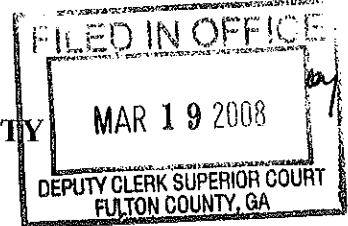


IN THE SUPERIOR COURT OF FULTON COUNTY
STATE OF GEORGIA



TAJUANSAR DIALLO, on behalf of)
herself and all others similarly situated,)
)
Plaintiff,)
)
v.)
)
AMERICAN INTERCONTINENTAL)
UNIVERSITY, INC., a Georgia)
Corporation, CAREER EDUCATION,)
INC., a Delaware Corporation and)
JOHN DOE NOS. 1-100,)
)
Defendants.)

CIVIL ACTION FILE
NO. 2008 CV 148209

COMPLAINT IN CLASS ACTION

Plaintiff, acting for herself and for all persons who purchased an American Intercontinental University education or any part of one during the relevant time frame, alleges as follows:

The Parties

1. Plaintiff, at all material times, was a resident of the State of Georgia and is a former student of Defendant American Intercontinental University, Inc. ("AIU").
2. Defendant AIU is a Georgia corporation that operates a for-profit school in Fulton County, Georgia. AIU may be served with process through its registered agent for service at Corporate Service Company, 40 Technology Parkway South, Norcross, Georgia 30092. Upon information and belief, AIU is wholly owned and operated by Defendant Career Education Corporation ("CEC").
3. Defendant CEC is a Delaware corporation that does business in Fulton County, Georgia by and through AIU, its wholly owned and controlled subsidiary. Plaintiff is informed

and believes that CEC exercises complete dominion and control over each and all of its subsidiaries, including AIU, and enjoys the full benefit of all monies and profits earned by these subsidiaries. Plaintiff is also informed and believes that CEC benefits in other direct and indirect ways from and prescribes all of the wrongful actions of AIU alleged in this Complaint and, as a consequence, is in possession of monies rightfully belonging to Plaintiff.

4. As set forth herein, Plaintiff is informed and believes that CEC develops and oversees the implementation of all policies and procedures at AIU, including without limitation policies and procedures concerning admissions practices, financial aid practices, curriculum, and job placement. Defendant AIU then implements and carries out the policies and procedures developed and imposed by CEC. Throughout all their activities, CEC and AIU acted as alter egos of each other.

5. CEC is subject to the jurisdiction of this Court pursuant to the Georgia Long Arm Statute, O.C.G.A. § 9-10-91, as CEC transacts business within the state, has committed tortious acts or omissions in the state and/or committed a tortious injury in this state caused by an act or omission outside the state. CEC may be served with service of process through its registered agent for service, Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808.

6. Each of DOES 1-100 is the agent, servant, partner, joint-venturer, co-venturer, principal, director, officer, manager, employee, or shareholder of one or more of its co-defendants who aided, abetted, controlled, and directed or conspired with and acted in furtherance of said conspiracy with one or more of its co-defendants in said codefendant(s) performance of the acts and omissions described below and for the fraudulent purposes described below. Plaintiff sues each of these DOE Defendants by these fictitious names because Plaintiff

does not now know these Defendants' true names and capacities. Upon information and belief, each of DOES 1-100 is either a resident of Georgia or is subject to the jurisdiction of this Court pursuant to the Georgia Long Arm Statute, O.C.G.A. § 9-10-91, as each of DOES 1-100 transacts business within the state, has committed tortious acts or omissions in the state and/or committed a tortious injury in this state caused by an act or omission outside the state.

7. Venue is proper in this Court.

Allegations Common to All Causes of Action

8. This action arises out of a fraudulent scheme conceived and operated by Defendants in connection with the recruitment of their students.

9. Defendants marketed AIU to Plaintiff and other prospective students through an extensive advertising campaign that included television, radio, print, Internet and direct mail advertisement and in-person recruitment.

10. During and throughout the statutory claims period, Defendants induced Plaintiff and other then prospective students to apply to and attend AIU and to subsequently remain enrolled in AIU by making one or more, and in many cases all, of the following false and fraudulent representations:

(a) AIU has a selective admissions process;

(b) an AIU education increases graduates' incomes and opportunities such that an AIU education is well worth the tuition;

(c) AIU will provide qualified career representatives who will assist students in locating jobs both during and after the student's attendance at AIU;

(d) AIU has an excellent reputation and graduates will benefit from that reputation by being able to gain better and more prestigious jobs with an AIU degree than without one;

(e) AIU students have an extremely high rate of job placement in the jobs for which the students seek to be trained;

(f) an AIU education can be financed through student loans that AIU will arrange for the benefit of the student and with a resulting debt service burden that is reasonable and manageable in light of the income opportunities available to graduates;

(g) all of AIU's professors have "real world experience" in their fields of instruction; and

(h) AIU is a fully accredited university with an excellent reputation equivalent of institutions of higher learning such as Duke University.

11. These representations are made on the website run by Defendants and in print, Internet and television advertising across the state of Georgia and beyond. Further the student handbook, which is available online to all prospective students, lists false and misleading employment rates for graduates of AIU.

12. It was, and is, the custom and practice of Defendants to make these representations to recruit each prospective applicant and induce them to attend AIU in reliance thereon.

13. These representations were materially false and/or misleading. Defendants knew these representations were false and/or misleading and/or had no reasonable grounds for believing them to be true. Moreover, or in the alternative, Defendants only partially disclosed facts regarding the quality, prestige, and marketability of an AIU education and failed to disclose other more accurate facts necessary to prevent the foregoing representations from being misleading.

14. The true facts are as follows. Admission to AIU is not at all selective, but is open to virtually anyone with a high school diploma or GED certificate who can pay the charges (and

almost all applicants can pay via student loans that AIU arranges for “admittees”). Graduation from AIU is virtually guaranteed by showing up and paying. Almost no one fails out of AIU even if they do not attend classes regularly or learn the skills or obtain the knowledge the programs are supposed to teach.

15. An AIU education does not significantly increase graduates’ incomes and opportunities and/or does not increase them to an extent that makes the high cost of an AIU education worth the tuition. A degree from AIU does not inspire confidence in the minds of prospective employers and is frequently a detriment to graduates because of the bad and worsening reputation of AIU. Upon information and belief, an eighteen month associates degree in fashion marketing can cost upwards of \$35,000. Given the limited job prospects of graduates of AIU, a degree from AIU is simply not worth the cost.

16. Few graduates of AIU are hired by prestigious employers and, in fact, most AIU graduates have a difficult time finding any job at all in their field. Many employers, including former AIU students, will not hire AIU graduates because of the poor quality of education that AIU students receive and the absence of selectivity and exclusivity in the admissions process. Upon information and belief,

17. AIU does not provide students with any meaningful assistance in finding employment. AIU does not have an extensive network of contacts and close relationships with employers with whom AIU graduates can obtain employment. Rather, most AIU students find jobs solely as a result of their own efforts and despite their AIU “credentials,” with little or no assistance from AIU. After students graduate and stop being a source of income for Defendants, students are virtually abandoned by AIU, contrary to promises that AIU will provide them with lifetime job placement services, and are generally able to find only low paying, entry level jobs.

Indeed, when it was suggested that AIU provide aptitude testing for its students, Helen Gallagher, a management level employee at AIU, once stated that students do not need aptitude testing, but rather, “just need to make sure they find a way to pay back their loans.”

18. AIU’s reputation is poor. As a result, many employers are reluctant to hire AIU graduates. Most graduates who are able to find jobs in their selected industry do so not because of their AIU degree, but because of their own efforts and/or their prior experience. A degree from AIU does not enable graduates to gain better and more prestigious jobs than they could without one.

19. The job placement rates published by Defendants to all prospective applicants are materially inflated, inaccurate, false, and/or misleading in that: (a) they include students who are working as externs as required to complete their degree; (b) they are simply made up out of thin air because most graduates were never interviewed, polled, or surveyed regarding their employment status after graduation; and/or (c) they include all persons working regardless of whether they are employed in the field for which they attended AIU.

20. AIU’s stated placement rates misrepresented AIU’s actual placement rates by claiming credit for job “placements” by AIU even when AIU had provided no assistance to former students who had nonetheless found jobs. AIU’s career placement office had few job opportunities for jobs related to students’ courses of study and a degree from AIU did not improve a graduate’s chances of getting a job in his or her field of interest.

21. Upon information and belief, the placement rates are calculated by CEC upon information provided by employees of AIU. These employees, however, simply make up rates without any research or supporting documentation, with full knowledge that such rates will be relied upon by prospective and current students.

22. The loans that Defendants help students secure are offered at rates that are not competitive and result in a debt service burden that is unreasonably high in light of the lack of job opportunities available to AIU graduates at income levels suitable to repaying these loans.

23. While AIU is currently accredited, it has been on probation by the accreditation authority for the past two years, and was on the verge of losing its accreditation, which would make credits from AIU or an AIU degree essentially worthless. Further, this probation was public knowledge in the educational community, such that AIU credits were routinely not accepted in transfer by institutions of higher learning.

24. The above-described misleading acts and omissions by AIU are perpetrated methodically by AIU pursuant to a program developed and prescribed by CEC and perpetrated at the specific direction and involvement of CEC (the "Fraudulent Recruiting Program").

25. AIU's admissions representatives conduct the Fraudulent Recruiting Program by advertising in print, on television, or on the Internet.

26. Prospective students of AIU, including Plaintiff, reasonably relied and continued each day to reasonably rely on the misrepresentations and fraudulent omissions of AIU and CEC to enroll in and remain at AIU. Prospective students of AIU, including Plaintiff, reasonably relied on the misrepresentations & fraudulent omissions of AIU and CEC in making tuition payments to AIU.

27. As a result of Defendants' unlawful conduct, including the misrepresentations and omissions of material fact alleged above as part of the Fraudulent Recruiting Program, Plaintiff and all others similarly situated have been damaged by, among other things: (1) paying tuition to Defendants; (2) paying interest on student loans that Defendants had induced them to take out in order to pay tuition; and (3) being unable to find employment based on and as a result of their

“education” at AIU. Plaintiff and all others similarly situated paid or became obligated to one or more third parties (lenders) to pay thousands of dollars, plus significant interest thereon. In addition, Plaintiff and each of them invested valuable months of their lives and incurred cost of living and other expenses. Plaintiff has been damaged in other and further ways subject to proof at trial.

28. Plaintiff seeks certification of a class or classes under O.C.G.A. § 9-11-23.

29. This claim is brought on behalf of a class consisting of all persons who purchased educational services from AIU, or graduated from AIU, within the statutory limitations periods applicable to the herein-alleged causes of action (including, without limitation, the period following the filing of this action). Defendants, and each of them, engaged in the Fraudulent Recruiting Program as to each member of the class, consistent with Defendants’ policy, custom, and practice, and to induce the reliance of all class members. Defendants’ representations and omission were material, were relied upon by the class, and resulted in damage to each and every member of the class as alleged above.

30. The exact number of members of the class as identified above is not known. But by inference from AIU’s class size and number of classes starting and/or graduating during the relevant statutory claims period, Plaintiff estimates that there are approximately over 1,000 members of the class. The class is so numerous that joinder of individual members is impracticable.

31. There are common questions of law and fact in the action that relate to and affect the rights of each member of the class, namely whether AIU’s Fraudulent Recruiting Program, including its misrepresentations of the school’s placement statistics, selectivity, exclusivity, and reputation of the school and the value of its degree in the marketplace, and/or its failure to

disclose that it or its personnel or other related persons were receiving benefits from the lenders that AIU directed students to borrow money from, are actionable under applicable legal theories.

32. The claims and defenses of the Plaintiff are typical of the claims of the proposed class. The claims of all members depend upon a showing of the acts, representations and omissions of Defendants described herein giving rise to the right of Plaintiff to the relief sought.

33. There is no conflict as between the individually named Plaintiff and other members of the class with respect this action, or with respect to the claims for relief herein set forth.

34. The named Plaintiff is able to and will fairly and adequately protect the interests of the class.

35. Defendants have acted and refused to act improperly on grounds generally applicable to the class, thereby making relief to the class as a whole appropriate.

36. Furthermore, the prosecution of separate actions by each member of the class creates the risk of inconsistent and varying adjudications for each member, which would establish incompatible standards for any party opposing the class and, as a practical matter, would potentially be dispositive of the interests of other members of the class not party to the action or would substantially impede their ability to protect their interests.

37. Certification of the class is appropriate under applicable law. The questions of law and fact common to the members of the class predominate over any questions affecting only individual members. A class action is superior or other available methods for the fair and efficient adjudication of the controversy, and will create a substantial benefit to both the public and the court in that:

- Costs of prosecuting the action individually will vastly exceed the costs for prosecuting the case as a class action;
- Class certification will obviate the necessity of a multiplicity of claims;
- It is desirable to concentrate the litigation of these claims in this forum; and
- Unification of common questions of fact and law into a single proceeding before this Court will reduce the likelihood of inconsistent rulings, opinions, and decisions.

38. A class action is a superior means of fairly and efficiently resolving this dispute. Members of the class almost invariably lack the means to pay attorneys to prosecute their claims individually. Given the complexity of the issues presented here, individual claims are not sufficiently sizeable to attract the interest of highly able and dedicated attorneys who will prosecute them on a contingency basis. Only by aggregating claims can Plaintiff gain the leverage necessary to pursue a just and global resolution of the issues raised in this complaint. A class action is therefore essential to prevent a failure of justice.

39. Notice to the proposed class will be accomplished through Defendants' alumni directory lists (which Plaintiff is informed and believes were available on the Internet until recently) to the extent available, and otherwise through publication.

**First Cause of Action for Fraud
(Against All Defendants)**

40. Plaintiff incorporates the foregoing paragraphs of her complaint as though repeated herein verbatim.

41. As set forth above more fully, Defendants induced Plaintiff and other prospective students to apply to and attend AIU, to pay tuition, and to continue to attend AIU by making numerous false statements as part of the Fraudulent Recruiting Program.

42. As set forth more fully above, Defendants' representations were materially false and misleading when made.

43. Defendants knew these misrepresentations were false when made.

44. Defendants made these misrepresentations with the intent to induce Plaintiff and others similarly situated to rely upon them and to purchase services from AIU.

45. Plaintiff was ignorant of the facts concealed and omitted by Defendants, based on the misrepresentations, concealments, and omissions of Defendants and did in fact reasonably rely upon them.

46. Accordingly, Plaintiff and all others similarly situated have been damaged in a sum to be determined at trial.

**Second Cause of Action for Constructive Fraud
(Against All Defendants)**

47. Plaintiff incorporates the foregoing paragraphs of her complaint as though repeated herein verbatim.

48. AIU and its personnel purport to act as trusted counselors and advisors to students and prospective students, upon whom students and prospective students can and reasonably should rely, to advise them as to whether to attend AIU, what financing for their AIU education is in their best interests and to arrange for the best and most appropriate loans available. Throughout its advertising, AIU holds out its financial aid and admissions representatives as "counselors" and "advisors." AIU advertises that from a prospective student's first visit "instructors and a team of advisors will provide [the student] with the guidance" needed in these areas. AIU's advertising states that its admissions "Advisors" provide encouragement, assistance and support, and that each student has a "dedicated" financial aid "Advisor" who will personally walk students through every step of the process.

49. Through such advertising, Defendants seek to establish that they are trusted allies and counselors in the prospective student's desire to obtain an education, and to foster an atmosphere of trust and confidence between AIU and the prospective students, rather than a relationship of an arms-length business transaction between a profit making venture and its customers.

50. Through its actions as an advisor and educator to potential students, AIU placed itself in such a position to prospective students so as to exercise a controlling interest over the will, conduct and interest of prospective and actual students. The relationship created by Defendants was one which justified the reposing of confidence by the students in Defendants.

51. Defendants' actions created a relationship of trust and confidence between AIU and prospective and current students upon which those students are entitled to rely with confidence and with less than the level of diligence that would be appropriate to an arms length transaction with a third party known to be profiting from the transaction. This confidential relationship obliged Defendants to disclose to students any and all conflicts of interest Defendants have or may have, and further obliged Defendants to act in the best interests of the students in acting to arrange financing for their benefit.

52. Notwithstanding the foregoing, Plaintiff is informed and believes that financial and/or admission personnel employed by and/or acting on behalf of Defendants received benefits from lending institutions in exchange for securing loans for students. Defendants, at all material times, were aware of these benefits but at no time did Defendants disclose to prospective or current AIU student that such benefits were being offered and accepted by these persons.

53. Upon information and belief, the admissions representatives are in fact salespeople paid to recruit as many enrollees as possible to fill each of AIU's many classes and

to execute the Fraudulent Recruiting Program by means of the above-described material misrepresentations, concealments, and omissions. Moreover, upon information and belief, Defendants reward AIU admissions representatives for successful “selling” and terminates the employment of those who are not effective at executing AIU’s Fraudulent Recruiting Program’s sales goals.

54. Defendants violated their duties to students arising out of their confidential relationship with them by, among other things:

(a) failing to disclose to students the benefits received from lending institutions, and the incentives paid to employees encouraging enrollment;

(b) failing to disclose to students that they have not exercised reasonable care and diligence to ensure the lenders and loan terms that Defendants recommend to students are competitive fair and appropriate;

(c) failing to counsel and advise students that the opportunities afforded by an AIU education do not, for most graduates, justify the cost and debt required to qualify them for that credit;

(d) failing to advise students to look elsewhere for more competitively priced loans and/or other sources of educational funding;

(e) failing to disclose that AIU was on probation by the accreditation authorities, thus lowering the value of an AIU degree;

(f) failing to disclose the actual and correct employment rates for graduates of AIU; and

(g) failing to disclose that most AIU graduates do not obtain employment opportunities justifying the cost of enrolling at AIU.

55. Students, including Plaintiff, reasonably relied on the reported completeness of the statements and advice given to them by Defendants in agreeing to attend AIU, and in filling out and signing loan applications and loan documents and incurring debt obligations plus interest owed to lenders chosen and recommended by AIU on terms recommended by AIU.

56. By taking advantage of their confidential relationship with Plaintiff and others similarly situated, Defendants induced Plaintiff to reasonably rely, and Plaintiff did reasonably rely, on Defendants' advice, counsel, and direction in applying for and accepting credit, on terms described above.

57. Plaintiff and all others similarly situated have been damaged by Defendants misuse of their confidential relationships with Plaintiff and other similarly situated by purchasing classes at AIU, undertaking burdensome student loans, and incurring other related expenses, all in an amount to be determined at the trial of this case.

**Third Cause of Action for Negligent Misrepresentation
(Against All Defendants)**

58. Plaintiff incorporates the foregoing paragraphs of her complaint as though repeated herein verbatim.

59. In all the foregoing actions, Defendants acted negligently in providing false information to Plaintiff and all others similarly situated as part of the Fraudulent Recruiting Program described above.

60. It was foreseeable to Defendants that Plaintiff and all others similarly situated would rely on such false information.

61. Plaintiff and all others similarly situated in fact did rely on Defendants false representations to their financial detriment.

62. Plaintiff and all others similarly situated suffered economic harm as a proximate cause of the actions of Defendants, in an amount to be determined at trial.

**Fourth Cause of Action for Violation of the
Georgia Deceptive and Unfair Trade Practices Act
(Against All Defendants)**

63. Plaintiff incorporates the foregoing paragraphs of her complaint as though repeated herein verbatim.

64. As set forth above, through the Fraudulent Recruiting Program, Defendants engaged in a deceptive trade practice by using deceptive representations that an AIU education has characteristics, benefits and qualities that it does not have, and that such an education is of a particular standard quality and grade among institutions of higher learning.

65. The foregoing actions were taken by Defendants in the conduct of consumer transactions in trade and commerce.

66. Defendants' actions specifically affected the general consuming public, as Defendants' advertisements and marketing materials sought various Georgia citizens, such as Plaintiff, to come to and purchase services from AIU.

67. Defendants' actions amount to a deceptive trade practice under O.C.G.A. § 10-1-372, and therefore Plaintiff is entitled to an injunction against Defendants, prohibiting Defendants from continuing the Fraudulent Recruiting Program.

68. Defendants acted willfully in creating and carrying out the Fraudulent Recruiting Program, and therefore Plaintiff is entitled to recover her costs in pursuing this action under O.C.G.A. § 10-1-373.

**Fifth Cause of Action for Punitive Damages
(Against All Defendants)**

69. Plaintiff incorporates the foregoing paragraphs of her complaint as though repeated herein verbatim.

70. In all the foregoing actions, Defendants acted with willfulness, malice, fraud, wantonness, oppression, or that entire want of care which would raise the presumption of conscious indifference to the consequences of their actions.

71. As a result, Plaintiff and all others so similarly situated are entitled to recover punitive damages in an amount to be determined at the trial of this case.

**Sixth Cause of Action for Attorneys' fees
(Against All Defendants)**

72. Plaintiff incorporates the foregoing paragraphs of her complaint as though repeated herein verbatim.

73. In all the foregoing actions, Defendants acted in bad faith, were stubbornly litigious, and caused Plaintiff and all others similarly situated unreasonable trouble and expense.

74. Pursuant to O.C.G.A. § 13-6-11, Plaintiff and all others similarly situated are entitled to recover their attorneys' fees incurred in prosecuting this action.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, individually and on behalf of the class, prays for judgment as follows:

- (a) that a hearing be held as soon as practicable for the determination of class certification;
- (b) that a class be certified for all present and former students of AIU that were injured by AIU as described herein;

- (c) that Plaintiff be designated class representative;
- (d) that Plaintiff's counsel be designated class counsel;
- (e) that Plaintiff, individually and as class representative be awarded an amount equal to all damages incurred by Plaintiff as a result of Defendants' actions;
- (f) that Defendants be required to pay all such monies into a common fund for the benefit of all members of the class, less expenses and attorneys' fees;
- (g) that an injunction be issued pursuant to O.C.G.A. § 10-1-373 prohibiting Defendants from continuing the Fraudulent Recruiting Program;
- (h) that Plaintiff be awarded an incentive award from Defendants for the benefit Plaintiff has conferred upon the class through her commitment of time and expense in conducting this lawsuit;
- (i) that Defendants be required to reimburse Plaintiff for all costs and attorneys' fees incurred in prosecuting this action; and
- (j) that Plaintiff be granted such other and further relief as justice so demands.

PLAINTIFF DEMANDS A TRIAL BY JURY.

This 19th day of March, 2008.



Joseph D. Wargo
Georgia Bar No. 738764
jwargo@wargofrench.com
David M. Pernini
Georgia Bar No. 572399
dpernini@wargofrench.com
WARGO & FRENCH LLP
1170 Peachtree Street, NE
Suite 2020
Atlanta, GA 30309
(404) 853-1500 (telephone)
(404) 853-1501 (facsimile)

Ray E. Gallo *pro hac vice application forthcoming*
California Bar No. 158903
rgallo@gallo-law.com
GALLO & ASSOCIATES
5757 W. Century Blvd.
Suite 700
Los Angeles, CA 90045
(310) 338-1114 (telephone)
(310) 338-1199 (facsimile)

Attorneys for Plaintiff

595681_1