make decisions with respect to
16 employment.

17 129. Defendants should have known that their representations were false and/or
18 misleading. Defendants had no reasonable grounds for believing those representations to be true
19 and non-misleading when they were made.

20 130. By and through such negligent misrepresentations, Defendants intended to induce
21 Plaintiff and those similarly situated to alter their position to their detriment. Specifically,
22 Defendants negligently induced Plaintiff and those similarly situated to, without limitation, to
23 enroll in Defendants' programs, to complete their course of study rather than transfer or
24 withdraw, or to make decisions with respect to employment.

25 131. Plaintiff and those similarly situated relied to their detriment on Defendants'
26 negligent misrepresentations. Had Plaintiff and those similarly situated been adequately informed
27 and not intentionally deceived by Defendants, they would have acted differently by, without
28 limitation, not paying as much, seeking to transfer to other universities, choosing not to complete
their programs, or acting differently with respect to post-graduate employment.

1 132. Plaintiff and those similarly situated have suffered damages, including, without
2 limitation, the amount they paid for the educational programs. Defendants' negligent
3 representations and omissions were a substantial factor in causing the damage.

4 **PLAINTIFF'S FIFTH CAUSE OF ACTION**

5 **(Concealment)**

6 **On Behalf of Himself and the Class**

7 133. Plaintiff realleges and incorporates by reference the paragraphs of this Class
8 Action Complaint as if set forth herein.

9 134. Prior to and during the Class Period, Defendants knew but failed to disclose that
10 (1) NPU's accrediting agency was under investigation by the DOE, (2) federal recognition for its
11 accrediting agency was in jeopardy of being revoked, (3) NPU had no back-up plan to obtain
12 accreditation from any other federally recognized accrediting agency if the DOE revoked its
13 recognition of NPU's accrediting agency, (4) if accreditation was revoked, students would be
14 unable to obtain visa extensions or use NPU degrees to pursue higher degrees at other institutions,
15 (5) the DOE did in fact revoke federal recognition for NPU's accrediting agency in December
16 2016, and (6) NPU is no longer accredited by any federally recognized accrediting agency.

17 135. As set forth in paragraphs 53-54, Defendants knew that Class Members did not
18 know and would be unlikely to know these facts. Plaintiff and those similarly situated did not
19 know of these concealed facts.

20 136. In concealing these facts, Defendants intended to deceive Plaintiff and those
21 similarly situated.

22 137. Had Plaintiff and those similarly situated been adequately informed and not
23 intentionally deceived by Defendants, they would have acted differently by, without limitation,
24 not paying as much, seeking to transfer to other universities, choosing not to complete their
25 programs, or acting differently with respect to post-graduate employment.

26 138. Plaintiff and those similarly situated have suffered damages, including, without
27 limitation, the amount they paid for the educational programs. Defendants' negligent
28 representations and omissions were a substantial factor in causing the damage.

PLAINTIFF'S SIXTH CAUSE OF ACTION
(Breach of Contract)
On Behalf of Himself and the Class

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3 139. Plaintiff realleges and incorporates by reference the paragraphs of this Complaint
4 as if set forth herein.

5 140. In or around May 2015, Plaintiff Kalakanti entered into a contract with Defendants
6 to study at and obtain a degree from a university with federally-recognized accreditation so that
7 he could transfer to other universities, apply for jobs and graduate programs, and apply for visas.

8 141. The terms of the contract were that the Plaintiff would complete the necessary
9 coursework to complete his degree and in exchange Defendants would maintain accreditation so
10 that these students could obtain the benefits of that accreditation at the time they would seek to
11 transfer to other universities, complete their programs, apply for jobs and graduate programs, and
12 apply for visas. Persons similarly situated to Plaintiff entered into contracts with the same
13 agreement, other than varying admissions dates and coursework requirements.

14 142. Defendants breached the contract by failing to preserve federally-recognized
15 accreditation status through, at a minimum, the time that Plaintiff and the class graduated and
16 would complete their three year post-graduation visa extension eligibility.

17 143. As a direct and proximate result of the breaches set forth herein, Plaintiff, and
18 those similarly situated, have suffered, and continue to suffer, damages in an amount which will
19 be proven at trial, but which are in excess of the jurisdictional minimum of this Court.

20 144. Pursuant to Civil Code sections 3384 and 3386, which authorize the court to
21 provide specific performance to compel performance of an obligation, Plaintiff also seeks, on
22 behalf of himself, those similarly situated, and the general public, an order compelling
23 Defendants to (a) obtain a new federally recognized accreditation and (b) issue new credits and
24 new degrees to Plaintiff and Class Members after the date of such accreditation, based on
25 previously earned credit hours, without additional charge to Plaintiff or Class Members.
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PLAINTIFF'S SEVENTH CAUSE OF ACTION
(Breach of the Duty of Good Faith And Fair Dealing)
On Behalf of Himself and the Class

145. Plaintiff realleges and incorporates by reference the paragraphs of this Complaint as if set forth herein.

146. Defendants solicited Plaintiff and the Class to enroll in their educational programs with federally-recognized accreditation.

147. Plaintiff and the Class performed their end of the bargain by paying the tuition and fees demanded of them and completing their coursework and working towards their degrees.

148. Defendants unfairly interfered with Plaintiff's rights and the rights to receive the benefits of enrolling in and completing educational programs with federally-recognized accreditation, by (1) failing to disclose the facts set forth in paragraph 26 and (2) failing to take necessary steps to maintain federally-recognized accreditation.

149. As a direct and proximate result of Defendants' breach of the duty of good faith and fair dealing, Plaintiff and the Class have suffered damages, including, without limitation, the loss of money paid to Defendants.

150. Further, pursuant to Civil Code sections 3384 and 3386, which authorize the court to provide specific performance to compel performance of an obligation, Plaintiff seeks, on behalf of himself, those similarly situated, and the general public, an order compelling Defendants to (a) obtain a new federally recognized accreditation and (b) issue new credits and new degrees to Plaintiff and class Members after the date of such accreditation, based on previously earned credit hours, without additional charge to Plaintiff or Class Members.

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PLAINTIFF'S EIGHTH CAUSE OF ACTION
(Unlawful, unfair, and fraudulent trade practices violation of Business and Professions Code § 17200, et seq.)
On Behalf of Plaintiff and the Class

151. Plaintiff realleges and incorporates by reference the paragraphs of this Class Action Complaint as if set forth herein.

152. Within four (4) years preceding the filing of this lawsuit, and at all times

1 mentioned herein, Defendants have engaged, and continue to engage, in unlawful, unfair, and
2 fraudulent trade practices in California by engaging in the unlawful, unfair, and fraudulent
3 business practices outlined in this complaint.

4 153. In particular, Defendants have engaged, and continue to engage, in unlawful
5 practices by, without limitation,

- 6 • Violating the CLRA as described herein;
- 7 • Violating the FAL as described herein;
- 8 • Violating 34 C.F.R. 668.72(a), which prohibits “[m]isrepresentations concerning
9 the nature of an eligible institution’s educational programs,” including “false,
10 erroneous or misleading statements concerning the “nature and extent of its
11 institutional, programmatic, or specialized accreditation.”; and
- 12 • Violating the common law of concealment; fraud, deceit or misrepresentation;
13 negligent misrepresentation, breach of contract, and breach of the duty of good
14 faith and fair dealing.

15 154. In particular, Defendants have engaged, and continue to engage, in unfair and
16 fraudulent practices by, without limitation, by (1) failing to disclose the facts set forth in
17 paragraph 26 and (2) failing to take necessary steps to maintain federally-recognized
18 accreditation..

19 155. Plaintiff and those similarly situated relied to their detriment on Defendants’
20 unlawful, unfair, and fraudulent business practices. Had Plaintiff and those similarly situated been
21 adequately informed and not deceived by Defendants, they would have acted differently by,
22 without limitation, not enrolling, not paying as much, seeking to transfer to other universities,
23 choosing not to complete their programs, or acting differently with respect to post-graduate
24 employment.

25 156. Defendants’ acts and omissions are likely to deceive the general public.

26 157. Defendants engaged in these deceptive and unlawful practices to increase their
27 profits. Accordingly, Defendants have engaged in unlawful trade practices, as defined and
28 prohibited by section 17200, et seq. of the California Business and Professions Code.

1 158. The aforementioned practices, which Defendants have used to its significant
2 financial gain, also constitute unlawful competition and provide an unlawful advantage over
3 Defendants' competitors as well as injury to the general public.

4 159. As a direct and proximate result of such actions, Plaintiff and the other class
5 members, have suffered and continue to suffer injury in fact and have lost money and/or property
6 as a result of such deceptive and/or unlawful trade practices and unfair competition in an amount
7 which will be proven at trial, but which is in excess of the jurisdictional minimum of this Court.
8 Among other things, Plaintiff and the class members lost the amount they paid to attend NPU.

9 160. As a direct and proximate result of such actions, Defendants have enjoyed, and
10 continues to enjoy, significant financial gain in an amount which will be proven at trial, but which
11 is in excess of the jurisdictional minimum of this Court.

12 161. Plaintiff seeks, on behalf of himself and those similarly situated, full restitution of
13 monies, as necessary and according to proof, to restore any and all monies acquired by
14 Defendants from Plaintiff, the general public, or those similarly situated by means of the
15 deceptive and/or unlawful trade practices complained of herein, plus interest thereon.

16 162. Plaintiff seeks, on behalf of those similarly situated, a declaration that the above-
17 described trade practices are fraudulent, unfair, and/or unlawful.

18 163. Plaintiff seeks, on behalf of those similarly situated, an injunction to prohibit
19 Defendants from continuing to engage in the deceptive and/or unlawful trade practices
20 complained of herein. Such misconduct by Defendants, unless and until enjoined and restrained
21 by order of this Court, will continue to cause injury in fact to the general public and the loss of
22 money and property in that Defendants will continue to violate the laws of California, unless
23 specifically ordered to comply with the same. This expectation of future violations will require
24 current and future consumers to repeatedly and continuously seek legal redress in order to recover
25 monies paid to Defendants to which they were not entitled. Plaintiff, those similarly situated
26 and/or other consumers nationwide have no other adequate remedy at law to ensure future
27 compliance with the California Business and Professions Code alleged to have been violated
28 herein.

1 **PRAYER FOR RELIEF**

2 WHEREFORE, Plaintiff prays for judgment as follows (except that Plaintiff disclaims any
3 prayer for any type of damages under the CLRA as stated in paragraph 104):

- 4 1. A declaration that Defendants' above-described trade practices are
5 fraudulent and/or unlawful.
- 6 2. Injunctive relief and/or specific performance to require Defendants to
7 provide Plaintiff and Class Members the promised credits and degrees from
8 an institution of higher education that has federally recognized
9 accreditation, for example by (a) obtaining a new federally recognized
10 accreditation and (b) issuing new credits and new degrees to Plaintiff and
11 class Members after the date of such accreditation, based on previously
12 earned credit hours, without additional charge to Plaintiff or Class
13 Members.
- 14 3. Injunctive relief to prohibit Defendants from continuing to engage in the
15 false, misleading and deceptive advertising and marketing practices
16 complained of herein.
- 17 4. Restitution of amounts expended by Plaintiff and the Class
- 18 5. Compensatory damages, the amount of which is to be determined at trial;
- 19 6. [Reserved]
- 20 7. Punitive damages, the amount of which is to be determined at trial.
- 21 8. Reasonable attorneys' fees according to proof pursuant to, without
22 limitation, the California Legal Remedies Act and California Code of Civil
23 Procedure § 1021.5;
- 24 9. For costs of suit incurred; and
- 25 10. For such further relief as this Court may deem just and proper.
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JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: December 21, 2017

GUTRIDE SAFIER LLP



Adam J. Gutride, Esq.
Seth A. Safier, Esq.
Kristen G. Simplicio, Esq.
100 Pine Street, Suite 1250
San Francisco, CA 94111

Attorneys for Plaintiff

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