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[EXEMPT FROM FILING FEES  
UNDER GOV. CODE, § 6103]

10  
11 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
12 COUNTY OF SAN DIEGO

13  
14 **THE PEOPLE OF THE STATE OF  
CALIFORNIA,**

15 Plaintiff,

16 v.

17 **APOLLO EDUCATION GROUP, INC.,** an  
18 Arizona corporation; and **THE UNIVERSITY  
OF PHOENIX, INC.,** an Arizona corporation,

19 Defendants.  
20

Case No.

**COMPLAINT FOR PERMANENT  
INJUNCTION, CIVIL PENALTIES, AND  
OTHER EQUITABLE RELIEF**

(BUS. & PROF. CODE, §§ 17200 et seq.,  
17500 et seq.)

21  
22 Plaintiff, the People of the State of California (“People” or “Plaintiff”), by and through Rob  
23 Bonta, Attorney General of the State of California, brings this action against Apollo Education  
24 Group, Inc. and The University of Phoenix, Inc. (collectively, “Defendants”) for violations of the  
25 Unfair Competition Law and False Advertising Law (Bus. & Prof. Code, §§ 17200 et seq., 17500  
26 et seq.), and alleges the following on information and belief:  
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28

1 **PARTIES**

2 1. Plaintiff is the People of the State of California. Under the Constitution of the State  
3 of California and based on specific independent statutory authority, Rob Bonta, Attorney General  
4 of the State of California (“California Attorney General”), is generally authorized to bring suit  
5 and obtain relief on behalf of the People of the State of California. Cal. Const. art. V, section 13.

6 2. The California Attorney General is authorized to act in the name of the People of  
7 the State of California by California Business and Professions Code section 17204 and by  
8 California Business and Professions Code section 17535 to obtain injunctive relief to halt  
9 violations of, and enforce compliance with, California Business and Professions Code section  
10 17200 et seq., and California Business and Professions Code section 17500 et seq., respectively,  
11 and is authorized by California Business and Professions Code sections 17206 and 17536 to  
12 obtain civil penalties of up to \$2,500 for each violation of sections 17200 and 17500.

13 3. Apollo Education Group, Inc. (“Apollo”) is an Arizona corporation with its  
14 principal place of business at 4025 S. Riverpoint Parkway, Phoenix, AZ, 85040.

15 4. The University of Phoenix (“PHOENIX”) is an Arizona corporation with its  
16 principal place of business at 4025 S. Riverpoint Parkway, Phoenix, AZ, 85040. PHOENIX is a  
17 wholly owned subsidiary of Apollo.

18 **JURISDICTION AND VENUE**

19 5. This Court has jurisdiction over the allegations and subject matter of the People’s  
20 Complaint filed in this action, brought under Business and Professions Code sections 17200 et  
21 seq. and 17500 et seq.

22 6. Defendants have transacted business within the State of California, including the  
23 County of San Diego, at all relevant times to this Complaint. The violations of law described  
24 herein occurred in the County of San Diego and elsewhere in the State of California.

25 **FACTUAL ALLEGATIONS**

26 7. For years, for-profit post-secondary schools have aggressively solicited  
27 servicemembers and veterans to enroll in their educational programs. In some cases, schools have  
28 engaged in predatory recruitment practices that violate state and federal law, which include

1 cultivating the perception that their schools and programs are endorsed by the armed forces. The  
2 schools solicited servicemembers in part because of nuances in the legal requirements that for-  
3 profit schools must meet to receive funds from federal student-aid programs administered by the  
4 U.S. Department of Education. In particular, under the so-called federal “90/10 Rule,” for-profit  
5 schools are required to obtain at least 10% of their revenue from sources *other than* federal  
6 student-aid programs.<sup>1</sup> Until recently, however, funds from the Department of Defense and Coast  
7 Guard Tuition Assistance Programs and the Post-9/11 GI Bill (discussed below) were excluded  
8 from this calculation, and they counted toward the 10% requirement, just like private sources of  
9 financing. Accordingly, for every one student that a for-profit school enrolled who paid their  
10 tuition and fees using military education benefits, that school could enroll up to nine more  
11 students who would pay using federal grants or student loans.

12 8. In 2012, President Obama issued an executive order aimed at curbing aggressive  
13 solicitation of servicemembers and veterans by for-profit schools. And, starting in 2014, the  
14 Department of Defense issued a series of directives responsive to the executive order that barred  
15 abusive and deceptive recruiting tactics and limited schools’ access to military installations.  
16 Schools were required to agree to the terms of the directives in order to participate in certain  
17 Department of Defense programs. In addition, Congress amended the 90/10 Rule in 2021,  
18 specifically to remove the financial incentive that for-profit schools had to aggressively recruit  
19 and enroll military students.<sup>2</sup>

20 9. PHOENIX is a private, for-profit post-secondary educational institution that has  
21 operated campuses and learning centers in California since at least 1980. PHOENIX offers  
22 certificate programs, undergraduate degrees, and graduate degrees in both online and in-person  
23 formats.

24 10. PHOENIX’s certificate programs and associate, bachelor’s, and graduate degree  
25 programs cost several hundred dollars per credit, with the total cost of a program depending on  
26 the credential sought. For example, for students beginning their studies in 2023, completion of a

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28 <sup>1</sup> 20 U.S.C. § 1094(a)(24), (d) (2020).

<sup>2</sup> See American Rescue Plan Act of 2021, Pub.L No. 117-2 (Mar. 11, 2021) 135 Stat. 28.

1 bachelor's of science degree in business costs over \$47,000 in tuition and fees, excluding room  
2 and board. Servicemembers, veterans, and military family members may qualify for PHOENIX  
3 tuition discounts that vary by the student's military status and the degree or certificate program in  
4 which they are enrolled.

5 11. PHOENIX students who are active-duty servicemembers or veterans, or their  
6 family members, may in some circumstances use federal education benefits offered by the U.S.  
7 Department of Veterans Affairs, Department of Defense, and Coast Guard to finance PHOENIX  
8 educational programs. Relevant here, these benefits include (1) the Post-9/11 GI Bill, which  
9 covers certain educational expenses for individuals who previously served in active duty, or their  
10 spouse or dependents; and (2) the Tuition Assistance Program, which covers certain educational  
11 expenses for active-duty servicemembers. PHOENIX has been a top recipient of GI Bill funding  
12 through the Department of Veterans Affairs for the past decade, and is also a top recipient of U.S.  
13 Department of Defense education funds through the Tuition Assistance Program.

14 12. From 2012 or earlier until 2015, PHOENIX intentionally solicited  
15 servicemembers, veterans, and their family members to enroll in its programs using tactics that  
16 violated state and federal law.

17 13. Among other things, PHOENIX developed specialized military-recruiting  
18 operations to solicit servicemembers and veterans. A team of employees known as National  
19 Defense Liaisons ("Liaisons"), active in California and throughout the country, had as their main  
20 purpose the solicitation of new students within the military community.

21 14. Liaisons regularly attended events for the military community, both on and off  
22 military installations, including National Guard armories and reserve centers, and collected  
23 personal information from attendees, known as "leads," for the purposes of encouraging student  
24 enrollment. However, federal regulations and Department of Defense directives expressly  
25 prohibited commercial solicitation at many of these events. For example, Liaisons regularly  
26 solicited potential students at mandatory events for servicemembers, such as training sessions,  
27 orientations, and "Yellow Ribbon" briefings for servicemembers and their families who were  
28 deploying and returning from deployment. Liaisons also regularly solicited potential students

1 during “office hours” at on-installation Department of Defense education offices, even though  
2 office hours were supposed to be used for the limited purpose of counseling existing PHOENIX  
3 students, and access to the installations was granted for that limited purpose.

4 15. Additionally, Liaisons regularly attended military career and hiring fairs that were  
5 held both on and off military installations. Although these fairs were intended to help veterans  
6 and servicemembers transitioning out of service to find civilian positions, Liaisons used them as  
7 an opportunity to solicit prospective students. In some cases, Liaisons told base personnel or fair  
8 organizers that they were attending such events in the capacity of an employer, with jobs  
9 available for attendees, and then collected leads anyway for the purposes of encouraging student  
10 enrollment.

11 16. PHOENIX intentionally hired Liaisons who had prior military experience, and  
12 some used their personal military retiree identification cards to access military installations,  
13 without obtaining the approvals required by Department of Defense directives, in order to solicit  
14 potential students.

15 17. In furtherance of PHOENIX’s military-targeted solicitation strategy, PHOENIX  
16 created and circulated custom-made military “challenge coins”—with PHOENIX’s logo on one  
17 side of the coin and the official seals of the U.S. Department of Defense and various branches of  
18 the armed forces (e.g., Navy, Army, Air Force, Marines, and Coast Guard) on the other side of  
19 the coin. Within the military community, challenge coins are handed out to reward outstanding  
20 service or performance of duty and to build morale and comradery. Leveraging the significance of  
21 challenge coins in the military community, PHOENIX used challenge coins as a form of brand  
22 promotion. For example, PHOENIX challenge coins were offered as raffle prizes at PHOENIX-  
23 sponsored events and presented to individuals who were considered valuable to PHOENIX’s  
24 military-recruiting efforts, including base commanders, senior officers of the military, education  
25 service officers, and representatives of veteran service organizations.

26 18. PHOENIX failed to request or receive the legally required permission from the  
27 U.S. Department of Defense and the military services to use these military seals on its challenge  
28 coins.



1 e. Misrepresenting to base personnel and event organizers their motivations  
2 for accessing military installations and the nature of the activities they sought to undertake  
3 thereon; and

4 f. Misrepresenting to base personnel, event organizers, and the military  
5 community their motivations for participating in career and hiring fairs and the nature of the  
6 activities they sought to undertake at such events.

7 **SECOND CAUSE OF ACTION**

8 **Violations of Business and Professions Code Section 17500**

9 **(Untrue or Misleading Representations)**

10 22. The People reallege and incorporate by reference each and every allegation  
11 contained in the preceding paragraphs 1 through 21 as though fully set forth herein.

12 23. Defendants have made or caused to be made statements that were untrue or  
13 misleading in violation of Business and Professions Code section 17500 et seq. These untrue or  
14 misleading statements include, but are not limited to, representations related to Defendants' entry  
15 upon or activities undertaken both on and off military installations; Defendants' motivations for  
16 attending military job or hiring fairs; and the appearance of military endorsement of Defendants'  
17 programs or activities by the Department of Defense or its branches, as implied by Defendants'  
18 use of unauthorized military seals on challenge coins.

19 24. At the time these representations were made, Defendants knew or by the exercise  
20 of reasonable care should have known that these representations were untrue or misleading.

21 **PRAYER FOR RELIEF**

22 **WHEREFORE**, Plaintiff prays for judgment as follows:

23 1. Pursuant to Business and Professions Code sections 17203 and 17535, that the  
24 Court enter an injunction restraining and enjoining Defendants and their agents, employees, and  
25 all other persons or entities, corporate or otherwise, in active concert or participation with any of  
26 them, from violating Business and Professions Code sections 17200 et seq. or 17500 et seq.,  
27 including, but not limited to, as alleged in this Complaint;

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1           2.       Pursuant to Business and Professions Code sections 17206 and 17536, that the  
2 Court assess a civil penalty of \$2,500 for each violation of Business and Professions Code  
3 sections 17200 et seq. and 17500 et seq., as proved at trial;

4           3.       Pursuant to Business and Professions Code section 17206.2, that the Court assess  
5 an additional penalty of \$2,500 for each violation of Business and Professions Code section  
6 17200 et seq. committed against servicemembers or veterans, as proved at trial;

7           4.       Pursuant to California Business and Professions Code sections 17203 and 17535,  
8 and the Court's inherent equity powers, that this Court order Defendants to restore to any person  
9 any money or property which has been acquired by means of Defendants' violations, as proved at  
10 trial;

11          5.       Pursuant to Government Code section 12527.6, that the Court award disgorgement  
12 in an amount as proved at trial;

13          6.       For such other and further relief that the Court deems just and proper.

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15 Dated: April 25, 2024

ROB BONTA  
Attorney General of California

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Monica J. Zi  
Deputy Attorney General  
*Attorney for the People of the  
State of California*

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