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IN THE CIRCUIT COURT
OF THE 17th JUDICIAL CIRCUIT
IN AND FOR BROWARD COUNTY, FLORIDA

The Keiser School, Inc., d/b/a Keiser University,	)	
Plaintiff,	)	CASE NO. 10040249
v.	)	JURY TRIAL DEMANDED
Florida State College at Jacksonville, Steven Wallace, and Susan Lehr,	)	
Defendants.	)	

COMPLAINT

Plaintiff Keiser University, by and through its attorneys, for its Complaint against Defendants Florida State College at Jacksonville, Steven Wallace, and Susan Lehr, alleges as follows:

NATURE OF THE ACTION

1. This case is about Defendants' concerted publicity campaign to derail the sector of the education industry occupied by for-profit, proprietary schools and colleges, including and specifically Keiser University.

2. Keiser University offers a high quality education to students from diverse backgrounds, whose needs often have not adequately been served by traditional state-funded universities and not-for-profit community colleges like Defendant Florida State College at Jacksonville (FSCJ). Like many other proprietary schools, Keiser is accredited and offers degrees in a wide variety of disciplines ranging from health care to business, legal studies, and computers and technology. Students enrolling at Keiser can advance toward their degree by

taking their classes one at a time on a flexible schedule. These attributes, with others, have made Keiser an appealing choice for students seeking to obtain a career-oriented education.

3. FSCJ is a state-funded direct competitor of Keiser University.

4. FSCJ has not been able to match Keiser's educational offerings and programs or to compete with Keiser for students on a level playing field. Defendants and others acting in concert with them have engaged in a destructive media campaign designed to disparage the educational opportunities provided by proprietary schools, including Keiser University, and to drive those schools out of business.

5. In pursuing this campaign, Defendants disseminated false information about proprietary schools, including Keiser, by working through advocacy groups and "short sellers" who profit when the price of a publicly traded stock declines in value. This unlikely alliance ("the conspiracy") worked together to sully Keiser's image.

6. Throughout 2010, the conspirators have successfully placed misleading "talking points" in the national and local media, stating that proprietary schools like Keiser "rip off" their students by providing "worthless degrees" at high prices, and that such schools are "subpriming students." These statements are false.

7. The negative media campaign has substantially interfered with and impaired Keiser's business.

THE PARTIES AND RELEVANT NON-PARTIES

I. The Plaintiff

8. Plaintiff Keiser University is a private Florida corporation with its principal place of business in Fort Lauderdale, Florida. Arthur Keiser and his mother, Evelyn, founded the school as a small technology and health care-oriented college in 1977. Today, Keiser has

fourteen campuses throughout the state of Florida. Keiser offers doctoral degrees; masters degrees; bachelor degrees; associate degrees; and certificate programs. Keiser educates approximately 21,000 students every year. Its programs focus on hands-on learning, small classes and career development.

9. Arthur Keiser, Ph.D., is the chancellor, CEO, and co-founder of Keiser University. Dr. Keiser serves as chair of the board of directors of the Association of Private Sector Colleges and Universities. Dr. Keiser resides in Broward County.

10. Belinda Keiser is the vice chancellor of community relations and student advancement for Keiser University. In that capacity, Mrs. Keiser works with students to find jobs in their field of study and serves as a resource to employers seeking qualified graduates to fulfill their hiring needs. Mrs. Keiser also is responsible for media and public relations, government affairs and charitable giving for Keiser University and its affiliated schools. Mrs. Keiser resides in Broward County.

II. The Defendants

11. Defendant Florida State College at Jacksonville (FSCJ) is one of 28 community colleges in Florida, with its principal place of business in Jacksonville, Florida.

12. Defendant Steven R. Wallace is a resident of Jacksonville, Florida, and is the CEO and college president of Florida State College at Jacksonville.

13. Defendant Susan M. Lehr is a resident of Jacksonville, Florida, and is the vice president of government relations at Florida State College at Jacksonville.

III. Defendants' Co-Conspirators

14. Steven Eisman is a portfolio manager at Frontpoint Financial Services Fund, LP, a private investment firm based in Greenwich, Connecticut.

15. Gilchrist Berg is the founder of Water Street Capital, Inc., a hedge-fund based in Jacksonville, Florida.

16. Antal Desai is an analyst at CPMG, Inc., a Dallas-based investment management firm.

17. Pauline Abernathy is vice president of The Institute for College Access and Success (TICAS), an advocacy group based in Oakland, California.

18. Deanne Loonin is an attorney at the National Consumer Law Center (NCLC), an advocacy group based in Boston, Massachusetts. Loonin is also the director of NCLC's Student Loan Borrower Assistance Project.

19. Barmak Nassirian is the associate executive director of the American Association of Collegiate Registrars & Admissions Officers (AACRAO), a professional association of higher education admissions and registration professionals, based in Washington, D.C.

20. Rich Williams is a higher education associate at U.S. PIRG, an advocacy and research organization based in Washington, D.C.

JURISDICTION AND VENUE

21. At all relevant times, Defendants and their co-conspirators (collectively "the conspirators") were engaged in a false and misleading campaign in the Florida press and the national media designed to disparage Keiser University and to drive Keiser and other proprietary schools out of business. The media campaign targeted Keiser's applicants, prospective students, and existing students—many of whom are working adults, low-income minorities and women, and without a higher education—and thereby tortiously interfered with Keiser's existing and prospective business relationships. Defendants intended to harm Plaintiffs' existing and prospective business interests in Broward County.

22. This Court has personal jurisdiction over Defendants pursuant to Fla. Stat. § 48.193(1)(a) and § 48.193(1)(b).

23. This is an action for injunctive relief and damages exceeding $15,000, exclusive of interest, costs, and attorneys' fees.

24. Venue is proper in this Court pursuant to Fla. Stat. § 47.011 because Plaintiffs suffered damage in Broward County and therefore the cause of action accrued here.

FACTUAL BACKGROUND

I. The Proprietary Education Sector

25. For years, proprietary schools such as Keiser have served an unmet need in the education sector. They focus on career development and offer programs in growth industries in need of employees, like health care and information technology. Proprietary schools can educate more students and offer more flexible program schedules than can budget-strapped community colleges. In many cases, proprietary schools offer programs not available elsewhere in the region.

26. Proprietary schools experienced rapid growth in the past several years. Keiser, in particular, saw a steady increase in enrollment. Students were drawn to the school's flexible schedules, small classes, and targeted programs. As a result, Keiser expanded, adding campuses to meet the growing needs of its students.

27. The majority of students who attend proprietary schools like Keiser are low-income adults with jobs and families. About half of Keiser's students are the first in their families to go to college. Approximately seventy percent are women.

28. Proprietary schools like Keiser provide quality education with a career focus. Most graduates obtain degrees and jobs in their field of study. A 2010 report by the Florida

Office of Program Policy Analysis and Government Accountability (OPPAGA) found that proprietary schools are more effective at producing program graduates than comparable programs at public schools.

29. Keiser offers regionally accredited programs, as do many other proprietary schools.

30. The OPPAGA report found that students from for-profit and public programs earned comparable wages upon entering the work force.

31. Although proprietary schools' programs tend to be more expensive than community colleges, the OPPAGA report found that some public programs are more expensive when considering the state's contribution.

II. Community Colleges

32. Community colleges rely on state and local appropriations for about 60 percent of their funding. In the wake of severe budget cuts during the recession, community colleges have trimmed programs and cut staff.

33. Community colleges do not offer the same mix of flexible class schedules in career-oriented programs that draw working adults to Keiser and other proprietary schools.

34. Community college funding is often based on enrollment, rather than completion of a program. Community colleges are therefore less focused on graduating their students and placing them in the workforce than they are in keeping enrollment up. Florida community colleges have lower graduation rates than proprietary schools, according to the OPPAGA report. Community colleges also do not offer higher wages or better access to jobs for those students who do graduate.

III. Competition Between Proprietary and Community Colleges

35. Non-profit community colleges compete directly with proprietary schools for students. They often operate in the same locations. Keiser has a campus in Jacksonville, Florida, where Defendant FSCJ has its principal place of business.

36. Although public and proprietary institutions generally do not offer the same career education programs, the two sectors offer many programs that train for the same occupations.

37. The rise of the proprietary sector has eroded the community colleges' customer base and provided strong competition for qualified students.

38. Community colleges nationally, and FSCJ in particular, have failed to compete fairly with proprietary schools by improving the services they offer students. Instead, FSCJ engaged in a targeted and improper media campaign to destroy public confidence in proprietary education.

39. In April 2009, Defendant and FSCJ President Wallace emailed a prominent Jacksonville short seller with information to use against the proprietary schools. In his email, Wallace said, "Here is a bunch of good stuff to get you started in your exploration of greed, corruption and predatory schemes among Florida's proprietary and for-profit career 'colleges.'" Ex. 1 (4/24/09 S. Wallace email to G. Berg). Wallace added, "*The new technical college we will launch on 8/1/09 is designed, in part, to drive the sleazebags out of our region.*" *Id.* (emphasis added).

40. FSCJ and its co-conspirators also fed false stories to the media about how proprietary schools "ripped off" their students and provided "worthless degrees." They accused proprietary schools of "subpriming students." They recruited "poster children" who had

attended for-profit schools but had failed to find the jobs they wanted, and fed their stories to the press as well.

41. As described in detail below, this campaign was remarkably successful. News outlets throughout Florida and nationwide picked up the stories and repeated the conspirators' talking points. According to the conspirators' campaign, proprietary schools were "predatory" forces that went after the most vulnerable students—low-income women and minorities—and recruited them to take out federally guaranteed loans to finance educations they could not afford. The schools profited, but the students graduated with "worthless" degrees and no ability to repay their debt.

42. These claims are false. Keiser is regionally accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award certificates and degrees at the associate, baccalaureate, masters, and doctoral levels.

43. In Florida, proprietary schools graduate more students than do community colleges. Proprietary schools, and Keiser in particular, prepare their students for the workforce. Far from being "worthless," degrees from Keiser allow graduates to obtain employment in a wide range of fields to which they otherwise would not have access.

44. The conspirators' orchestrated negative publicity directly harmed Keiser, which the conspirators identified by name as a target of their activities. As a result, Keiser has suffered a substantially decreased business valuation. Significantly fewer students have enrolled at Keiser than expected. On information and belief, the negative publicity has also hindered Keiser's ability to partner with clinical sites needed for its healthcare programs, and its ability to engage in outreach programs at Florida high schools.

IV. Defendants' Personal Animus Toward Keiser University and Art and Belinda Keiser

45. Defendants have particularly focused their negative media campaign on Keiser University and Art and Belinda Keiser. They sought to disparage Keiser University and to cause financial harm based, at least in part, on their personal animus towards the Keisers and their school.

46. Through her use of hundreds of emails and other communications with co-conspirators, Defendant Susan Lehr, in particular, has used her tax-funded position as FSCJ's chief lobbyist to launch a personal and disparaging attack on Keiser University and the Keisers. In fact, Defendant Lehr's boss, Defendant Wallace, described Lehr in an email to short seller Gilchrist Berg as "the designated antagonizer of the privates." Ex. 1 (4/24/09 S. Wallace email to G. Berg).

47. Lehr described herself as "the lady from FL that is always lobbying against the for-profits." Ex. 2 (7/28/09 S. Lehr email to B. Nassirian).

48. Lehr described Dr. Keiser in an email to conspirators as "the guy I can't stand! We did good if he whines." Ex. 3 (2/5/10 S. Lehr email to R. Williams, M. Reiter, and D. Loonin).

49. In another email, Defendant Lehr exhorted unidentified co-conspirators to "see if there is anything you can do, please to counteract Keiser's money."

50. In another, Defendant Lehr personally insulted Dr. and Mrs. Keiser. She wrote: "And Belinda Keiser does not look like she goes with him tho married a long time. She is petite, cute, articulate, hard working but very arrogant like him. I guess that is what happens to you when you 'earn' $20 million a year and own 5 jets."

V. The Short Sellers

51. Short selling is the practice of selling securities that have been borrowed from a third party (usually a broker) with the intention of buying identical assets back at a later date to return to the lender. Short sellers profit when the price of a stock declines.

52. Defendants FSCJ and its lobbyist and president, Lehr and Wallace, actively coordinated their negative media campaign with various short sellers. One of those individuals is Steven Eisman, who made a fortune betting against the subprime mortgage market. Eisman has acknowledged holding substantial short positions on publicly traded proprietary universities.

53. In May 2010, Eisman gave a speech regarding his views on proprietary universities. Defendant Lehr promoted Eisman's speech in advance and tailored a Florida State College press release to Eisman's message that proprietary schools are guilty of "subpriming students." Eisman himself forwarded a copy of his speech to undisclosed recipients including co-conspirators. Helped by the coordinated efforts of the community colleges and various advocacy groups, including Defendants, Eisman's speech was widely reported. As described in more detail below, various news outlets picked up on and further disseminated the coordinated message about for-profits "subpriming students." Following Eisman's speech, Defendant Lehr wrote Eisman to thank him for making it, and he responded that she should stay in touch.

54. Emails between Defendant Lehr and co-conspirator Pauline Abernathy of TICAS also confirm that Lehr and Abernathy, among others at both Florida State College at Jacksonville and TICAS, were trading information with Eisman, whom they knew stood to profit if the value of proprietary schools declined.

55. In addition to Eisman, Defendant Lehr traded information with Dallas-based CPMG Inc., another investment firm that had an apparent interest in seeing the value of

proprietary schools decline. CPMG's Antal Desai contacted Lehr looking for student stories to use against proprietary schools. After confirming with Nassirian that Desai was on the same team, Lehr began trading information with him to hurt proprietary schools.

56. Defendants Lehr and Wallace also conspired with Gilchrist Berg, a Jacksonville-based short seller and founder of Water Street Capital, Inc. In April 2009, Defendant Wallace emailed Berg with information that Lehr had prepared to harm proprietary schools. In his email, Wallace addressed Berg affectionately as "my friend," and described the documents prepared by Lehr as "a bunch of good stuff to get you started in your exploration of greed, corruption, and predatory schemes among Florida's proprietary and for-profit career 'colleges.'" Ex. 1 (4/24/09 S. Wallace email to G. Berg). In a passage that reveals the motivations behind Defendants' efforts, Wallace added, "The new technical college we will launch on 8/1/09 is designed, in part, to drive the sleazebags out of our region." *Id.*

57. A year later, Wallace and Berg were still conspiring to harm proprietary schools.

VI. The Advocacy Groups

58. The message spread by the community colleges and the short sellers was in concert and consistent with the message being spread by certain advocacy groups such as The Institute for College Access and Success (TICAS), the National Consumer Law Center (NCLC), U.S. Public Interest Research Group (PIRG), and the New America Foundation.

59. These groups are closely aligned and fund each other's activities. For example, TICAS has provided large grants to NCLC ($61,000), New America Foundation ($180,000), and Fund for Public Interest Research (now known as Fund for the Public Interest), the fundraising arm of U.S. PIRG ($625,000).

60. On information and belief, these groups coordinated in advance with their co-

conspirators to spread negative press about proprietary schools. The advocacy groups regularly talked to the press and provided quotes that were consistent with the message Defendants intended to disseminate.

61. For example, they regularly commented in news outlets that for-profits "rip off" their students and provide "worthless degrees," remarks that echo the talking points advanced by Defendants.

VII. The Defendants' Attempts to Disparage and Harm Keiser University

A. Exaggerating the Impact of Potential Regulations

62. During the relevant timeframe, Defendant Lehr was communicating with the Department of Education concerning proposed regulations that would restrict access to student aid for students attending proprietary schools. These proposed regulations are known as the "gainful employment" rules because they would define the term "gainful employment" in the provision of the Higher Education Act that lays out requirements for for-profit schools to become eligible for federal student aid, *see* 20 U.S.C. § 1002(b)(1). Lehr and her co-conspirators exaggerated the regulations' potential negative impact on proprietary schools, watched to see if stock prices fell, and cheered when they did.

63. For example, one of Lehr's co-workers and co-conspirators, Jim Simpson, obtained a Credit Suisse analysis of the potential effect of the gainful employment rules on 12 publicly traded for-profit schools. Simpson shared the Credit Suisse report with Lehr and with an analyst at WS Capital Partners. In response, Lehr said, "Oh MY! OH MY, I knew we did good but this is too good, do you think it will stick? Will the big boys start divesting before the axe falls? Are we allowed to share if we redact their name on the documents?"

64. At the same time, Arthur Keiser was attempting to articulate an opposing view

regarding the gainful employment regulations and to stanch the flow of negative press against proprietary schools. Dr. Keiser wrote an opinion piece opposing the proposed rules. In an email forwarding Dr. Keiser's piece to Susan Lehr, community college lobbyist Donald Payton said, "Squeals like a stuck pig, doesn't he? You guys have obviously done good work!" In response, Lehr revealed her true motivation and attitude toward proprietary universities, writing: "Mrkts fell 1.5 b last week!"

65. The conspirators later learned that the Credit Suisse report's description of the impact of the gainful employment regulations was incorrect. Contrary to the Credit Suisse report's prediction, a new draft of the regulations released April 13 contained increased exemptions for proprietary schools. That meant that the report's projected negative impact on proprietary stocks was wrong.

66. Notwithstanding their knowledge of its inaccuracy, the conspirators never corrected the misimpressions left by the report. Ex. 4 (4/14/10 D. Loonin and P. Abernathy emails re: Credit Suisse Report). In fact, one of the conspirators said that it was not in their interest to reveal that the report was inaccurate.

B. False Assertions About "Subpriming Students"

67. In February 2010, defendant Susan Lehr was "struggling with the best way to proceed" in crafting a message that was detrimental to proprietary schools generally and against Plaintiff Keiser in particular. "I can go either way," she wrote to certain co-conspirators. "[S]ub-priming students or consumer fraud both are good arguments."

68. Lehr also drafted an op-ed piece about proprietary schools and sought feedback from her co-conspirators. "I want to nail the FPs [For-Profits]," she said. In her draft op-ed piece, Lehr called proprietary schools a "scam . . . known as the 'sub-priming of students.'"

69. Consistent with Lehr's February op-ed piece about "subpriming students," in May 2010, short seller Steve Eisman gave a speech called "Subprime Goes to College" that predicted for-profit stocks would continue to fall. The speech also helped ensure that they would. In his speech, Eisman said, "[T]he government, the students and the taxpayer bear all the risk and the for-profit industry reaps all the rewards. This is similar to the subprime mortgage sector in that the subprime originators bore far less risk than the investors in their mortgage paper. . . . With billboards lining the poorest neighborhoods in America and recruiters trolling casinos and homeless shelters (and I mean that literally), the for-profits have become increasingly adept at pitching the dream of a better life and higher earnings to the most vulnerable of society."

70. Defendant Lehr promoted Eisman's speech in advance and tailored a Florida State College press release to the message of "subpriming students."

71. Numerous news outlets picked up on the conspiracy's theme of the "subpriming of students."

72. Defendant Lehr and other conspirators kept in touch with Eisman and other investment firms that held positions in proprietary schools.

C. False Assertions that For-Profits "Rip Off" Students and Provide "Worthless Credentials"

73. Defendants pursued a campaign to characterize proprietary schools as institutions that "rip off" students and issue "worthless degrees." Specifically, Lehr sought out and provided information to reporters who could be trusted to disseminate this damaging story.

74. Lehr focused on Kris Hundley, a reporter at the St. Petersburg Times who Lehr referred to as "a gold mine . . . [S]he is on Keiser . . . got his number big time."

75. In an email to other members of the conspiracy, Lehr highlighted her success in placing one of the conspirators' talking points—that for-profit schools "rip off" their students—

with this reporter. This same reporter also published an article specifically focusing on Art Keiser and Keiser University that questioned the "value of his degrees."

76. Recognizing the limitations of her publicly funded position, Lehr enlisted others to serve as proxies in disseminating the story about proprietary schools and her "nemesis" Keiser University.

77. Ms. Hundley's article quoted Barmak Nassirian, a lobbyist with the American Association of Collegiate Registrars and Admissions Officers (AACRAO).

78. Nassirian repeated the conspirators' talking points in the Hundley article: "'Reeling students in and leaving them saddled with debt and *worthless credentials* is not positive intervention,' he said. 'Too many for-profit schools are playing a game of three-card monte with public subsidies, and taxpayers and students are the losers.'"

79. Nassirian also repeated the "worthless credentials" allegations three times in a March 2010 television interview. He charged proprietary schools with "ripping off" students several months later: "as long as people pay up, the government will not delve into whether they were ripped off or not."

80. Having planted its talking points with the media through intermediaries, FSCJ then exploited the message. FSCJ issued a press release that attributed its own message to unnamed "critics." FSCJ wrote: "Unlike traditional colleges that raise money from wealthy alumni and other donors, many for-profit schools sell shares to investors on Wall Street. But what are students getting out of the deal? Critics say a worthless degree and a mountain of debt…"

81. One day after issuing this press release, FSCJ's press contact, Michael Corby, contacted a reporter at First Coast News in an attempt to further disseminate the false message

about "worthless degrees." He described his efforts as follows: "I had left a VM for her and sent an email with all the quotes. Is there a way that we can help <u>direct</u> her to the three mentioned as having the highest default rates if we're prevented from mentioning them by name?"

82. Lehr responded, "Michael is this someone you trust, where we could help her locate the materials without revealing that it came from us?" As demonstrated by this exchange, Lehr and others at FSCJ consistently misused their positions to spread a message that disparaged proprietary schools, while trying to cover their tracks so the source of the disparagement – a competitor – would be concealed.

83. The recipients of Defendant Lehr's February 2010 strategy emails disseminated the misperception that proprietary schools issue worthless degrees. On June 28, the Cincinnati Enquirer quoted co-conspirator Deanne Loonin of the NCLC. Repeating the points made in Defendant Lehr's February 8 email, Loonin said, "There are a lot of ways to deliver education, but don't rip people off while you're doing it."

84. Pauline Abernathy of TICAS was quoted in a USA Today article that suggested the Education Department was concerned that students were graduating from for-profit programs "with excessive debt and worthless degrees." Abernathy repeated the refrain, stating that the Department's proposed regulation has "some teeth in it (but) it isn't as strong as it should be to protect students and taxpayers from getting ripped off by career education." Abernathy was quoted in other publications repeating the same charge.

85. She was also quoted as saying that proprietary schools have been "charging a lot of money for truly worthless degrees.'"

86. In September 2010, the Miami Herald ran a story that had been orchestrated at least in part by Lehr and her co-conspirators. Lehr had been in contact with the Herald reporter,

Michael Vasquez, since at least June, and took steps to ensure that the reporter was "on the right track."

87. In the article, co-conspirator Rich Williams of U.S. PIRG is quoted as saying, "'Some programs are just so toxic that students should not be allowed to enroll in them.'"

D. Finding "Poster Children" to Reinforce the False Perception Defendants Were Trying to Create

88. The conspirators worked hard to provide the media with information about "poster children" that reinforced the image the conspiracy was trying to create about proprietary schools. Deanne Loonin wrote that the group was looking for a particular type of student borrower so that they could "'feed' borrowers to the hungry media." Loonin also wrote that she was aware that "TICAS is trying to put together a data base" of individuals that could be referred to the media.

89. Lehr actively recruited the media to publish stories about the "poster children" they had identified.

90. In March, Lehr emailed with a Bloomberg reporter about one such "poster child." Lehr said: "I told her about you and she seemed willing but hesitant. I didn't want to pressure her, she is to call me back. I have left word with her aunt to encourage her to talk to you. I also suggested that the aunt help her get info from the school. . . . I will try to reach her and get back to you in a few days. Also am looking for other students for you."

91. In July, St. Petersburg Times reporter Kris Hundley wrote another article about Keiser University. This time, Hundley profiled students from Keiser and other proprietary schools who said they were burdened with debt and that their credits would not transfer to community colleges.

VIII. The Impact of Defendants' Negative Media Campaign on Plaintiff Keiser University

92. The conspiracy's campaign to harm proprietary schools has had a direct negative impact on Keiser and caused Keiser to suffer special damages.

93. As a direct and proximate cause of the conspiracy's actions, Keiser has experienced a decline in expected enrollment.

94. As a direct and proximate cause of the conspiracy's actions, the value of Keiser has decreased substantially.

95. On information and belief, various clinical sites needed for Keiser's healthcare programs have been unwilling to contract with Keiser as a direct and proximate cause of the conspiracy's actions.

96. On information and belief, Florida high schools have limited Keiser's access to their students for outreach programs as a direct and proximate cause of the conspiracy's actions.

COUNT I
TORTIOUS INTERFERENCE WITH A BUSINESS RELATIONSHIP

97. Plaintiffs reallege and incorporate herein the allegations contained in each of the foregoing paragraphs.

98. There existed a valid business relationship or expectancy between Plaintiff Keiser and its applicants, prospective students, and existing students. The students enrolled in classes and paid tuition to Keiser in exchange for educational instruction and, upon completion, a degree or certificate in their course of learning.

99. Keiser's applicants, prospective students, and existing students are an identifiable group of predominantly working adults without a higher education, many of whom are minorities and/or women of low income.

100. Defendants knew of Keiser's business relationship or expectancy with its

prospective and existing students.

101. Defendants intentionally interfered with and caused a breach of the business relationship or expectancy between Keiser and its applicants, prospective students, and existing students by engaging in a coordinated and concerted negative media campaign that harmed Keiser's reputation.

102. Keiser suffered special damages as a result of Defendants' negative media campaign in the form of, among other things, decreases in expected enrollment, increased costs of doing business, and decreased business valuation.

COUNT II
INJURIOUS FALSEHOOD

103. Plaintiffs reallege and incorporate herein the allegations contained in the foregoing paragraphs.

104. Defendants and others acting in concert with them published false statements in the form of press releases, speeches, and statements to the press, that were harmful to the pecuniary interests of Plaintiff Keiser University. Defendants' false statements included, among other things, that proprietary schools like Keiser "ripped off" students by providing "worthless degrees," and that such schools engaged in "subpriming students."

105. Defendants intended for publication of these statements to result in pecuniary harm to Keiser, or either recognized or should have recognized that they were likely to do so. In particular, Defendants intended their statements and actions to drive proprietary schools, including Keiser, out of business. They intended to cause Keiser and other proprietary schools to suffer actual losses. They hindered Keiser's ability to engage in partnerships necessary to offer its educational programs and its ability to recruit students. These actions directly led to decreases in expected enrollment and increased costs of doing business. These actual damages

were the natural and direct result of Defendants' conduct.

106. On information and belief, Defendants' negative publicity campaign caused clinical sites needed for Keiser's healthcare programs to decline to partner with Keiser. This made it more difficult for Keiser to offer clinical programs, and therefore less likely for students interested in such programs to enroll at Keiser.

107. On information and belief, Defendants' negative publicity campaign also caused Florida high schools where Keiser has engaged in community outreach programs in the past to restrict Keiser's access to their students. This made it more difficult for Keiser to recruit and therefore less likely for students at those high schools to enroll in Keiser.

108. Keiser suffered special damages as a result of Defendants' negative media campaign in the form of, among other things, decreases in expected enrollment, increased costs of doing business, and decreased business valuation.

109. Defendants knew their statements were false or acted in reckless disregard of their truth or falsity. Defendants knew that Keiser's degrees, and the degrees of other proprietary schools, were not "worthless." Defendants knew that most of Keiser's students graduate and obtain jobs in their fields.

WHEREFORE, Keiser demands a judgment against Defendants for damages, including compensatory damages, lost profits, prejudgment interest, costs, attorneys' fees, and all other relief allowable under the laws of the State of Florida.

Keiser also seeks equitable relief in the form of an injunction, barring Defendants from continuing to disseminate false statements about Keiser University and/or proprietary schools as a group, and barring them from further interfering with Keiser's business relationships with its applicants, prospective students, and existing students.

DEMAND FOR JURY TRIAL

Plaintiff, pursuant to Rule 1.430, Fla. R. Civ. P., hereby demands a trial by jury on all issues so triable as a matter of right.

Respectfully submitted this 4th day of October 2010.

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EXHIBIT 1

Altes, Courtney

From:	Wallace, Steven on behalf of CEO
Sent:	Friday, April 24, 2009 9:41 AM
To:	Berg, Gilchrist
Subject:	FW: OPPAGA amendment
Attachments:	OPPAGA study amendment 1616C2823812.pdf; ABLE Tuition Table 4-09.docx; Private Higher Educ Hx.doc
Importance:	High

All right, my friend. Here is a bunch of good stuff to get you started in your exploration of greed, corruption and predatory schemes among Florida's proprietary and for-profit career "colleges". It is a hideous spectacle, but one that really needs to be addressed in the interest of consumer protection. The new technical college we will launch on 8/1/09 is designed, in part, to drive the sleazebags out of our region.

The OPPAGA study is right on point per our conversation. We expect the attached language to become law. The reference to "targeted occupation lists" is a bureaucratic consideration that may or may not be relevant to your interests. I can walk you through that if you want me to.

The two bonus documents were prepared by my VP for Government Relations. She is unquestionably the best higher ed lobbyist in Florida and is the designated antagonizer of the privates.

Please confirm by reply email that you have received this message.

From: LEHR, SUSAN M
Sent: Thursday, April 23, 2009 9:45 PM
To: CEO
Subject: OPPAGA amendment

Steve, here is the OPPAGA study amendment that went onto a bill that otherwise wouldn't affect us. The bill changes the name of Workforce Education to Career and Adult Education so people won't confuse Lucy Hadi's shop with Agency for Workforce Innovation or the State Workforce Board.

I am also attaching a current chart on ABLE tuition and loans and an explanation of ABLE and FRAG. I have other documents but this is a good start for your friend.

susan

EXHIBIT 2

Crysel, Janice L.

From: Lehr, Susan M.
Sent: Tuesday, July 28, 2009 5:12 PM
To: Baldwin, Elizabeth I.
Subject: FW: Quick Reference Question

Thx, Barmak says Desai is ok

From: nassirianb@aacrao.org [mailto:nassirianb@aacrao.org]
Sent: Tuesday, July 28, 2009 5:09 PM
To: Lehr, Susan M.
Subject: Re: Quick Reference Question

Susan,

I remember you well and hope you're as feisty as ever.

I know Antal and have been impressed with him and his firm. I don't care--or fully understand--what their financial interests in these matters might be, but have found them to be reliable and their information to be of very high quality.

I hope this is helpful. Drop in on me when you're in DC next.

Barmak

Sent from my Verizon Wireless BlackBerry

From: "Lehr, Susan M."
Date: Tue, 28 Jul 2009 16:02:32 -0400
To: 'nassirianb@aacrao.org'<nassirianb@aacrao.org>
Subject: Quick Reference Question

Hi Barmak,
Don't know if you remember me, I'm the lady from FL that is always lobbying against the for-profits. Quick question, do you know Antal Desai? He says he is working to persuade Congress to tighten regulations on the for-profits and asked me to provide student stories. Is he legitimate? He mentioned that he knew you and worked with you on these issues. I would like to know before I forward stuff to him. Thanks – and keep up the good fight for students!

Susan M. Lehr
Vice President Government Relations
Florida State College at Jacksonville
Office 904-632-3391
Mobile 904-537-7195
slehr@fccj.edu

Crysel, Janice L.

From:	LEHR, SUSAN M
Sent:	Friday, July 10, 2009 2:02 PM
To:	SIMPSON, JAMES D; BALDWIN ,ELIZABETH
Subject:	RE: Student Testimonials

Jim, I will contact him next week.

Susan

From: SIMPSON, JAMES D
Sent: Wednesday, July 08, 2009 3:53 PM
To: LEHR, SUSAN M; BALDWIN ,ELIZABETH
Subject: FW: Student Testimonials

The individual with CPMG

-Jim

Jim Simpson
Associate Vice President of Workforce Development
Florida Community College at Jacksonville
Phone: 904-632-5049
e-mail: jsimpson@fccj.edu

Antal Desai would like to talk with one of you regarding the rules hearing and the state of "for profit" education. He is interested in hearing additional student testimonials. CPMG is a mid size investment company located in Dallas. It appears they have made some investments (stocks) of publicaly traded education companies. I think they are trying to determine the amount of risk that may be associated with these investments.

From: Antal Desai [mailto:adesai@cpmg-inc.com]
Sent: Wednesday, July 08, 2009 1:30 PM
To: SIMPSON, JAMES D
Subject: Student Testimonials

Jim,

Thanks for taking the time to chat with me. We would be very interested in seeing your student testimonials. Please put me in touch with your government liaison Susan at your convenience.

Thanks,
Antal Desai

CPMG, Inc.
2100 McKinney, Suite 1770
Dallas, Texas 75201
O: (214) 871-6859
F: (214) 871-6837
adesai@cpmg-inc.com

EXHIBIT 3

Crysel, Janice L.

From: Lehr, Susan M.
Sent: Friday, February 05, 2010 8:47 PM
To: Rich Williams; Margaret Reiter (margaret.reiter123@gmail.com); Deanne Loonin
Subject: FW: Keiser complains of Gainful Employment
Attachments: image001.gif; image002.gif

Here is the guy I can't stand! We did good if he whines.

Susan M. Lehr
Vice President, Government Relations
Florida State College Jacksonville
501 West State St., Jax., FL 32202
Jax Office 904-632-3391, Cell 904-537-7195

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Arthur Keiser: Don't use federal loan restrictions to limit students' career choices

BY Arthur Keiser

Sunday, January 31, 2010

A proposal under consideration by the U.S. Department of Education would in effect tell your son or daughter whether they can enter a specific career path and where they would be able to attend college. This Draconian sounding impact would be achieved through bureaucrats assigning a monetary value to specific career fields.

This proposed "gainful employment" rule, tying levels of federal student loans to projected starting salaries upon graduation, not only violates student rights, but is also highly discriminatory against adult learners attending career colleges and universities.

Ironically it would only serve to restrict access to post-secondary education at a time when the country's economy demands the production of more productive graduates in high demand fields. With nearly 25 percent of all postsecondary students attending private career colleges and universities, the state of Florida would be significantly impacted. The department's proposal to limit student loans for students planning to work in high demand fields is especially frustrating considering the billions being spent to fund liberal arts degrees, for which there is very limited return on investment. Should any student be told he or she should not become a doctor, lawyer, nurse or engineer due to arbitrary student loan limits?

Under the "gainful employment" draft regulation, a vocational or degree program whose graduates' annual debt repayment loads exceeded 8 percent of the average incomes in the field in question would risk losing eligibility to award federal financial aid. The regulation is reportedly being designed to "prevent abuse" of federal student aid and also supposedly protects students from overburdening student loans. The ratio would be calculated by dividing the median debt load of a program's last three years of graduates by the Bureau of Labor Statistics data's 25th percentile of annual earnings for people in occupations for which the program prepared students. The idea would be to enable students to repay their debt on a 10-year schedule.

Student loan debt is a problem. However, Congress decided that loans, not grants, would be the basis of our country's investment in its postsecondary educational system. Loans require repayment and the accumulation of debt. College is expensive and unfortunately most adult learners don't have the family income to pay out of their pocket the growing expense of college.

With severely restricted budgets, states across the country have cut back on higher education funding and even government-owned institutions require students to take out loans to meet their expenses. However, these concerns do not merit an imposition of new rules and regulations that harm non-traditional students and the schools they attend. Unless the department proposes to make education free, they need to get out of the business of determining degrees students can receive. Tying starting estimated future salaries to tuition costs and the student's ability to borrow is nothing more than price fixing and government interference.

The Obama administration has made clear that it believes American workers need at least one year of post-secondary education or training for the country to be able to compete on a global level. The number of post-secondary students attending career colleges and universities is growing and is predicted to significantly increase over the next few years. This critical education sector, funded by private capital, is the key to providing access to adult learners, many of whom are the first in their family to attend college, and also to increasing overall access to higher education. It is the only sector flexible enough to meet President Obama's call to action.

Keiser is chancellor of Keiser University, which serves about 700 students on the Treasure Coast from its campuses in Port St. Lucie and St. Lucie West. It has an enrollment of about 18,000 statewide.

EXHIBIT 4

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Crysel, Janice L.

From:	Deanne Loonin [dloonin@nclc.org]
Sent:	Wednesday, April 14, 2010 8:45 AM
To:	Pauline Abernathy; Lehr, Susan M.; Lauren Asher; Debbie Frankle Cochrane; Luke Klipp; Simpson, James D.; Margaret Reiter; Rich Williams; leg@usstudents.org; nassirianb@aacrao.org; David Hawkins; Amanda Modar; Steve Burd
Subject:	RE: Bad News on GE?
Attachments:	image001.jpg
Categories:	Red Category

wow, how interesting. It set off quite a frenzy. We should keep; that info. confidential? (i.e. that the Credit Suisse is wrong??). and yes congrats on Floria Susan.

From: Pauline Abernathy [mailto:pabernathy@ticas.org]
Sent: Tuesday, April 13, 2010 6:19 PM
To: Lehr, Susan M.; Deanne Loonin; Lauren Asher; Debbie Frankle Cochrane; Luke Klipp; Simpson, James D.; Margaret Reiter; Rich Williams; leg@usstudents.org; nassirianb@aacrao.org; David Hawkins; Amanda Modar; Steve Burd
Subject: RE: Bad News on GE?

Congratulations Susan on the victory in FL! I have been assured that the Credit Suisse description of the regulation is not accurate, but I dont know that it is in our interest to share that. Nevertheless, the for-profit stocks soared today because of it (makes one wonder whether someone got it wrong intentionally to play the market). Below is a news article on it.

APRIL 13, 2010, 2:49 P.M. ET

UPDATE: For-Profit Educators Rise On Regulation Draft Reports

(Adds comments from the U.S. Department of Education and a publisher and updated stock prices.)
By David Benoit Of DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--Shares of for-profit education companies rose thanks to a new draft of the Department of Education's proposed regulation on higher education and the widening of an exemption for institutions. ITT Educational Services Inc. (ESI) and DeVry Inc. (DV) led the charge Tuesday.

The department, in negotiations that started late last year, wants to impose regulations on the for-profits to force them to have certain levels of students in "gainful employment" positions. This is intended to counter the argument these institutions charge too much tuition without producing quality education.

The draft, which the Education Department confirmed it sent to the Office of Management and Budget for review, isn't a public document but analysts at Credit Suisse and Signal Hill reported it includes an exemption for institutions with a 50% completion rate and, of those who finished, a 70% job-placement rate. That would reintroduce an exemption that had appeared in earlier drafts, the analysts said, and lower the completion rate from the previous 70% threshold.

A DOE spokeswoman said the department wouldn't talk about specifics in the draft.

From: Lehr, Susan M. [mailto:SLEHR@fscj.edu]
Sent: Tuesday, April 13, 2010 12:55 PM
To: Deanne Loonin; Pauline Abernathy; Lauren Asher; Debbie Frankle Cochrane; Luke Klipp; Simpson, James D.; Margaret Reiter; Rich Williams; leg@usstudents.org; nassirianb@aacrao.org; David Hawkins; Amanda Modar; Steve Burd
Subject: RE: Bad News on GE?

I agree this is bad news. The problem with completion rates is that they are "purchased" by loans. As long as the student pays the tuition, they will make the grade to complete. Case in point is the young woman with an exceptional ed diploma, tested math at 3rd grade but made A in college algebra at the for profit. She graduated with all A and Bs with a medical assisting degree and huge loans that she is making payments on from her job taking BPs and temps at a doctor's office. Completion is not a problem as long as you pay. These schools also don't do remediation, our state law requires public institutions to test before placement into college credit. With almost 60% of FL HS grads needing remediation and many drop outs going to these schools one would think they would need remediation! But apparently they don't...they complete. Also, there is a problem with placement stats that are self-reported. Accrediting bodies supposedly check from time to time, I don't believe that they do and what is it that they check? FL public institutions have third party verification. I would be ok with the 70% placement if it is third party verified. This can be accomplished through contract with the regional workforce boards or the state's dept. of labor stats like FL does.

I look forward to learning if this is rumor or truth. PS...the FL Council of Presidents voted to send a letter to Secty Duncan endorsing GE, I should be able to send by tomorrow. AND, today in our state legislature, we defeated a FP bill that would have given them matching funds from state revenues for scholarships...YIPPEE.

susan

From: Deanne Loonin [mailto:dloonin@nclc.org]
Sent: Tuesday, April 13, 2010 10:56 AM
To: Pauline Abernathy; ljasher@ticas.org; Debbie Frankle Cochrane; Luke Klipp; Lehr, Susan M.; Simpson, James D.; Margaret Reiter; Rich Williams; leg@usstudents.org; nassirianb@aacrao.org; David Hawkins; Amanda Modar; Steve Burd
Subject: Bad News on GE?

Have you all seen the attached? I would not assume that her info. is accurate. Either DOE and OMB do in fact leak only to industry (b/c we advocates really don't know or at least I don't) or the industry "sources" are wrong. I would go with the latter, but I really don't know for sure. ---THe Wall St. folks believe that govt. works like everything else, that is, it can be corrupted and is full of leaks. And maybe they are right.-If this is true, we are going to be very disappointed and I think should be aggressive with DOE.

I am looking into this as is Pauline (although I will be out this afternoon) but please share anything you know. thanks.

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